dream
office REIT

Dream Office REIT

Q2 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		
		June 30, 2022		March 31, 2022	June 30, 2021
Total properties[1]					
Number of active properties		**28**		29	28
Number of properties under development		**2**		1	2
Gross leaseable area ("GLA") (in millions of square feet)		**5.5**		5.5	5.5
Investment properties value	**$**	**2,603,123**	$	2,596,240	$ 2,483,301
Total portfolio[2]					
Occupancy rate – including committed (period-end)		**85.0%**		85.0%	85.6%
Occupancy rate – in-place (period-end)		**81.6%**		81.7%	83.9%
Average in-place and committed net rent per square foot (period-end)	**$**	**23.35**	$	23.25	$ 23.18
Weighted average lease term ("WALT") (years)		**5.3**		5.4	5.0

		Three months ended				Six months ended		
		June 30, 2022		June 30, 2021		**June 30, 2022**		June 30, 2021
Operating results								
Net income	**$**	**65,922**	$	25,464	**$**	**118,204**	$	35,610
Funds from operations ("FFO")[3]		**20,332**		21,347		**41,375**		42,656
Net rental income		**26,181**		27,014		**52,044**		53,285
Comparative properties net operating income ("NOI")[3][4]		**27,060**		28,493		**54,109**		56,875
Per unit amounts								
FFO (diluted)[3][5]	**$**	**0.38**	$	0.38	**$**	**0.77**	$	0.75
Distribution rate		**0.25**		0.25		**0.50**		0.50

		As at		
		June 30, 2022		December 31, 2021
Financing				
Weighted average face rate of interest on debt (period-end)[6]		**3.66%**		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]		**42.3%**		41.8%
Average term to maturity on debt (years)		**3.1**		3.6
Undrawn credit facilities, available liquidity and unencumbered assets				
Undrawn credit facilities	**$**	**248,050**	$	192,355
Available liquidity[3]	**$**	**258,294**	$	201,118
Unencumbered assets[3]	**$**	**136,879**	$	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]	**$**	**32.83**	$	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) and NAV per unit 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 June 30, 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 and six months ended June 30, 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 the purposes of preparing the condensed consolidated financial statements.

This management's discussion and analysis ("MD&A") is dated August 4, 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; our commitment to invest in our downtown Toronto portfolio and retrofit our properties in the Bay Street corridor; expected capital requirements and cost to complete development projects; the expectation that development costs for certain projects will satisfy the terms of the Canada Infrastructure Bank credit facility; timing of project completion, including in respect of revitalization and renovation projects; the effect of building improvements on tenant experience, building quality and performance; our ability to attract and retain tenants, including in respect of ongoing prospective tenant negotiations; our acquisition and leasing pipeline; leasing velocity, square footage expected to be leased, property operating costs and rates on future leasing; our expectations regarding future demand for office space in urban markets in Canada; our ability to deliver best-in-class boutique office space to our tenants through capital improvements and redevelopments; 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; our ability to increase building performance and achieve certain energy efficiency and greenhouse gas reduction goals; our expectation that cash flows less interest may be less than total distributions; the recoverability of capital investments from future tenants; the future composition of our portfolio; our ability to mitigate certain risks; expected tax obligations; our capital commitments in respect of certain investment properties; 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 inflation will remain relatively low; 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; inflation; the uncertainties around the availability, timing and amount of future equity and debt 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; NOI from development properties on completion; tax risks, including our continued compliance with the real estate investment trust ("REIT") exception under the specified investment flow-through trust ("SIFT") legislation; interest rates; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators. 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".

All forward-looking information is as of August 4, 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 June 30, 2022, the Trust had $3.1 billion of total assets, $2.6 billion of investment properties and $1.3 billion of total debt. To date the Trust has collected 98.7% of Q2 2022 recurring contractual gross rent, in line with collections in previous quarters. In-place and committed occupancy was flat compared to March 31, 2022 at 85.0%. Approximately 2% of the Trust's total portfolio is currently sublet, with a weighted average in-place net rent of just over $26 per square foot.

During Q2 2022, the Trust executed leases totalling approximately 155,000 square feet across our portfolio. In Toronto downtown, the Trust executed 136,000 square feet of leases at a weighted average initial net rent of $36.92 per square foot, or 47.6% higher than the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 4.8 years. In the Other markets region, comprising our properties located in Calgary, Saskatchewan, Mississauga, Scarborough and the United States, we executed leases totalling 19,000 square feet at a weighted average net rent of $13.19 per square foot, an increase of 7.7% from the weighted average prior net rent on the same space, with a weighted average lease term of 2.7 years.

Since the beginning of the year to today's date, we have executed leases totalling approximately 343,000 square feet across our portfolio. In Toronto downtown, the Trust executed 295,000 square feet of leases, including a 54,000 square foot lease with a flexible workspace provider where rents comprise a share of the tenant's net revenues. The remaining 241,000 square feet of leases were at a weighted average initial net rent of $36.45 per square foot, or 34.9% higher than the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 6.2 years. In the Other markets region, we executed leases totalling 48,000 square feet at a weighted average initial net rent per square foot of $16.87, or 2.9% higher than the weighted average prior net rents on the same space, with a weighted average lease term of 5.3 years.

To date, the Trust has secured commitments for approximately 724,000 square feet, or 90% of 2022 full-year natural lease expiries. In Toronto downtown, 50,000 square feet, or approximately 1.5% of the region's gross leaseable area, was being held intentionally vacant for retail repositioning and property improvement purposes as at June 30, 2022.

We remain committed to investing in our well-located real estate portfolio in downtown Toronto to distinguish our assets and attract unique tenants. Despite supply chain and labour constraints in the construction industry, we are on target to finish the Bay Street revitalization redevelopment project in 2022 within the initial budget. Currently, the Trust has substantially completed the interior renovation work, and façade improvements and the alley revitalization project are scheduled to be finished this year. As a result of these improvements, the Trust has currently completed or is in an advanced state of negotiations with two high-end restaurants totalling 26,000 square feet in downtown Toronto, representing 13,000 square feet of the space held intentionally vacant. We are also in advanced negotiations with an additional high-end restaurant prospect for 6,000 square feet at one of our properties under development. We believe these restaurants will further enhance our properties and help attract tenants and visitors to our buildings.

Since 2020, our successful redevelopment program has completed two other projects on time and on budget that have significantly increased the value of the assets and delivered significant incremental income to the Trust. 357 Bay Street in Toronto downtown was completed in Q4 2020 and in Q2 2022 contributed $3.2 million of annualized comparative properties NOI(1). Co-operators Place in Regina, Saskatchewan, was completed in Q2 2021 and in Q2 2022 contributed $5.5 million of annualized comparative properties NOI(1). We previously took 366 Bay Street in Toronto offline to fully revitalize the asset and during Q2 2022 a negotiated termination at 67 Richmond Street West in Toronto presented an opportunity to undertake a similar project at that property.

At 67 Richmond Street West and 366 Bay Street, the development projects comprise full modernizations of the properties, including technical systems, interior lighting and elevators, along with enhanced common areas and larger floorplates. The Trust is targeting certain building and project certifications as part of the development projects. A portion of the development costs for these buildings will satisfy the terms of the Canada Infrastructure Bank credit facility, allowing the Trust to access low-cost fixed-rate financing for the developments.

As at June 30, 2022, the Trust had approximately $258 million of available liquidity[1], comprising $10.2 million of cash, undrawn revolving credit facilities totalling $135.1 million and $112.9 million of availability on our Canada Infrastructure Bank credit facility which offers low-cost fixed-rate financing for commercial property retrofits to achieve certain energy efficiency savings and greenhouse gas emission reductions. The Trust also had $137 million of unencumbered assets[1] and a level of debt (net total debt-to-net total assets)[1] of 42.3%.

Rising input costs and interest rates, supply chain disruptions, uncertainty about future economic trends, the impact of geopolitical conflicts and residual effects of the COVID-19 pandemic have made it difficult for our current and prospective tenants 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 believe that there will continue to be demand for high-quality and well-located office space in urban markets in Canada, especially in Toronto. 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.

In May 2022, the Trust was awarded a Platinum Level award by the Green Lease Leader program during the Better Buildings, Better Plants Summit by the Institute for Market Transformation and the U.S. Department of Energy's Better Buildings Alliance. Building on the Trust's 2021 Gold Level recognition, this year the Trust achieved Platinum Level recognition for integrating ambitious building energy reduction goals with social impact goals. To receive this recognition, the Trust qualified for credits in energy efficiency and sustainability best practices such as utility data tracking and sharing, cost recovery for capital improvements, building resilience and sustainability training. This is the first year that the Platinum Level award was implemented, and the Trust is one of the few applicants to achieve the highest level of recognition.

Our stake in Dream Industrial REIT continues to provide a meaningful contribution to our FFO. Over the past two years, Dream Industrial REIT has transformed into a global REIT that owns a high-quality logistics portfolio located in some of the most attractive industrial markets across North America and Europe. Monthly distributions from Dream Industrial REIT provide steady, predictable cash flow to the Trust at a time of uncertainty.

(1) Comparative properties NOI, 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.

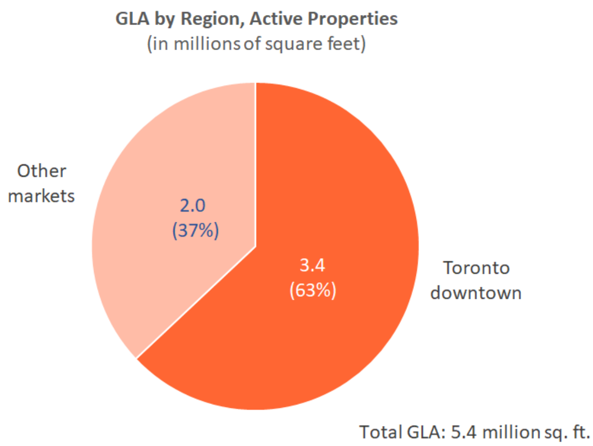
SECTION II

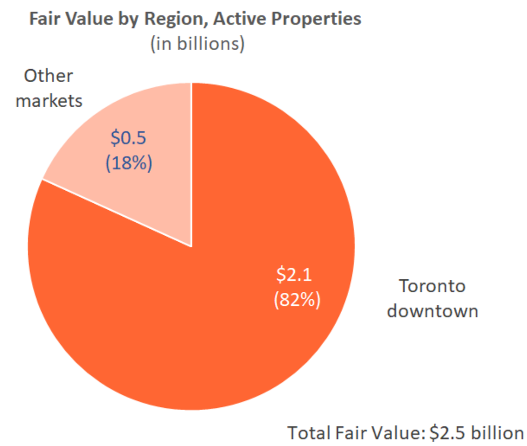
OUR PROPERTIES

At June 30, 2022, our ownership interests included 5.5 million square feet of GLA across 30 properties, which comprise 28 active office properties (5.4 million square feet) and two properties 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 June 30, 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 approximately 420 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 5.5 years.

