dream impact trust

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DREAM IMPACT TRUST REPORTS FOURTH QUARTER RESULTS

This press release contains forward-looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained within this press release. All dollar amounts in our tables are presented in thousands of Canadian dollars, except unit and per unit amounts, unless otherwise stated.

TORONTO, February 13, 2023, DREAM IMPACT TRUST (TSX: MPCT.UN) ("Dream Impact", "we", "our" or the "Trust") today reported its financial results for the three months ("fourth quarter") and year ended December 31, 2022.

“On many fronts, 2022 has been a successful year of progress for the Trust,” said Michael Cooper, Portfolio Manager. “Through continued acquisitions and development execution, Dream Impact is creating a portfolio that will be among the highest quality assets available in a public vehicle. We believe the Trust's assets represent some of the best opportunities within the Dream platform. Impact investments now make up over 95% of our NAV, inclusive of those in the planning stage. This quarter, we are reducing the Trust's distribution to $0.16 per unit annually. With a sustainable distribution and virtually all of our assets being exciting impact investments, we are better positioning the Trust for the long-term."

Over the course of the year, the Trust added $98.3 million to its recurring income segment, either through third-party acquisitions or block completions from its development pipeline. This translated to over 450 multi-family rental units and 34,000 square feet ("sf") of commercial gross leasable area ("GLA") (at the 100% project level).

We also made significant progress on our active projects under construction as we work towards our goal of building out an additional $500 million in high-quality recurring income assets to be added to the Trust’s portfolio by the end of 2025. This includes West Don Lands Block 8 ("WDL Block 8"), a 770-unit multi-family rental building of which 30% are designated as affordable, located in downtown Toronto’s east end adjacent to the Canary and Distillery Districts. WDL Block 8 will be the next asset completed from our pipeline as first tenant occupancies are anticipated this spring. For further details on the Trust’s development pipeline, please refer to the section titled "Development and Investment Holdings" in the Trust's management's discussion and analysis for the three months and year ended December 31, 2022 (the "2022 MD&A").

In 2022, the Trust was the winning proponent of two significant bids, Dream LeBreton and Quayside. The Trust was well-positioned for both of these projects given our dedicated impact strategy and track record.

Dream LeBreton is the first phase of the Build LeBreton project in Ottawa, Ontario. The site is adjacent to a light rail station and in close proximity to the Zibi development. In the fourth quarter, we received rezoning approval from the City of Ottawa which will provide for two towers on the site, comprised of 608 rental units, including 250 affordable units. The Trust has a 33.3% interest in the project.

On December 9, 2022, the Trust executed a project agreement with Waterfront Toronto to acquire a 12.5% interest in Quayside. The development is considered one of the most significant projects in Canada, integrating multiple levels of government and ambitious sustainability and inclusivity targets. Upon full build-out of the 12-acre site, Quayside is expected to include over 800 affordable housing units with an emphasis on family-sized accommodations, 2.5 acres of public green space and Canada’s largest mass timber structure. Closing for the first phase of Quayside is anticipated in March 2023.

Selected financial and operating metrics for the fourth quarter and year ended December 31, 2022 are summarized below:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	**2022**	2021
Consolidated results of operations				
Net income (loss)	**$ (44,863)**	$ 26,959	**$ (43,554)**	$ 21,450
Net income (loss) per unit[1]	**$ (0.67)**	$ 0.41	**$ (0.66)**	$ 0.33

As at		December 31, 2022		December 31, 2021
Consolidated financial position				
Total assets	**$**	**724,169**	$	701,702
Total liabilities		**245,437**		164,771
Total unitholders' equity		**478,732**		536,931
Units outstanding – end of period		**67,042,514**		65,071,762
Units outstanding – weighted average		**65,916,941**		64,996,594

In the fourth quarter the Trust reported a net loss of $44.9 million compared to net income of $27.0 million in the prior year. Current period results included a fair value loss of $59.2 million on the Trust's investment in the Virgin Hotels Las Vegas (the "U.S. Hotel") as further described below. Adjusting for this fair value loss, the Trust generated income of $14.3 million in the fourth quarter, a decrease from the prior year due to the composition of fair value adjustments on commercial properties in each period and higher interest due to financing activities, partially offset by increased income contribution from our multi-family portfolio.

As previously disclosed, the Trust has a 10% minority interest in the U.S. Hotel. The U.S. Hotel is considered non-core to the Trust's portfolio, as it is not impact and the investment strategy has always been to exit upon stabilization. In the fourth quarter, the Trust incurred a fair value loss of $59.2 million on the investment, which approximated its carrying value. The loss was driven by a variety of factors, which included operational performance, near-term financing and significant capital needs, uncertainty regarding stabilization, market comparators and a proposed capital re-organization by the U.S. Hotel investor group in the fourth quarter. In light of these considerations, we believe the write-down on the investment in the period was prudent.

As of December 31, 2022, the Trust had $61.7 million of consolidated debt presented as current related to a mortgage on 49 Ontario Street ("49 Ontario") and the Trust's credit facility. On January 31, 2023, the Trust closed on the refinancing of 49 Ontario for gross proceeds of $80.0 million in the form of a non-revolving facility with a term of two years and interest rate of CDOR plus 2.65%. Proceeds were earmarked to repay the existing mortgage and the Trust's credit facility. In addition, the Trust amended its credit facility, reducing the borrowing capacity from $50.0 million to $25.0 million and extending the maturity date to April 30, 2025. Upon completion of these two financing activities the Trust had approximately $30.0 million in available liquidity, up significantly from December 31, 2022.

Net Asset Value ("NAV")[(1)]

As at December 31, 2022, NAV per unit[(1)] was $