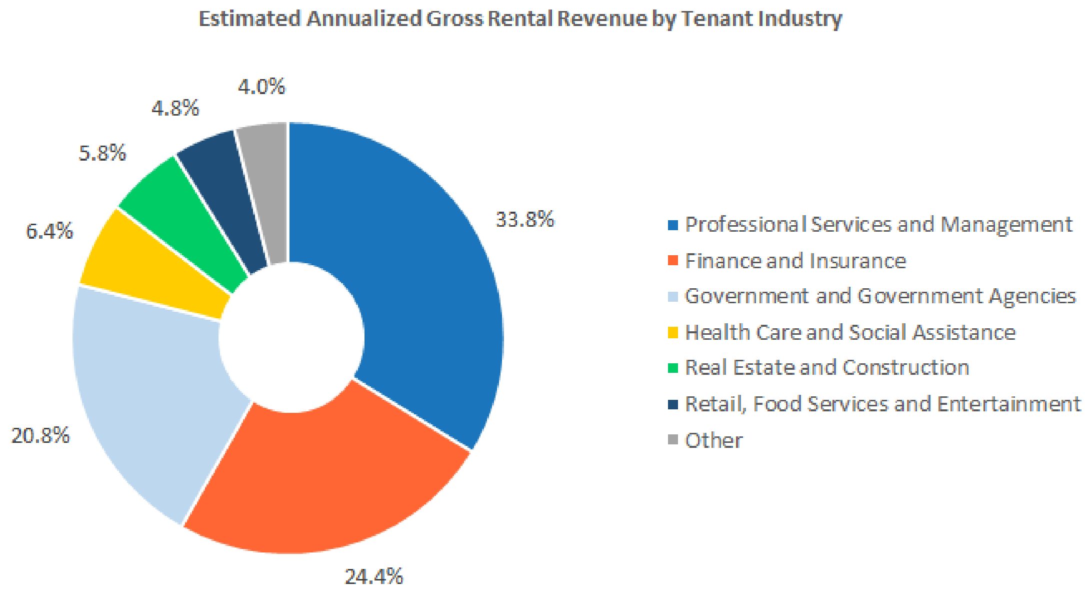
	Tenant	Gross rental revenue (%)	Owned area (thousands of sq. ft.)	Owned area (%)	Credit rating[(1)]
1	Government of Ontario	11.1	526	9.7	A+/A-1
2	Government of Canada	8.3	344	6.4	AAA/A-1+
3	International Financial Data Services	3.4	137	2.5	N/R
4	State Street Trust Company	3.3	139	2.6	AA-/A/A-1+
5	U.S. 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	1.5	54	1.0	N/R
10	International Language Academy of Canada	1.2	51	0.9	N/R
	Total	38.0	1,692	31.3	

(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	**June 30, 2022**	March 31, 2022	June 30, 2021
Total portfolio(1)			
Occupancy rate – including committed (period-end)	**85.0%**	85.0%	85.6%
Occupancy rate – in-place (period-end)	**81.6%**	81.7%	83.9%
Average in-place and committed net rent per square foot (period-end)	**$ 23.35**	$ 23.25	$ 23.18
WALT (years)	**5.3**	5.4	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 June 30, 2022, March 31, 2022 and June 30, 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)	**June 30, 2022**	March 31, 2022	June 30, 2021	**June 30, 2022**	March 31, 2022	June 30, 2021
Toronto downtown	**88.8**	88.6	90.9	**84.4**	84.7	90.5
Other markets	**78.6**	78.9	75.3	**77.0**	76.5	71.1
Total portfolio(1)	**85.0**	85.0	85.6	**81.6**	81.7	83.9

(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 was flat relative to Q1 2022.

In Toronto downtown, in-place occupancy decreased by 0.3% relative to Q1 2022 as 57,000 square feet of expiries and 18,000 square feet of early terminations were substantially offset by 39,000 square feet of renewals and 29,000 square feet of new lease commencements. At 67 Richmond Street West in Toronto, a tenant vacated 39,000 square feet during the quarter as a result of a termination agreement negotiated during 2021. The Trust has taken the building offline to commence a full building retrofit to transform the property to a best-in-class boutique office building.

In Toronto downtown, 50,000 square feet, or approximately 1.5% of the region's gross leaseable area, is currently being held intentionally vacant for retail repositioning and property improvement purposes of which the trust has deals that are either conditional or in an advanced state of negotiation to fill 13,000 square feet of the vacant space.

In the Other markets region, in-place occupancy increased 0.5% relative to Q1 2022, driven by 20,000 square feet of new lease commencements and 11,000 square feet of renewals, partially offset by 19,000 square feet of expiries.

Total portfolio in-place occupancy on a year-over-year basis decreased from 83.9% at Q2 2021 to 81.6% this quarter due to net negative absorption in Toronto downtown partially offset by the reclassification of Co-operators Place in Regina to active properties in Q3 2021 and net positive absorption in Other markets.

In-place and committed occupancy was flat relative to the prior quarter as strong leasing in Toronto downtown was offset by lease expiries in the Other markets region. Year-over-year, in-place and committed occupancy decreased by 0.6% primarily driven by negative absorption in Toronto downtown partially offset by positive absorption in Other markets.

The following table details the change in total portfolio in-place and committed occupancy for the three and six months ended June 30, 2022:

	Three months ended June 30, 2022			Six months ended June 30, 2022		
	Weighted average net rents per sq. ft.	Thousands of sq. ft.	As a percentage of total GLA	Weighted average net rents per sq. ft.	Thousands of sq. ft.	As a percentage of total GLA
Total portfolio occupancy (in-place and committed) at beginning of period		4,626	85.0%		4,652	85.5%
Vacancy committed for future occupancy		(182)	(3.3%)		(142)	(2.6%)
Total portfolio occupancy (in-place) at beginning of period		4,444	81.7%		4,510	82.9%
Reclassifications to properties under development		(5)			(5)	
Total portfolio occupancy (in-place) at beginning of period – adjusted		4,439	82.3%		4,505	83.5%
Natural expiries and relocations	$ (24.63)	(74)	(1.4%)	$ (22.22)	(139)	(2.6%)
Early terminations and bankruptcies	(28.35)	(59)	(1.1%)	(27.15)	(155)	(2.9%)
Temporary leasing	—	—	—	—	24	0.4%
New leases	26.14	48	0.9%	21.49	96	1.8%
Renewals and relocations	27.02	50	0.9%	25.62	73	1.4%
Total portfolio occupancy (in-place) at end of period(1)		4,404	81.6%		4,404	81.6%
Vacancy committed for future occupancy(1)		182	3.4%		182	3.4%
Total portfolio occupancy (in-place and committed) at end of period(1)		4,586	85.0%		4,586	85.0%

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

For the three months ended June 30, 2022, 68,000 square feet of leases commenced in Toronto downtown at $33.18 per square foot, or 23.8% higher than the previous rent in the same space. In the Other markets region, 30,000 square feet of leases commenced at $11.91 per square foot or 4.9% lower than the previous rents in the same space as rental rates on new leasing rolled down to market rates.

For the six months ended June 30, 2022, 89,000 square feet of leases commenced in Toronto downtown at $33.65 per square foot, or 24.9% higher than the previous rent in the same space. In the Other markets region, 80,000 square feet of leases commenced at $11.61 per square foot or 26.2% lower than the previous rents in the same space as rental rates on new and renewed leasing rolled down to market rates.

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 and six months ended June 30, 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 June 30, 2022(1)		Six months ended June 30, 2022(1)
Tenant retention ratio		67.6%		52.5%
Renewal and relocation rate (per sq. ft.)	$	27.02	$	25.62
Expiring rate on retained tenant space (per sq. ft.)		26.09		24.66
Renewal and relocation rate to expiring rate spread (per sq. ft.)		0.93		0.96
Renewal and relocation rate to expiring rate spread (%)		3.6%		3.9%

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

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 June 30, 2022, March 31, 2022 and June 30, 2021.

Average in-place and committed net rents across our total portfolio increased to $23.35 per square foot at June 30, 2022 when compared to $23.25 per square foot at March 31, 2022 and $23.18 per square foot at June 30, 2021.

In Toronto downtown, average in-place and committed net rents increased by $0.17 per square foot quarter-over-quarter due to higher rates on new leases and renewals. In Other markets, net rents increased slightly relative to Q1 2022 due to higher rates on new 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 increases in net rents for new leases and renewals and rent steps, as well as the reclassification of Co-operators Place in Regina to active properties in Q3 2021 on development completion 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 June 30, 2022, March 31, 2022 and June 30, 2021:

	Average in-place and committed net rent (per sq. ft.)(1)					
		June 30, 2022		March 31, 2022		June 30, 2021
Toronto downtown	**$**	**26.85**	$	26.68	$	26.17
Other markets		**16.70**		16.68		16.32
Total portfolio(2)	**$**	**23.35**	$	23.25	$	23.18

(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 and market trends.

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 June 30, 2022.

The following table compares market rents in our total portfolio to the average in-place and committed net rent as at June 30, 2022:

					As at June 30, 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	$	31.38	$	26.85	16.9%
Other markets		14.17		16.70	(15.2%)
Total portfolio[3]	$	25.01	$	23.35	7.1%

(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 and six months ended June 30, 2022, our total portfolio average initial direct leasing costs and lease incentives were $5.81 per square foot per year and $4.92 per square foot per year, respectively, representing an increase of $2.73 per square foot per year and $2.97 per square foot per year over the prior year comparative quarter and period. The increase in leasing costs for the quarter is primarily due to higher leasing costs in the Other markets region. For the six months ended June 30, 2022 a government lease renewal totalling 248,000 square feet with no associated leasing costs in the prior year comparative period also contributed to higher costs on a per square foot per year basis relative to 2021.

	Three months ended June 30,				Six months ended June 30,			
Performance indicators		**2022[1]**		2021[1]		**2022[1]**		2021[1]
Leases that commenced during the period								
Thousands of square feet		**98**		98		**169**		516
Average lease term (years)		**5.0**		6.5		**5.5**		5.8
Initial direct leasing costs and lease incentives								
In thousands of dollars	**$**	**2,846**	$	1,964	**$**	**4,573**	$	5,801
Per square foot		**29.04**		20.04		**27.06**		11.24
Per square foot per year		**5.81**		3.08		**4.92**		1.95

(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 June 30, 2022:

(in thousands of square feet)	Temporary leases	Remainder of 2022	2023	2024	2025	2026	2027+
Toronto downtown							
Expiries	(16)	(528)	(554)	(237)	(332)	(484)	(715)
Expiring net rents at maturity	$ 9.08	$ 26.17	$ 26.30	$ 28.26	$ 28.20	$ 25.22	$ 31.68
Commencements	n/a	420	403	37	10	10	27
Commencements as a percentage of expiries	n/a	80%	73%	16%	3%	2%	4%
Other markets							
Expiries	(21)	(120)	(62)	(169)	(254)	(126)	(786)
Expiring net rents at maturity	$ 3.72	$ 22.68	$ 18.22	$ 15.88	$ 17.86	$ 21.67	$ 18.87
Commencements	n/a	79	22	9	—	—	—
Commencements as a percentage of expiries	n/a	66%	35%	5%	—	—	—
Total portfolio							
Expiries	(37)	(648)	(616)	(406)	(586)	(610)	(1,501)
Expiring net rents at maturity	$ 6.03	$ 25.52	$ 25.49	$ 23.11	$ 23.72	$ 24.49	$ 24.97
Commencements	n/a	499	425	46	10	10	27
Commencements as a percentage of expiries	n/a	77%	69%	11%	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 $31.42 per square foot in Toronto downtown and $21.60 per square foot in Other markets. Committed net rents for 2023 are $31.69 per square foot in Toronto downtown and $8.35 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 and six months ended June 30, 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 and six months ended June 30, 2022 and June 30, 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; provisions net of government assistance; 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 %
	June 30, 2022	June 30, 2021	Change Amount	Change %		
Toronto downtown	$ **21,167**	$ 22,717	$ (1,550)	(6.8)	(7.0)	3.2
Other markets	**5,893**	5,776	117	2.0	1.8	(3.4)
Comparative properties NOI	**27,060**	28,493	(1,433)	(5.0)	(3.7)	0.5
Co-operators Place	**1,364**	109	1,255			
Properties under development	**334**	262	72			
Property management and other service fees	**518**	417	101			
Provisions net of government assistance	**(510)**	421	(931)			
Straight-line rent	**298**	118	180			
Amortization of lease incentives	**(2,903)**	(2,831)	(72)			
Lease termination fees and other	**20**	75	(55)			
Sold properties	**—**	(50)	50			
Net rental income	$ **26,181**	$ 27,014	$ (833)			

	Six months ended				Change in weighted average occupancy %	Change in in-place net rents %
	June 30, 2022	June 30, 2021	Change Amount	Change %		
Toronto downtown	$ **42,526**	$ 45,900	$ (3,374)	(7.4)	(7.6)	3.3
Other markets	**11,583**	10,975	608	5.5	2.0	(3.3)
Comparative properties NOI	**54,109**	56,875	(2,766)	(4.9)	(3.9)	0.6
Co-operators Place	**2,653**	119	2,534			
Properties under development	**550**	548	2			
Property management and other service fees	**949**	743	206			
Provisions net of government assistance	**(1,112)**	590	(1,702)			
Straight-line rent	**427**	145	282			
Amortization of lease incentives(1)	**(5,805)**	(5,761)	(44)			
Lease termination fees and other	**273**	47	226			
Sold properties	**—**	(21)	21			
Net rental income from continuing operations	$ **52,044**	$ 53,285	$ (1,241)			

(1) For the six months ended June 30, 2022 and June 30, 2021, amortization of lease incentives included $(399) and $(139), respectively, related to acquired, held for sale and sold properties, a property under development and a completed property under development, as applicable.

For the three months ended June 30, 2022, comparative properties NOI decreased by 5.0%, or $1.4 million, over the prior year comparative quarter, primarily driven by lower weighted average occupancy in Toronto downtown. 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 $0.6 million across the portfolio. For the three months ended June 30, 2022, net rental income decreased by 3.1% or $0.8 million over the prior year comparative quarter.

In Toronto downtown, comparative properties NOI decreased by $1.6 million, or 6.8%, over the prior year comparative quarter mainly driven by declines in weighted average occupancy. This decrease was partially offset by higher parking revenues, rent steps and higher rates on new leases and renewals in the region.

In the Other markets region, comparative properties NOI increased by $0.1 million, or 2.0%, over the prior year comparative quarter, primarily driven by an increase in weighted average occupancy and favourable parking revenues.

For the six months ended June 30, 2022, comparative properties NOI decreased by 4.9%, or $2.8 million, over the prior year comparative period primarily driven by declines in weighted average occupancy in Toronto downtown. This was partially offset by rent steps and higher rates on renewals in Toronto downtown, higher parking revenues of $0.9 million across the portfolio and increased occupancy in the Other markets region.

In Q2 2022, 67 Richmond Street West was reclassified from active properties to properties under development as the project to transform and revitalize the property into a best-in-class boutique office building had commenced. The Trust currently has two properties under development: 366 Bay Street and 67 Richmond Street West in Toronto downtown.

In Q3 2021, Co-operators 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.

Included in “Provisions net of government assistance” for the three and six months ended June 30, 2022 are provisions for outstanding and deferred accounts receivable totalling $0.5 million and $1.1 million, respectively (for the three and six months ended June 30, 2021 – provisions for outstanding and deferred accounts receivable totalling $0.2 million and $0.8 million, respectively, and government subsidy programs of $0.6 million and $1.4 million, respectively).

OUR RESULTS OF OPERATIONS

Condensed consolidated statement of comprehensive income

	Three months ended June 30,		Six months ended June 30,	
(in thousands of Canadian dollars)	**2022**	2021	**2022**	2021
Investment properties revenue	**$ 48,148**	$ 48,150	**$ 97,771**	$ 97,626
Investment properties operating expenses	**(21,967)**	(21,136)	**(45,727)**	(44,341)
Net rental income	**26,181**	27,014	**52,044**	53,285
Other income				
Share of net income from investment in Dream Industrial REIT	**9,577**	28,495	**52,476**	42,445
Share of net loss from investment in joint ventures	**(450)**	(231)	**(522)**	(247)
Interest and other income	**850**	483	**1,206**	987
	9,977	28,747	**53,160**	43,185
Other expenses				
General and administrative	**(2,888)**	(2,867)	**(5,423)**	(5,155)
Interest:				
Debt	**(11,942)**	(10,766)	**(23,201)**	(21,650)
Subsidiary redeemable units	**(1,309)**	(1,309)	**(2,617)**	(2,617)
Depreciation on property and equipment	**(117)**	(227)	**(247)**	(469)
	(16,256)	(15,169)	**(31,488)**	(29,891)
Fair value adjustments, internal leasing costs and net gain (loss) on transactions				
Fair value adjustments to investment properties	**(5,820)**	(3,696)	**13,559**	(9,835)
Fair value adjustments to financial instruments	**52,372**	(10,990)	**32,090**	(19,142)
Internal leasing costs and net gain (loss) on transactions	**(527)**	(371)	**(1,032)**	(727)
	46,025	(15,057)	**44,617**	(29,704)
Income before income taxes and discontinued operations	**65,927**	25,535	**118,333**	36,875
Current and deferred income taxes expense, net	**(5)**	(71)	**(129)**	(159)
Income from continuing operations, net of taxes	**65,922**	25,464	**118,204**	36,716
Loss from discontinued operations	**—**	—	**—**	(1,106)
Net income	**65,922**	25,464	**118,204**	35,610
Other comprehensive income (loss)	**540**	(2,083)	**(3,075)**	(4,229)
Comprehensive income	**$ 66,462**	$ 23,381	**$ 115,129**	$ 31,381

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 and six months ended June 30, 2022 was $48.1 million and $97.8 million, respectively, compared to $48.2 million and $97.6 million, respectively, in the prior year comparative quarter and period. The decrease over the prior year comparative quarter was primarily due to lower weighted average occupancy in Toronto downtown. The increase over the prior period was primarily due to higher rents on renewals and new leases in Toronto downtown, higher weighted average occupancy in Other markets, a lease commencement at Co-operators Place during Q3 2021 and improved transient parking revenues across our portfolio, partially offset by lower weighted average occupancy in Toronto downtown.

Investment properties operating expenses

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

Investment properties operating expenses for the three and six months ended June 30, 2022 were $22.0 million and $45.7 million, respectively, compared to $21.1 million and $44.3 million, respectively, in the prior year comparative quarter and period. Overall, the increase in investment properties operating expenses over the prior year comparative quarter and period 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 June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Share of income	**$ 9,760**	$ 26,008	**$ 53,596**	$ 40,986
Dilution gain (loss)	**(183)**	2,487	**(1,120)**	1,459
Share of net income from investment in Dream Industrial REIT	**$ 9,577**	$ 28,495	**$ 52,476**	$ 42,445

Our share of income from our investment in Dream Industrial REIT before dilution adjustments decreased by $16.2 million and increased by $12.6 million, respectively, over the prior year comparative quarter and period. For the three months ended June 30, 2022, the decrease over the prior year comparative quarter was primarily due to lower fair value gains relative to the prior year. For the six months ended June 30, 2022, the increase over the prior year was primarily due to the effect of higher fair value gains 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 and six months ended June 30, 2022, share of net loss from investment in joint ventures amounted to $0.5 million, compared to a loss of $0.2 million in the prior year comparative quarter and period, driven by higher general and administrative expenses in our investment in Alate and higher operating expenses at 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 and six months ended June 30, 2022, interest and other income was $0.9 million and $1.2 million, respectively, compared to $0.5 million and $1.0 million, respectively, in the prior year comparative quarter and period. The overall increase over the prior year comparative periods was primarily due to a $0.4 million extension fee paid by the borrower in the current quarter in connection with the exercise of a one-year extension option for the VTB mortgage.

General and administrative expenses

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Salaries and benefits	**$ (945)**	$ (874)	**$ (1,867)**	$ (1,788)
Deferred compensation expense	**(1,003)**	(1,035)	**(1,700)**	(1,534)
Professional services fees, public reporting, overhead-related costs and other	**(940)**	(958)	**(1,856)**	(1,833)
General and administrative expenses	**$ (2,888)**	$ (2,867)	**$ (5,423)**	$ (5,155)

For the three and six months ended June 30, 2022, general and administrative expenses were $2.9 million and $5.4 million, respectively, compared to $2.9 million and $5.2 million, respectively, in the prior year comparative quarter and period. For the three months ended June 30, 2022, general and administrative expenses were flat compared to the prior year comparative quarter as higher net compensation costs were offset by lower overhead costs and deferred compensation expense due to a lower average unit price. For the six months ended June 30, 2022, the increase of $0.3 million over the prior year was mainly attributable to higher net compensation costs and deferred compensation expense due to a higher average unit price.

Interest expense – debt

For the three and six months ended June 30, 2022, interest expense on debt was $11.9 million and $23.2 million, respectively, relative to $10.8 million and $21.7 million, respectively, in the prior year comparative quarter and period primarily as a result of higher net debt balances and interest rates on variable debt.

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 and six months ended June 30, 2022 was $1.3 million and $2.6 million, respectively, and remained consistent with the prior year comparative quarter and period 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 and six months ended June 30, 2022 was $0.1 million and $0.2 million, respectively, a decrease of $0.1 million and $0.2 million, respectively, compared to the prior year comparative quarter and period 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 and six months ended June 30, 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 and six months ended June 30, 2022, the Trust recorded fair value gains totalling $52.4 million and $32.1 million, respectively, due to the remeasurement of the carrying value of subsidiary redeemable units and deferred trust units as a result of a decrease in the Trust’s unit price relative to March 31, 2022 and December 31, 2021.

Internal leasing costs and net gain (loss) on transactions

Internal leasing costs and net gain (loss) on transactions for the three and six months ended June 30, 2022 was an expense of $0.5 million and $1.0 million, respectively, compared to an expense of $0.4 million and $0.7 million, respectively, in the prior year comparative quarter and period. The increases in expense relative to the prior year comparative quarter and period were due to higher internal leasing costs.

Current and deferred income taxes 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 and six months ended June 30, 2022, the Trust recorded a deferred income taxes expense of $5 thousand and a net current and deferred income taxes expense of $0.1 million, respectively, 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 six months ended June 30, 2022, loss from discontinued operations was $nil compared to a loss of $1.1 million in the prior year comparative period. Loss from discontinued operations in the prior year was due to cost of sales arising from post-closing adjustments.

Other comprehensive income (loss)

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

For the three and six months ended June 30, 2022, other comprehensive income amounted to $0.5 million and a loss of $3.1 million, respectively, compared to a loss of $2.1 million and a loss of $4.2 million, respectively, for the three and six months ended June 30, 2021. The change in other comprehensive income (loss) over the prior year comparative periods was primarily driven by foreign currency translation adjustments in our investments in Dream Industrial REIT and Alate 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 June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
FFO for the period	**$ 20,332**	$ 21,347	**$ 41,375**	$ 42,656
Diluted weighted average number of units(1)	**53,350**	56,849	**53,513**	56,805
FFO per unit – diluted	**$ 0.38**	$ 0.38	**$ 0.77**	$ 0.75

(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 June 30, 2022, diluted FFO per unit was flat relative to Q2 2021 at $0.38 per unit as net rental income from our completed development at Co-operators Place in Regina (+$0.02), the accretive effect of repurchases under the Normal Course Issuer Bid ("NCIB") in the current and prior year (+$0.02) and higher FFO from our investment in Dream Industrial REIT (+$0.01) were offset by lower net rental income (-$0.04) and higher interest expense (-$0.01).

For the six months ended June 30, 2022, diluted FFO per unit increased by $0.02 to $0.77 per unit relative to $0.75 in the prior year comparative period primarily due to net rental income from our completed development at Co-operators Place in Regina (+$0.05), the effect of accretive unit repurchases under our NCIB program in the current period (+$0.04) and higher FFO from our investment in Dream Industrial REIT (+$0.03), partially offset by lower net rental income (-$0.08), higher general and administrative expenses (-$0.01) and higher interest expense (-$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

The following is a summary of costs processed by DAM and the Trust for the three and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Property management services fee charged by the Trust	**$ 88**	$ 63	**$ 181**	$ 131
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)	**2,938**	2,343	**5,243**	4,366
Development fees charged by DAM	**(589)**	(589)	**(1,177)**	(1,177)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)	**(363)**	(299)	**(696)**	(566)
Net fees and reimbursements from DAM	**$ 2,074**	$ 1,518	**$ 3,551**	$ 2,754

For the three and six months ended June 30, 2022, total distributions and subsidiary redeemable interest paid and payable to DAM were $4.6 million and $9.0 million, respectively (for the three and six months ended June 30, 2021 – $4.4 million and $8.8 million, respectively).

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 and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Property management and construction fees related to co-owned and managed properties	**$ 251**	$ 199	**$ 469**	$ 551
Costs processed on behalf of Dream Impact Trust related to co-owned and managed properties	**423**	300	**834**	632
Amounts charged to Dream Impact Trust under the services agreement	**273**	143	**496**	257
Total cost recoveries from Dream Impact Trust	**$ 947**	$ 642	**$ 1,799**	$ 1,440

Related party transactions with Dream Industrial REIT

The following is a summary of the cost recoveries from Dream Industrial REIT for the three and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Total cost recoveries from Dream Industrial REIT	**$ 1,772**	$ 1,437	**$ 3,750**	$ 2,761

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 and six months ended June 30, 2022 are summarized in the following table:

						Three months ended
	April 1, 2022	Building improvements, initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments[(1)]	Transfers to properties under development	**June 30, 2022**
Toronto downtown	$ 2,109,262	$ 10,140	$ (5,402)	$ (1,691)	$ (30,923)	**$ 2,081,386**
Other markets	462,659	1,077	(425)	427	—	**463,738**
Active properties	2,571,921	11,217	(5,827)	(1,264)	(30,923)	**2,545,124**
Add:						
Properties under development	24,319	2,750	7	—	30,923	**57,999**
Total amounts included in condensed consolidated financial statements	$ 2,596,240	$ 13,967	$ (5,820)	$ (1,264)	$ —	**$ 2,603,123**

(1) Included in Other markets is a foreign currency translation adjustment totalling $1,384 related to a property located in the U.S. during the quarter.

						Six 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)]	Transfers to properties under development	**June 30, 2022**
Toronto downtown	$ 2,083,377	$ 17,708	$ 14,715	$ (3,491)	$ (30,923)	**$ 2,081,386**
Other markets	462,547	3,564	(1,163)	(1,210)	—	**463,738**
Active properties	2,545,924	21,272	13,552	(4,701)	(30,923)	**2,545,124**
Add:						
Properties under development	23,078	3,991	7	—	30,923	**57,999**
Total amounts included in condensed consolidated financial statements	$ 2,569,002	$ 25,263	$ 13,559	$ (4,701)	$ —	**$ 2,603,123**

(1) Included in Other markets is a foreign currency translation adjustment totalling $738 related to a property located in the U.S. during the quarter.

Properties under development

On May 1, 2022, the Trust reclassified 67 Richmond Street West in Toronto downtown to properties under development. The Trust is commencing a development project to transform the property into a best-in-class boutique office building by fully modernizing the property’s technical systems and interior lighting, improving floorplates, upgrading washrooms and completing an elevator modernization and full lobby retrofit consistent with the Dream Collection standard. The full-scale retrofit will allow the Trust to improve energy efficiency to obtain the Investor Ready Energy Efficiency certification. We intend to invest approximately $12 million over the course of the project with completion expected in Q3 2023. The Trust expects that a portion of the development costs will satisfy the requirements of the Canada Infrastructure Bank credit facility, allowing the Trust to fund the project using the low-cost, fixed-rate financing associated with that facility.

As of June 30, 2022, The Trust has two properties under development: 366 Bay Street and 67 Richmond Street West in Toronto downtown.

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the six months ended June 30, 2022 and year ended December 31, 2021:

	June 30, 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 valuation of investment properties relies on certain assumptions, which include, but are not limited to, market rents, leasing costs, vacancy rates, discount rates and cap rates. The Trust monitors market trends and changes in the economic environment on the valuation of its investment properties. If there are changes in the critical and key assumptions used in valuing the investment properties, in regional, national or international economic conditions, or significant residual effects of the COVID-19 pandemic, the fair value of investment properties may change materially.

For the three months ended June 30, 2022, the Trust recorded a fair value loss totalling $5.8 million comprising fair value losses of $5.4 million in Toronto downtown and fair value losses of $0.4 million in Other markets. Fair value losses across the regions were primarily due to maintenance capital spent but not capitalized.

For the six months ended June 30, 2022, the Trust recorded a fair value gain totalling $13.6 million comprising fair value gains of $14.7 million in Toronto downtown, partially offset by fair value losses of $1.2 million in Other markets. Fair value gains in Toronto downtown were primarily driven by four properties valued by qualified external valuation professionals in Q1 2022 and favourable leasing activity at certain properties during the period. Fair value losses in Other markets were due to 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 and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
Building improvements	**2022**	2021	**2022**	2021
Recoverable	**$ 2,725**	$ 2,701	**$ 3,940**	$ 4,105
Value-add	**1,908**	2,844	**2,966**	3,940
Value-add additions to properties in the Bay Street corridor	**2,055**	3,125	**6,554**	7,158
Non-recoverable	**793**	423	**1,173**	559
Active properties	**7,481**	9,093	**14,633**	15,762
Add:				
Properties under development	**2,691**	300	**3,909**	308
Interest capitalized to properties under development	**53**	184	**76**	352
Total	**$ 10,225**	$ 9,577	**$ 18,618**	$ 16,422
Less: Interest capitalized to properties under development	**(53)**	(184)	**(76)**	(352)
Total amounts included in condensed consolidated financial statements	**$ 10,172**	$ 9,393	**$ 18,542**	$ 16,070

For the three and six months ended June 30, 2022, we incurred $7.5 million and $14.6 million, respectively, 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 and six months ended June 30, 2022, recoverable building improvements were $2.7 million and $3.9 million, respectively, and included safety enhancements, heating, ventilation and air conditioning upgrades, elevator modernization and recoverable lobby and common area upgrades.

Value-add building improvements are building capital expenditures that are made with the aim of enhancing building quality in order to increase net rents on future leases or pre-development costs for contemplated future developments. For the three and six months ended June 30, 2022, value-add building improvements were $1.9 million and $3.0 million, respectively.

As part of our transformation of our properties in the Bay Street corridor, for the three and six months ended June 30, 2022, the Trust invested $2.1 million and $6.6 million, respectively, 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 $45.8 million has been spent between project commencement and June 30, 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 property disposition

As of August 3, 2022, the Trust is in negotiations with a potential buyer to sell a property located in Saskatoon for a gross purchase price of $14.0 million.

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
	June 30, 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	**273,552,037**	252,416,700
Ownership at period-end	**9.7%**	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		**June 30, 2022**		December 31, 2021
Weighted average face rate of interest on debt (period-end)(1)		**3.66%**		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)		**42.3%**		41.8%
Average term to maturity on debt (years)		**3.1**		3.6
Variable rate debt as percentage of total debt		**27.7%**		24.1%
Undrawn credit facilities	**$**	**248,050**	$	192,355
Available liquidity(2)	**$**	**258,294**	$	201,118
Unencumbered assets(2)	**$**	**136,879**	$	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.

The net total debt-to-net total assets ratio increased to 42.3% this quarter compared to 41.8% at December 31, 2021 due to higher drawings on revolving credit facilities, partially offset by increases in investment property values in Toronto downtown and our investment in Dream Industrial REIT.

Our available liquidity of approximately $258.3 million comprises undrawn credit facilities totalling $248.1 million and $10.2 million of cash and cash equivalents on hand as at June 30, 2022, an increase of $57.2 million 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 June 30, 2022 were $136.9 million, a decrease of $41.4 million from $178.3 million at December 31, 2021 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 June 30, 2022, our current liabilities exceeded our current assets by $161.3 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 $128.8 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 June 30, 2022, the Trust has $258.3 million of available liquidity. In addition, the Trust has unencumbered assets totalling $136.9 million which could be pledged as security for further borrowings.

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

Mortgage refinancing

On July 27, 2022, the Trust refinanced a $59.9 million mortgage secured by an investment property in Mississauga. The refinanced mortgage totals $64.9 million and bears variable interest at the Bankers' Acceptance rate plus 1.55%. The Trust has fixed the interest rate on half the principal at a rate of 4.912%.

Credit facilities

As at June 30, 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 June 30, 2022, the amount available under the $375 million revolving credit facility was $121.7 million, comprising $375 million of borrowing capacity less $253.3 million in drawings.

As at June 30, 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 June 30, 2022, the amount available under the $20 million revolving credit facility was $13.5 million, comprising $20 million of borrowing capacity less $6.5 million in drawings.

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 June 30, 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 June 30, 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	3.97%	6,504	4.55%	257,219	3.98%
2024	73,369	3.44%	253,316	3.73%	326,685	3.66%
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	3.64%	$ 259,820	3.75%	$ 1,282,691	3.66%
Scheduled principal repayments on non-matured debt (2022–2029)	56,178	—	—	—	56,178	—
Subtotal before undernoted items	$ 1,079,049	3.63%	$ 259,820	3.75%	$ 1,338,869	3.66%
Unamortized financing costs	(3,159)		(842)		(4,001)	
Debt per condensed consolidated financial statements	$ 1,075,890	3.70%	$ 258,978	3.96%	$ 1,334,868	3.75%

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 June 30, 2022.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $50.6 million (December 31, 2021 – $51.4 million) with a weighted average term to maturity of 4.1 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 $13.9 million. No cash payment is expected to be made unless it is ultimately established that the Trust has an obligation to make one. Management is of the view that there is a strong case to support the position as filed and has contested both the federal and provincial reassessments. Since management believes that it is more likely than not that its position will be sustained, no amounts related to these reassessments have been recorded in the condensed consolidated financial statements as at June 30, 2022.

At June 30, 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	$ 88	$ —	$ —	$ 88
Operating commitments	2,653	794	—	3,447
Fixed price contracts	222	888	1,579	2,689
Total	$ 2,963	$ 1,682	$ 1,579	$ 6,224

Since 2018, the Trust has invested US$7.3 million (December 31, 2021 – US$6.6 million) towards investments in real estate technologies through a joint venture. As at June 30, 2022, the Trust had outstanding funding commitments to the joint venture totalling US$4.3 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 $41.4 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 June 30, 2022, the Trust had funded $7.2 million under the loan facility. During the quarter, 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			
	June 30, 2022		December 31, 2021	
	Number of Units	**Amount**	Number of Units	Amount
Unitholders' equity	**47,030,204**	**$ 1,857,986**	48,034,754	$ 1,883,653
Deficit	**—**	**(243,984)**	—	(338,593)
Accumulated other comprehensive income	**—**	**193**	—	3,268
Equity per condensed consolidated financial statements	**47,030,204**	**1,614,195**	48,034,754	1,548,328
Add: LP B Units	**5,233,823**	**101,431**	5,233,823	128,909
Total equity (including LP B Units)[1]	**52,264,027**	**$ 1,715,626**	53,268,577	$ 1,677,237
NAV per unit[2]		**$ 32.83**		$ 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 June 30, 2022, DAM held 13,035,102 REIT A Units and 5,233,823 LP B Units for a total ownership interest of approximately 35.0%.

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 June 30, 2022, our NAV per unit increased to $32.83 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 (FFO net of distributions), fair value gains on investment properties in Toronto downtown for four properties valued by qualified external valuation professionals in Q1 2022, favourable leasing activity at certain properties, incremental income from our investment in Dream Industrial REIT and the effect of accretive unit repurchases under our NCIB program during the period. As at June 30, 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	$ 2,081,386	$ 39.82	3.4	88.8%	4.9
Other markets	463,738	8.87	2.0	78.6%	6.2
Active investment properties	2,545,124	48.69	5.4	85.0%	5.3
Mortgages	(1,057,509)	(20.23)			
Active investment properties, net of mortgages	1,487,615	28.46			
Properties under development, net of mortgages	39,618	0.76			
Investment in Dream Industrial REIT	442,962	8.48			
Investments in joint ventures	28,543	0.55			
Cash and cash equivalents	10,244	0.20			
Credit facilities	(258,978)	(4.96)			
Other items	(34,378)	(0.66)			
Net asset value	$ 1,715,626	$ 32.83			
Less: LP B Units	(101,431)				
Total equity per condensed consolidated financial statements	**$ 1,614,195**				

Outstanding equity

The following table summarizes the changes in our outstanding equity:

For the three months ended June 30, 2022	REIT A Units	LP B Units	Total
Total units issued and outstanding at April 1, 2022	47,029,715	5,233,823	52,263,538
REIT A Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	489	—	489
Total units issued and outstanding at June 30, 2022	47,030,204	5,233,823	52,264,027
Percentage of all units	90.0%	10.0%	100.0%

For the six months ended June 30, 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 DUIP	31,613	—	31,613
Cancellation of REIT A Units under NCIB	(1,036,163)	—	(1,036,163)
Total units issued and outstanding at June 30, 2022	47,030,204	5,233,823	52,264,027
Percentage of all units	90.0%	10.0%	100.0%
REIT A Units issued pursuant to DUIP	5,178	—	5,178
Total units issued and outstanding at August 4, 2022	47,035,382	5,233,823	52,269,205
Percentage of all units	90.0%	10.0%	100.0%

As at June 30, 2022, there were 1,101,248 deferred trust units and income deferred trust units outstanding (December 31, 2021 – 984,239) under the DUIP.

Normal Course Issuer Bid

For the six months ended June 30, 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 was completed during Q1 2022.

Weighted average number of units

The following table outlines the basic and diluted weighted average number of units for the three and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
Weighted average number of units[1] (in thousands)	**2022**	2021	**2022**	2021
Basic	**53,087**	56,618	**53,260**	56,583
Diluted	**53,350**	56,849	**53,513**	56,805

(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 and six months ended June 30, 2022 and June 30, 2021, the Trust declared distributions totalling $0.25 and $0.50 per unit, respectively.

The following table summarizes our total distributions paid and payable (a non-GAAP financial measure) for the three and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Total distributions paid and payable on REIT A Units	**$ 11,757**	$ 12,666	**$ 23,595**	$ 25,327
Add: Interest on subsidiary redeemable units	**1,309**	1,309	**2,617**	2,617
Total distributions paid and payable[1]	**$ 13,066**	$ 13,975	**$ 26,212**	$ 27,944

(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 and six months ended June 30, 2022 was due to the cancellation of REIT A Units under the 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
June 17, 2022	June 2022	July 15, 2022	$ 0.08333	$ 3,919
July 20, 2022	July 2022	August 15, 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. Capital requirements can fluctuate seasonally, and the timing of when leasing costs are incurred is unpredictable; such costs 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 and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Net income for the period	**$ 65,922**	$ 25,464	**$ 118,204**	$ 35,610
Cash flows generated from (utilized in) operating activities	**17,713**	22,366	**41,434**	48,595
Cash interest paid on debt	**(11,716)**	(10,660)	**(22,592)**	(20,790)
Total distributions paid and payable[1] for the period	**(13,066)**	(13,975)	**(26,212)**	(27,944)

(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 June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Excess of net income over total distributions paid and payable [1][2]	**$ 52,856**	$ 11,489	**$ 91,992**	$ 7,666
Shortfall of cash flows generated from (utilized in) operating activities less cash interest paid on debt over total distributions paid and payable[2][3]	**(7,069)**	(2,269)	**(7,370)**	(139)

(1) Excess 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) 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 generated from (utilized in) operating activities less cash interest paid on debt less total distributions paid and payable.

For the three and six months ended June 30, 2022, total distributions paid and payable exceeded cash flows generated from (utilized in) operating activities less cash interest paid on debt by $7.1 million and $7.4 million, respectively, primarily due to the timing of leasing costs. For the three and six months ended June 30, 2021, total distributions paid and payable (a non-GAAP financial measure) exceeded cash flows generated from (utilized in) operating activities less cash interest paid on debt by $2.3 million and $0.1 million, respectively, for the same reason.

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 condensed 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 and six months ended June 30, 2022, the Trust earned distributions from Dream Industrial REIT totalling $4.7 and $9.3 million, respectively (for the three and six months ended June 30, 2021, $4.7 million and $9.3 million, respectively).

SECTION IV

NON-GAAP FINANCIAL MEASURES AND RATIOS

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

Available liquidity

Available liquidity is defined as the sum of cash and cash equivalents and undrawn 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 June 30, 2022 and December 31, 2021:

				As at
		June 30, 2022		December 31, 2021
Undrawn credit facilities	**$**	**248,050**	$	192,355
Cash and cash equivalents		**10,244**		8,763
Available liquidity	**$**	**258,294**	$	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 and six months ended June 30, 2022 and June 30, 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 June 30, 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 following table 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 is reconciled to net income (the most directly comparable financial measure) in the table below for the three and six months ended June 30, 2022 and June 30, 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 and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Net income for the period	**$ 65,922**	$ 25,464	**$ 118,204**	$ 35,610
Add (deduct):				
Share of net income from investment in Dream Industrial REIT	**(9,577)**	(28,495)	**(52,476)**	(42,445)
Share of FFO from investment in Dream Industrial REIT	**5,740**	5,058	**11,587**	10,092
Depreciation and amortization	**2,993**	2,927	**5,979**	6,006
Costs (recovery) attributable to sale of investment properties[1]	**—**	24	**(12)**	1,098
Interest expense on subsidiary redeemable units	**1,309**	1,309	**2,617**	2,617
Fair value adjustments to investment properties	**5,820**	3,696	**(13,559)**	9,835
Fair value adjustments to investment properties held in joint ventures	**21**	31	**(2)**	18
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**(52,416)**	10,945	**(32,076)**	18,971
Internal leasing costs	**527**	380	**1,044**	770
Principal repayments on finance lease liabilities	**(12)**	(12)	**(25)**	(24)
Deferred income taxes expense	**5**	20	**94**	108
FFO for the period	**$ 20,332**	$ 21,347	**$ 41,375**	$ 42,656
Diluted weighted average number of units[2]	**53,350**	56,849	**53,513**	56,805
FFO per unit – diluted	**$ 0.38**	$ 0.38	**$ 0.77**	$ 0.75

(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 and six months ended June 30, 2022 and June 30, 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 and six months ended June 30, 2022 and June 30, 2021 and for the year ended December 31, 2021 in the table below:

	Three months ended		Six months ended		Year ended
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021	December 31, 2021
Net income for the period	**$ 65,922**	$ 25,464	**$ 118,204**	$ 35,610	$ 154,207
Add (deduct):					
Interest – debt	**11,942**	10,766	**23,201**	21,650	43,372
Interest – subsidiary redeemable units	**1,309**	1,309	**2,617**	2,617	5,234
Current and deferred income taxes expense (recovery), net	**5**	71	**129**	159	(203)
Depreciation on property and equipment	**117**	227	**247**	469	897
Fair value adjustments to investment properties	**5,820**	3,696	**(13,559)**	9,835	(47,926)
Fair value adjustments to financial instruments	**(52,372)**	10,990	**(32,090)**	19,142	29,922
Share of net income from investment in Dream Industrial REIT	**(9,577)**	(28,495)	**(52,476)**	(42,445)	(90,645)
Distributions earned from Dream Industrial REIT	**4,656**	4,656	**9,311**	9,311	18,622
Share of net loss from investment in joint ventures	**450**	231	**522**	247	340
Non-cash items included in investment properties revenue(1)	**2,605**	2,713	**5,378**	5,616	11,217
Provisions net of government assistance	**510**	(421)	**1,112**	(590)	482
Lease termination fees and other	**(20)**	(75)	**(273)**	(47)	(836)
Net loss (gain) on transactions and other items(2)	**527**	371	**1,032**	1,835	3,732
Adjusted EBITDAFV for the period	**$ 31,894**	$ 31,503	**$ 63,355**	$ 63,409	$ 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 June 30, 2022:

	Trailing 12-month period ended June 30, 2022
Adjusted EBITDAFV for the six months ended June 30, 2022(1)	$ 63,355
Add: Adjusted EBITDAFV for the year ended December 31, 2021(1)	128,415
Less: Adjusted EBITDAFV for the six months ended June 30, 2021(1)	(63,409)
Trailing 12-month Adjusted EBITDAFV	$ 128,361

(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 June 30, 2022
Interest expense on debt for the six months ended June 30, 2022	$	23,201
Add: Interest expense on debt for the year ended December 31, 2021		43,372
Less: Interest expense on debt for the six months ended June 30, 2021		(21,650)
Trailing 12-month interest expense on debt	$	44,923

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 June 30, 2022 and December 31, 2021:

	For the trailing 12-month period ended			
		June 30, 2022		December 31, 2021
Trailing 12-month Adjusted EBITDAFV	**$**	**128,361**	$	128,415
Trailing 12-month interest expense on debt	**$**	**44,923**	$	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 June 30, 2022 and December 31, 2021:

		June 30, 2022		December 31, 2021
Non-current debt	**$**	**1,207,553**	$	1,206,734
Current debt		**127,315**		76,539
Total debt		**1,334,868**		1,283,273
Less: Cash on hand[(1)]		**(8,785)**		(5,556)
Net total debt	**$**	**1,326,083**	$	1,277,717
Adjusted EBITDAFV[(2)] – quarterly		**31,894**		32,534
Less: NOI of disposed properties for the quarter		**—**		(4)
Normalized adjusted EBITDAFV – quarterly	**$**	**31,894**	$	32,530
Normalized adjusted EBITDAFV – annualized	**$**	**127,576**	$	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 June 30, 2022 and December 31, 2021:

	Amounts included in condensed consolidated financial statements	
	June 30, 2022	December 31, 2021
Non-current debt	**$ 1,207,553**	$ 1,206,734
Current debt	**127,315**	76,539
Total debt	**1,334,868**	1,283,273
Less: Cash on hand(1)	**(8,785)**	(5,556)
Net total debt	**$ 1,326,083**	$ 1,277,717
Total assets	**3,142,303**	3,065,560
Less: Cash on hand(1)	**(8,785)**	(5,556)
Net total assets	**$ 3,133,518**	$ 3,060,004
Net total debt-to-net total assets	**42.3%**	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 June 30, 2022 and December 31, 2021:

	As at	
	June 30, 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)	**97,274**	138,663
Unencumbered assets	**$ 136,879**	$ 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 July 1, 2020.

Key portfolio, leasing, financing and other capital information

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Portfolio(1)								
Number of properties	**30**	30	30	30	30	30	30	30
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%**	85.0%	85.5%	84.6%	85.6%	87.2%	88.0%	88.0%
In-place occupancy	**81.6%**	81.7%	82.9%	82.7%	83.9%	85.8%	85.2%	87.8%
Tenant retention ratio	**67.6%**	35.4%	73.1%	30.7%	33.9%	82.9%	70.0%	56.0%
Average in-place and committed net rent per square foot (period-end)	**$23.35**	$23.25	$23.25	$23.08	$23.18	$23.26	$23.31	$23.15
Financing								
Weighted average face rate of interest on debt (period-end)(3)	**3.66%**	3.37%	3.28%	3.33%	3.41%	3.54%	3.56%	3.60%
Interest coverage ratio (times)(4)	**2.9**	2.9	3.0	3.0	3.0	3.1	3.2	3.2
Net total debt-to-normalized adjusted EBITDAFV (years)(4)	**10.4**	10.4	9.8	9.4	9.5	9.3	8.8	8.4
Level of debt (net total debt-to-net total assets)(4)	**42.3%**	41.9%	41.8%	40.7%	41.0%	41.2%	41.1%	39.9%
Capital								
Total number of REIT A Units and LP B Units (in millions)(5)	**52.3**	52.3	53.3	54.9	55.9	55.9	55.9	58.0
NAV per unit(4)	**$32.83**	$32.63	$31.49	$30.74	$29.09	$28.73	$28.69	$28.17

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

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

Results of operations

(in thousands of Canadian dollars)	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
Investment properties revenue	**$ 48,148**	$ 49,623	$ 48,616	$ 49,690	$ 48,150	$ 49,476	$ 51,821	$ 51,312
Investment properties operating expenses	**(21,967)**	(23,760)	(22,094)	(22,363)	(21,136)	(23,205)	(23,876)	(23,422)
Net rental income	**26,181**	25,863	26,522	27,327	27,014	26,271	27,945	27,890
Other income	**9,977**	43,183	26,403	22,322	28,747	14,438	19,042	13,018
Other expenses	**(16,256)**	(15,232)	(14,909)	(14,514)	(15,169)	(14,722)	(14,948)	(14,614)
Fair value adjustments, internal leasing costs and net gains (losses) on transactions	**46,025**	(1,408)	(11,123)	56,206	(15,057)	(14,647)	(17,468)	13,008
Income before income taxes and discontinued operations	**65,927**	52,406	26,893	91,341	25,535	11,340	14,571	39,302
Current and deferred income taxes recovery (expense), net	**(5)**	(124)	(15)	377	(71)	(88)	944	(13)
Income from continuing operations, net of taxes	**65,922**	52,282	26,878	91,718	25,464	11,252	15,515	39,289
Income (loss) from discontinued operations	**—**	—	3	(2)	—	(1,106)	36	5
Net income for the period	**65,922**	52,282	26,881	91,716	25,464	10,146	15,551	39,294
Other comprehensive income (loss)	**540**	(3,615)	3,973	5,408	(2,083)	(2,146)	(2,244)	(907)
Comprehensive income for the period	**$ 66,462**	$ 48,667	$ 30,854	$ 97,124	$ 23,381	$ 8,000	$ 13,307	$ 38,387

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, net gains or losses on transactions and other activities. The decrease in our net rental income between Q3 2020 and Q2 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 Co-operators 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	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net income for the period	**$ 65,922**	$ 52,282	$ 26,881	$ 91,716	$ 25,464	$ 10,146	$ 15,551	$ 39,294
Add (deduct):								
Share of income from investment in Dream Industrial REIT	**(9,577)**	(42,899)	(26,075)	(22,125)	(28,495)	(13,950)	(18,999)	(12,559)
Share of FFO from investment in Dream Industrial REIT	**5,740**	5,847	5,640	5,882	5,058	5,034	4,956	4,811
Depreciation, amortization and write-off of intangible assets	**2,993**	2,986	2,880	3,026	2,927	3,079	3,222	3,338
Costs (recovery) attributable to sale of investment properties(1)	**—**	(12)	(3)	895	24	1,074	376	12
Interest expense on subsidiary redeemable units	**1,309**	1,308	1,309	1,308	1,309	1,308	1,309	1,308
Fair value adjustments to investment properties	**5,820**	(19,379)	283	(58,044)	3,696	6,139	6,159	753
Fair value adjustments to investment properties held in joint ventures	**21**	(23)	3	15	31	(13)	367	—
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**(52,416)**	20,340	10,288	462	10,945	8,026	10,027	(14,261)
Internal leasing costs	**527**	517	543	462	380	390	728	311
Principal repayments on finance lease liabilities	**(12)**	(13)	(13)	(12)	(12)	(12)	(11)	(12)
Deferred income taxes expense (recovery)	**5**	89	15	(377)	20	88	(962)	93
FFO for the period(2)	**$ 20,332**	$ 21,043	$ 21,751	$ 23,208	$ 21,347	$ 21,309	$ 22,723	$ 23,088
Diluted weighted average number of units(3)	**53,350**	53,688	54,553	56,660	56,849	56,768	57,390	60,611
FFO per unit – diluted(4)	**$ 0.38**	$ 0.39	$ 0.40	$ 0.41	$ 0.38	$ 0.38	$ 0.40	$ 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

As of June 30, 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 consolidated financial statements in accordance with IFRS.

During the six months ended June 30, 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.

INTEREST RATES

We require extensive financial resources to implement our strategy. When concluding financing agreements or extending such agreements, we depend on our ability to agree on terms and interest payments that will not impair our desired profit, and on amortization schedules that do not restrict our ability to pay distributions. In addition to existing variable rate portions of our financing agreements, we may enter into future financing agreements with variable interest rates. There is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by us and our subsidiaries to service debt, resulting in a decrease in distributions to unitholders, and could materially adversely affect the trading price of the applicable Units. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a material adverse effect on our ability to sell any of our properties. In addition, increasing interest rates may put competitive pressure on the levels of distributable income paid by us to unitholders, increasing the level of competition for capital faced by us, which could have a material adverse effect on the trading price of the applicable Units.

ECONOMIC ENVIRONMENT

Uncertainty over whether the economy will be adversely affected by inflation or stagflation, and the systemic impact of volatile energy costs and geopolitical issues, may contribute to increased market volatility. Such economic uncertainties and market challenges, which may result from a continued or exacerbated general economic slowdown, and their effects could materially and adversely affect the Trust's ability to generate revenues, thereby reducing its operating income and earnings. A difficult operating environment could also have a material adverse effect on the ability of the Trust to maintain occupancy rates at its properties, which could harm the Trust's financial condition. Under such economic conditions, the Trust's tenants may be unable to meet their rental payments and other obligations due to the Trust, which could have a material adverse effect on the Trust's financial position.

Increased inflation could have a more pronounced negative impact on any variable rate debt the Trust is subject to or incurs in the future and on its results of operations. Similarly, during periods of high inflation, annual rent increases may be less than the rate of inflation on a continual basis. Substantial inflationary pressures and increased costs may have an adverse impact on the Trust's tenants if increases in their operating expenses exceed increases in revenue. This may adversely affect the tenants' ability to pay rent, which could negatively affect the Trust's financial condition.

The Trust is also subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future that it attracts at the time of its real estate purchases, or the number of investors seeking to acquire properties decreases, the value of the Trust's investments may not appreciate or may depreciate. Accordingly, the Trust's operations and financial condition could be materially and adversely affected to the extent that an economic slowdown or downturn occurs, is prolonged or becomes more severe.

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 June 30, 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	55	10	4.9	80.1%
30 Adelaide Street East, Toronto	100.0%	414	8	50	6.0	96.9%
438 University Avenue, Toronto	100.0%	323	17	19	3.7	99.1%
655 Bay Street, Toronto	100.0%	308	20	15	7.4	99.0%
74 Victoria Street/137 Yonge Street, Toronto	100.0%	266	5	53	3.5	98.9%
720 Bay Street, Toronto	100.0%	248	1	248	3.5	100.0%
36 Toronto Street, Toronto	100.0%	214	35	5	2.7	85.4%
330 Bay Street, Toronto	100.0%	165	33	3	2.7	66.8%
20 Toronto Street/33 Victoria Street, Toronto	100.0%	158	14	11	4.9	97.6%
250 Dundas Street West, Toronto	100.0%	121	15	7	4.1	86.9%
80 Richmond Street West, Toronto	100.0%	102	27	2	2.6	51.8%
425 Bloor Street East, Toronto(1)	100.0%	83	7	12	8.0	100.0%
212 King Street West, Toronto	100.0%	73	9	7	3.8	89.4%
357 Bay Street, Toronto	100.0%	65	1	65	13.4	100.0%
360 Bay Street, Toronto	100.0%	58	11	3	2.2	57.7%
350 Bay Street, Toronto	100.0%	53	7	5	2.5	67.5%
56 Temperance Street, Toronto	100.0%	33	5	5	7.2	77.0%
6 Adelaide Street East, Toronto	100.0%	54	11	4	4.5	71.6%
Toronto downtown		**3,397**	**281**	**11**	**4.9**	**88.8%**
2200–2206 Eglinton Avenue East & 1020 Birchmount Road, Scarborough	100.0%	442	14	23	6.0	72.9%
50 & 90 Burnhamthorpe Road West, Mississauga (Sussex Centre)(2)	49.9%	327	58	9	5.8	76.0%
444 – 7th Building, Calgary	100.0%	261	9	23	4.6	78.8%
Saskatoon Square, Saskatoon	100.0%	228	10	16	7.8	71.9%
Co-operators Place, Regina(3)	100.0%	206	5	38	12.2	93.4%
12800 Foster Street, Overland Park, Kansas, U.S.	100.0%	185	1	185	3.4	100.0%
Princeton Tower, Saskatoon	100.0%	136	12	5	5.5	48.1%
606 – 4th Building & Barclay Parkade, Calgary	100.0%	126	13	9	4.6	88.8%
Kensington House, Calgary	100.0%	78	16	4	4.4	87.9%
234 – 1st Avenue South, Saskatoon	100.0%	10	3	2	3.5	69.1%
Other markets		**1,999**	**141**	**13**	**6.2**	**78.6%**
Total portfolio		**5,396**	**422**	**11**	**5.3**	**85.0%**
366 Bay Street, Toronto(4)	100.0%	36	—	—	—	—
67 Richmond Street West, Toronto(5)	100.0%	50	1	5	1.3	10.3%
Total properties under development		**86**	**1**	**5**	**1.3**	**6.0%**
Total portfolio and properties under development		**5,482**	**423**	**11**	**5.3**	**83.8%**
220 King Street West, Toronto(6)	50.0%	11	4	5	3.0	82.9%

(1) Property subject to a ground lease.

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

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

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

(5) This property was reclassified from Toronto downtown to properties under development on May 1, 2022.

(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		June 30, 2022		December 31, 2021
Assets					
NON-CURRENT ASSETS					
Investment properties	3	**$**	**2,603,123**	$	2,569,002
Investment in Dream Industrial REIT	4		**442,962**		402,790
Investments in joint ventures			**28,543**		28,850
Other non-current assets			**41,733**		40,145
			3,116,361		3,040,787
CURRENT ASSETS					
Amounts receivable			**9,260**		9,937
Prepaid expenses and other assets			**6,438**		6,073
Cash and cash equivalents			**10,244**		8,763
			25,942		24,773
Total assets		**$**	**3,142,303**	$	3,065,560
Liabilities					
NON-CURRENT LIABILITIES					
Debt	5	**$**	**1,207,553**	$	1,206,734
Subsidiary redeemable units			**101,431**		128,909
Deferred Unit Incentive Plan			**19,362**		23,215
Deferred tax liabilities, net			**1,316**		1,201
Other non-current liabilities			**11,224**		11,045
			1,340,886		1,371,104
CURRENT LIABILITIES					
Debt	5		**127,315**		76,539
Amounts payable and accrued liabilities			**59,907**		69,589
			187,222		146,128
Total liabilities			**1,528,108**		1,517,232
Equity					
Unitholders' equity			**1,857,986**		1,883,653
Deficit			**(243,984)**		(338,593)
Accumulated other comprehensive income			**193**		3,268
Total equity			**1,614,195**		1,548,328
Total liabilities and equity		**$**	**3,142,303**	$	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"	***"Michael J. Cooper"***
QI TANG	**MICHAEL J. COOPER**
Trustee	Trustee

Condensed consolidated statements of comprehensive income

(unaudited)
(in thousands of Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2022**	2021	**2022**	2021
Investment properties revenue	6	**$ 48,148**	$ 48,150	**$ 97,771**	$ 97,626
Investment properties operating expenses		**(21,967)**	(21,136)	**(45,727)**	(44,341)
Net rental income		**26,181**	27,014	**52,044**	53,285
Other income					
Share of net income from investment in Dream Industrial REIT	4	**9,577**	28,495	**52,476**	42,445
Share of net loss from investment in joint ventures		**(450)**	(231)	**(522)**	(247)
Interest and other income		**850**	483	**1,206**	987
		9,977	28,747	**53,160**	43,185
Other expenses					
General and administrative		**(2,888)**	(2,867)	**(5,423)**	(5,155)
Interest:					
Debt		**(11,942)**	(10,766)	**(23,201)**	(21,650)
Subsidiary redeemable units		**(1,309)**	(1,309)	**(2,617)**	(2,617)
Depreciation on property and equipment		**(117)**	(227)	**(247)**	(469)
		(16,256)	(15,169)	**(31,488)**	(29,891)
Fair value adjustments, internal leasing costs and net gain (loss) on transactions					
Fair value adjustments to investment properties	3	**(5,820)**	(3,696)	**13,559**	(9,835)
Fair value adjustments to financial instruments	7	**52,372**	(10,990)	**32,090**	(19,142)
Internal leasing costs and net gain (loss) on transactions		**(527)**	(371)	**(1,032)**	(727)
		46,025	(15,057)	**44,617**	(29,704)
Income before income taxes and discontinued operations		**65,927**	25,535	**118,333**	36,875
Current and deferred income taxes expense, net		**(5)**	(71)	**(129)**	(159)
Income from continuing operations, net of taxes		**65,922**	25,464	**118,204**	36,716
Loss from discontinued operations		**—**	—	**—**	(1,106)
Net income		**65,922**	25,464	**118,204**	35,610
Other comprehensive income (loss)					
Items that will be reclassified subsequently to net income:					
Unrealized gain on interest rate swaps and other, net of taxes		**10**	9	**19**	18
Unrealized gain (loss) on foreign currency translation, net of taxes		**1,422**	(693)	**764**	(893)
Share of other comprehensive loss from investment in Dream Industrial REIT	4	**(399)**	(1,466)	**(2,993)**	(3,122)
Items that will not be reclassified subsequently to net income:					
Share of other comprehensive income (loss) from investment in joint ventures		**(493)**	67	**(865)**	(232)
Other comprehensive income (loss)		**540**	(2,083)	**(3,075)**	(4,229)
Comprehensive income		**$ 66,462**	$ 23,381	**$ 115,129**	$ 31,381

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				
Six months ended June 30, 2022	Note	Number of REIT A Units	Unitholders' equity	Deficit	Accumulated other comprehensive income	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		**—**	**—**	**118,204**	**—**	**118,204**
Distributions paid and payable	8	**—**	**—**	**(23,595)**	**—**	**(23,595)**
Deferred trust units exchanged for REIT A Units		**31,613**	**851**	**—**	**—**	**851**
Cancellation of REIT A Units under NCIB	9	**(1,036,163)**	**(26,508)**	**—**	**—**	**(26,508)**
Issue and cancellation costs		**—**	**(10)**	**—**	**—**	**(10)**
Other comprehensive loss		**—**	**—**	**—**	**(3,075)**	**(3,075)**
Balance at June 30, 2022		**47,030,204**	**$ 1,857,986**	**$ (243,984)**	**$ 193**	**$ 1,614,195**

		Attributable to unitholders of the Trust				
Six months ended June 30, 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		—	—	35,610	—	35,610
Distributions paid and payable	8	—	—	(25,327)	—	(25,327)
Deferred trust units exchanged for REIT A Units		37,862	775	—	—	775
Other comprehensive loss		—	—	—	(4,229)	(4,229)
Balance at June 30, 2021		50,669,458	$ 1,944,513	$ (441,382)	$ 2,701	$ 1,505,832

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 June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Generated from (utilized in) operating activities					
Net income for the period		**$ 65,922**	$ 25,464	**$ 118,204**	$ 35,610
Non-cash items:					
Net income from investment in Dream Industrial REIT	4	**(9,577)**	(28,495)	**(52,476)**	(42,445)
Fair value adjustments to investment properties	3	**5,820**	3,696	**(13,559)**	9,835
Fair value adjustments to financial instruments	7	**(52,372)**	10,990	**(32,090)**	19,142
Amortization and depreciation	10	**3,036**	3,058	**6,068**	6,278
Other adjustments	10	**1,160**	1,159	**1,877**	2,809
Interest expense on debt		**11,942**	10,766	**23,201**	21,650
Interest expense on subsidiary redeemable units		**1,309**	1,309	**2,617**	2,617
Change in non-cash working capital	10	**(419)**	3,035	**(561)**	4,026
Investment in lease incentives and initial direct leasing costs		**(9,108)**	(8,616)	**(11,847)**	(10,927)
		17,713	22,366	**41,434**	48,595
Generated from (utilized in) investing activities					
Investment in building improvements		**(9,745)**	(8,596)	**(17,511)**	(15,988)
Investment in properties under development		**(3,659)**	(138)	**(4,143)**	(322)
Investment in property and equipment		**—**	—	**—**	(3)
Contributions to joint ventures		**(488)**	(1,676)	**(1,080)**	(2,920)
Distributions from investment in Dream Industrial REIT	4	**4,656**	4,656	**9,311**	9,311
Recovery (costs) on disposal of investment properties		**(64)**	17	**(70)**	(21)
Advances on loan facility		**(690)**	(1,203)	**(1,906)**	(1,988)
Change in restricted cash		**—**	2,180	**—**	1,088
		(9,990)	(4,760)	**(15,399)**	(10,843)
Generated from (utilized in) financing activities					
Borrowings	5	**28,658**	79,264	**68,505**	110,687
Lump sum repayments	5	**(5,371)**	(90,620)	**(8,900)**	(95,620)
Principal repayments	5	**(4,422)**	(4,684)	**(8,811)**	(9,653)
Financing cost additions	5	**—**	(444)	**—**	(494)
Interest paid on debt		**(11,716)**	(10,660)	**(22,592)**	(20,790)
Interest paid on subsidiary redeemable units		**(1,309)**	(1,309)	**(2,617)**	(2,617)
Distributions paid on REIT A Units	8	**(11,757)**	(12,666)	**(23,679)**	(25,324)
Cancellation of REIT A Units under NCIB and transaction costs		**—**	—	**(26,518)**	—
Principal repayments on finance lease liabilities		**(12)**	(12)	**(25)**	(24)
		(5,929)	(41,131)	**(24,637)**	(43,835)
Increase (decrease) in cash and cash equivalents		**1,794**	(23,525)	**1,398**	(6,083)
Foreign exchange gain (loss) on cash held in foreign currency		**148**	(34)	**83**	(54)
Cash and cash equivalents, beginning of period		**8,302**	30,497	**8,763**	13,075
Cash and cash equivalents, end of period		**$ 10,244**	$ 6,938	**$ 10,244**	$ 6,938

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 and six months ended June 30, 2022 were authorized for issuance by the Board of Trustees on August 4, 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

	Six months ended June 30, 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	**14,633**	**3,909**	**18,542**	42,254	1,331	43,585
Lease incentives and initial direct leasing costs	**6,639**	**6**	**6,645**	10,764	5,945	16,709
Capitalized interest	**—**	**76**	**76**	—	383	383
Total additions to investment properties	**21,272**	**3,991**	**25,263**	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(1)	**(30,923)**	**30,923**	**—**	(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	**(30,923)**	**30,923**	**—**	44,438	(44,438)	—
Changes included in net income:						
Fair value adjustments to investment properties	**13,552**	**7**	**13,559**	48,173	(247)	47,926
Change in straight-line rent	**382**	**—**	**382**	103	216	319
Amortization and write-off of lease incentives	**(5,821)**	**—**	**(5,821)**	(11,479)	(118)	(11,597)
Total changes included in net income	**8,113**	**7**	**8,120**	36,797	(149)	36,648
Change included in other comprehensive income (loss):						
Foreign currency translation adjustment	**738**	**—**	**738**	(202)	—	(202)
Total change included in other comprehensive income (loss)	**738**	**—**	**738**	(202)	—	(202)
Balance, end of period	**$ 2,545,124**	**$ 57,999**	**$ 2,603,123**	$ 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	**$ 13,552**	**$ 7**	**$ 13,559**	$ 48,173	$ (247)	$ 47,926

(1) On May 1, 2022, 67 Richmond Street in Toronto was reclassified from active properties to properties under development.

Investment properties includes $12,828 (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 six months ended June 30, 2022 and the year ended December 31, 2021:

	Six months ended June 30, 2022	Year ended 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 June 30, 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.

Management's valuation process relies on certain assumptions, which include, but are not limited to, market rents, leasing costs, vacancy rates, discount rates and cap rates. The Trust monitors market trends and changes in the economic environment on the valuation of its investment properties. If there are changes in the critical and key assumptions used in valuing the investment properties, in regional, national or international economic conditions, or significant residual effects of the COVID-19 pandemic, the fair value of investment properties may change materially.

As at June 30, 2022, the Trust valued 26 properties using the cap rate method, two properties 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). The Trust measures properties under development and properties with redevelopment potential using the discounted cash flow method, net of costs to complete, as of the consolidated balance sheet dates except where recent transactions for comparable properties indicate that market participants are considering factors over and above the income potential of similar properties under the current legally permissible highest and best use. In these cases the direct comparison approach is applied. Active properties are transferred into properties under development when the Trust has intentionally destabilized the property's income for the purpose of undertaking a development project.

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

The critical valuation metrics by segment for properties valued using the cap rate method as at June 30, 2022 and December 31, 2021 are set out below:

	June 30, 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 net operating income ("NOI") will result in an increase to the fair value of an investment property. An increase in the cap rate will result in a decrease to the fair value of an investment property. The cap rate magnifies the effect of a change in stabilized NOI, with a lower rate resulting in a greater impact to the fair value of an investment property than a higher rate.

The following sensitivity table outlines the potential impact on the fair value of investment properties (excluding two investment properties under development and two properties with redevelopment potential), assuming a change in the weighted average cap rate by 25 basis points ("bps") as at June 30, 2022:

	Impact of change to weighted average cap rates	
	+25 bps	–25 bps
Increase (decrease) in value	$ (113,580)	$ 125,660

Investment property disposition

As of August 3, 2022, the Trust is in negotiations with a potential buyer to sell a property located in Saskatoon for a gross purchase price of $14,000.

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

As at June 30, 2022, two investment properties under development and a property with redevelopment potential were valued using the discounted cash flow method. During Q2 2022, one property was reclassified to properties under development and the valuation approach was changed from the direct cap rate method to the discounted cash flow method.

The critical valuation metrics as at June 30, 2022 and December 31, 2021 are set out below:

	June 30, 2022[1]		December 31, 2021[2]	
	Range	**Weighted average**	Range	Weighted average
Discount rates (%)	**5.75–6.50**	**6.21**	5.75–6.50	6.35
Terminal cap rates (%)	**4.25–5.25**	**4.63**	4.25–5.25	4.45
Market rental rates (in dollars per square foot)[1]	**$ 35.00–47.00**	**$ 43.28**	$ 40.00–47.00	$ 45.60

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

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

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

In addition to the assumptions noted above, as at June 30, 2022, leasing cost assumptions for new and renewed leasing were within the range of $7.50 and $50.00 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 two investment properties 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 June 30, 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	$ (19,147)	$ 20,285	$ (13,850)	$ 15,511

The following sensitivity table outlines the potential impact on the fair value of two investment properties 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 June 30, 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	$ 4,661	$ (4,661)	$ (1,070)	$ 1,070

Generally, a decrease in vacancy rate assumptions will result in an increase to the fair values of two investment properties 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 two investment properties 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".

		Six months ended June 30, 2022		Year ended December 31, 2021
Balance, beginning of period	**$**	**402,790**	$	333,937
Share of income		**53,596**		85,441
Share of other comprehensive loss		**(2,993)**		(3,170)
Dilution gain (loss)		**(1,120)**		5,204
Distributions earned		**(9,311)**		(18,622)
Balance, end of period	**$**	**442,962**	$	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		**9.7%**		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 June 30, 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 June 30, 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 $321,380 (December 31, 2021 – $458,126) was determined using the Dream Industrial REIT closing unit price of $12.08 per unit (December 31, 2021 – $17.22) at period-end multiplied by the number of units held by the Trust as at June 30, 2022.

Note 5

DEBT

		June 30, 2022		December 31, 2021
Mortgages[(1)(2)]	**$**	**1,075,890**	$	1,084,097
Credit facilities[(2)(3)(4)]		**258,978**		199,176
Total		**1,334,868**		1,283,273
Less: Current portion		**(127,315)**		(76,539)
Non-current debt	**$**	**1,207,553**	$	1,206,734

(1) Net of financing costs of $3,159 (December 31, 2021 – $3,763).

(2) Secured by charges on specific investment properties.

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

(4) Net of financing costs of $842 (December 31, 2021 – $1,039).

Continuity of debt

The following tables provide a continuity of debt for the six months ended June 30, 2022 and December 31, 2021:

	Six months ended June 30, 2022		
	Mortgages	**Credit facilities**	**Total**
Balance as at January 1, 2022	**$ 1,084,097**	**$ 199,176**	**$ 1,283,273**
Cash items:			
Borrowings	**—**	**68,505**	**68,505**
Lump sum repayments	**—**	**(8,900)**	**(8,900)**
Principal repayments	**(8,811)**	**—**	**(8,811)**
Non-cash items:			
Amortization of financing costs	**604**	**197**	**801**
Balance as at June 30, 2022	**$ 1,075,890**	**$ 258,978**	**$ 1,334,868**

	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.

Mortgage refinancing

On July 27, 2022, the Trust refinanced a $59,880 mortgage secured by an investment property in Mississauga. The refinanced mortgage totals $64,870 and bears variable interest at the Bankers' Acceptance rate plus 1.55%. The Trust has fixed the interest rate on half the principal at a rate of 4.912%.

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 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 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 June 30, 2022 and December 31, 2021 are summarized in the tables below:

			June 30, 2022			
Facility	Maturity date	Interest rates on drawings	**Face interest rate**	**Borrowing capacity**	**Drawings**	**Amount available**
Formula-based maximum not to exceed $375,000(1)	September 30, 2024	BA + 1.70% or prime + 0.70%	**3.73%**	**$ 375,000**	**$ (253,316)**	**$ 121,684**
Formula-based maximum not to exceed $20,000(2)	March 31, 2023	BA + 2.00% or prime + 0.85%	**4.55%**	**20,000**	**(6,504)**	**13,496**
Canada Infrastructure Bank credit facility	March 31, 2027(3)	2.147%	**2.15%**	**112,870**	**—**	**112,870**
			3.75%	**$ 507,870**	**$ (259,820)**	**$ 248,050**

(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.

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

(1) The $375,000 revolving credit facility 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 June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Rental revenue	**$ 29,911**	$ 30,964	**$ 60,560**	$ 62,778
CAM and parking services revenue	**17,719**	16,769	**36,262**	34,105
Property management and other service fees	**518**	417	**949**	743
Total	**$ 48,148**	$ 48,150	**$ 97,771**	$ 97,626

Note 7

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Remeasurement of carrying value of subsidiary redeemable units	**$ 44,436**	$ (9,423)	**$ 27,478**	$ (16,541)
Remeasurement of carrying value of deferred trust units	**7,936**	(1,567)	**4,612**	(2,601)
Total	**$ 52,372**	$ (10,990)	**$ 32,090**	$ (19,142)

Note 8

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 six months ended June 30, 2022 and June 30, 2021, the Trust declared distributions totalling $0.50 per unit.

The following table summarizes distribution payments for the six months ended June 30, 2022 and June 30, 2021:

	Six months ended June 30,	
	2022	2021
Paid in cash	**$ (23,679)**	$ (25,324)
Add: Payable at December 31, 2021 (December 31, 2020)	**4,003**	4,219
Deduct: Payable at June 30, 2022 (June 30, 2021)	**(3,919)**	(4,222)
Total distributions paid and payable	**$ (23,595)**	$ (25,327)

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
June 17, 2022	June 2022	July 15, 2022	$ 0.08333	$ 3,919
July 20, 2022	July 2022	August 15, 2022	0.08333	3,919

Note 9

NORMAL COURSE ISSUER BID ("NCIB")

For the six months ended June 30, 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 10

SUPPLEMENTARY CASH FLOW INFORMATION

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

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Amortization and write-off of lease incentives	3	**$ 2,919**	$ 2,831	**$ 5,821**	$ 5,809
Depreciation of property and equipment		**117**	227	**247**	469
Total amortization and depreciation		**$ 3,036**	$ 3,058	**$ 6,068**	$ 6,278

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Deferred unit compensation expense	**$ 1,003**	$ 1,035	**$ 1,700**	$ 1,534
Straight-line rent income	**(298)**	(118)	**(427)**	(145)
Deferred income taxes expense	**5**	20	**94**	108
Costs (recovery) attributable to sale of investment properties, net(1)	**—**	24	**(12)**	1,098
Share of net loss from investments in joint ventures	**450**	231	**522**	247
Gain on debt extinguishment	**—**	(33)	**—**	(33)
Total other adjustments	**$ 1,160**	$ 1,159	**$ 1,877**	$ 2,809

(1) Includes both continuing and discontinued operations.

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Decrease (increase) in amounts receivable	**$ (839)**	$ 233	**$ 672**	$ 2,999
Decrease (increase) in prepaid expenses and other assets	**(473)**	(548)	**(365)**	163
Decrease (increase) in other non-current assets	**46**	(36)	**46**	(55)
Increase (decrease) in amounts payable and accrued liabilities	**749**	3,791	**(1,118)**	1,438
Increase (decrease) in other non-current liabilities	**98**	(405)	**204**	(519)
Change in non-cash working capital	**$ (419)**	$ 3,035	**$ (561)**	$ 4,026

Note 11

SEGMENTED INFORMATION

For the three and six months ended June 30, 2022 and June 30, 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 NOI, 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 June 30, 2022	Toronto downtown	Other markets	Segment total	Not segmented[(1)]	Total
Operations					
Investment properties revenue	**$ 36,664**	**$ 11,155**	**$ 47,819**	**$ 329**	**$ 48,148**
Investment properties operating expenses	**(15,497)**	**(5,262)**	**(20,759)**	**(1,208)**	**(21,967)**
Net rental income (segment income)	**$ 21,167**	**$ 5,893**	**$ 27,060**	**$ (879)**	**$ 26,181**

(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, expected credit losses on trade receivables, straight-line rent adjustments and amortization of lease incentives during the period.

Three months ended June 30, 2021	Toronto downtown	Other markets	Segment total	Not segmented[(1)]	Total
Operations					
Investment properties revenue	$ 37,965	$ 10,962	$ 48,927	$ (777)	$ 48,150
Investment properties operating expenses	(15,248)	(5,186)	(20,434)	(702)	(21,136)
Net rental income (segment income)	$ 22,717	$ 5,776	$ 28,493	$ (1,479)	$ 27,014

(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, expected credit losses on trade receivables, straight-line rent adjustments and amortization of lease incentives during the period.

Six months ended June 30, 2022	Toronto downtown	Other markets	Segment total	Not segmented[(1)]	Total
Operations					
Investment properties revenue	**$ 74,473**	**$ 22,487**	**$ 96,960**	**$ 811**	**$ 97,771**
Investment properties operating expenses	**(31,947)**	**(10,904)**	**(42,851)**	**(2,876)**	**(45,727)**
Net rental income (segment income)	**$ 42,526**	**$ 11,583**	**$ 54,109**	**$ (2,065)**	**$ 52,044**

(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, lease termination fees, expected credit losses on trade receivables, straight-line rent adjustments and amortization of lease incentives during the period.

Six months ended June 30, 2021		Toronto downtown		Other markets		Segment total		Not segmented[1]	Total
Operations									
Investment properties revenue	$	77,687	$	21,823	$	99,510	$	(1,884) $	97,626
Investment properties operating expenses		(31,787)		(10,848)		(42,635)		(1,706)	(44,341)
Net rental income (segment income)	$	45,900	$	10,975	$	56,875	$	(3,590) $	53,285

(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, lease termination fees, expected credit losses on trade receivables, straight-line rent adjustments and amortization of lease incentives during the period.

Six months ended June 30, 2022		**Toronto downtown**		**Other markets**		**Segment total**		**Not segmented[1]**		**Total**
Capital expenditures[2]	**$**	**17,708**	**$**	**3,564**	**$**	**21,272**	**$**	**3,991**	**$**	**25,263**
Fair value adjustments to investment properties		**14,715**		**(1,163)**		**13,552**		**7**		**13,559**
Investment properties		**2,081,386**		**463,738**		**2,545,124**		**57,999**		**2,603,123**

(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]	$	35,843	$	15,096	$	50,939	$	9,738	$	60,677
Fair value adjustments to investment properties		(5,915)		55,971		50,056		(2,130)		47,926
Investment properties		2,052,443		462,547		2,514,990		54,012		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 12

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 and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,				Six months ended June 30,			
		2022		2021		**2022**		2021
Property management services fee charged by the Trust	**$**	**88**	$	63	**$**	**181**	$	131
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)		**2,938**		2,343		**5,243**		4,366
Development fees charged by DAM		**(589)**		(589)		**(1,177)**		(1,177)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)		**(363)**		(299)		**(696)**		(566)
Net fees and reimbursements from DAM	**$**	**2,074**	$	1,518	**$**	**3,551**	$	2,754

The following table summarizes the amounts due from (to) DAM as at June 30, 2022 and December 31, 2021:

		June 30, 2022		December 31, 2021
Amounts due from DAM	**$**	**1,482**	$	1,282
Amounts due to DAM		**(952)**		(1,140)
Net amounts due from (to) DAM	**$**	**530**	$	142

Related party transactions with Dream Impact Trust

The following table summarizes the amounts that were charged to Dream Impact Trust for the three and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Property management and construction fees related to co-owned properties	**$ 251**	$ 199	**$ 469**	$ 551
Costs processed on behalf of Dream Impact Trust related to co-owned and managed properties	**423**	300	**834**	632
Amounts charged to Dream Impact Trust under the services agreement	**273**	143	**496**	257
Total cost recoveries from Dream Impact Trust	**$ 947**	$ 642	**$ 1,799**	$ 1,440

Amounts due from Dream Impact Trust as of June 30, 2022 were $350 (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 and six months ended June 30, 2022 and June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Total cost recoveries from Dream Industrial REIT	**$ 1,772**	$ 1,437	**$ 3,750**	$ 2,761

Amounts due from Dream Industrial REIT as of June 30, 2022 were $632 (December 31, 2021 – $916).

Distributions and interest receivable from (payable to) related parties

	June 30, 2022	December 31, 2021
Distributions receivable from Dream Industrial REIT(1)	**$ 1,552**	$ 1,552
Distributions payable to DAM(2)	**(1,086)**	(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 June 30, 2022 and December 31, 2021.

(2) Distributions payable to DAM are in relation to the 13,035,102 REIT A Units held by DAM as at June 30, 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 June 30, 2022 and December 31, 2021.

For the three and six months ended June 30, 2022, total distributions and subsidiary redeemable interest paid and payable to DAM were $4,553 and $8,993, respectively (for the three and six months ended June 30, 2021 – $4,411 and $8,822, respectively).

Note 13

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 June 30, 2022.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $50,647 (December 31, 2021 – $51,442) with a weighted average term to maturity of 4.1 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 $13,856. 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 June 30, 2022.

At June 30, 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	$ 88	$ —	$ —	$ 88
Operating commitments	2,653	794	—	3,447
Fixed price contracts	222	888	1,579	2,689
Total	$ 2,963	$ 1,682	$ 1,579	$ 6,224

Since 2018, the Trust has invested US$7,276 (December 31, 2021 – US$6,604) towards investments in real estate technologies through a joint venture. As at June 30, 2022, the Trust had outstanding funding commitments to the joint venture totalling US$4,328 (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 $41,389 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 June 30, 2022, the Trust had funded $7,154 under the loan facility. During the quarter, the borrower paid an extension fee totalling $406 in connection with the exercise of a one-year extension option.

Note 14

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:

			June 30, 2022		December 31, 2021
	Note	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets					
Investment in Dream Industrial REIT	4	**$ 442,962**	**$ 321,380**	$ 402,790	$ 458,126
Non-current VTB mortgage receivable and construction loan facility		**41,254**	**36,327**	39,348	38,093
Financial liabilities					
Mortgages	5	**1,075,890**	**1,019,680**	1,084,097	1,097,634
Credit facilities	5	**258,978**	**259,820**	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 June 30, 2022, the carrying value of the current VTB 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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The Toronto Stock Exchange
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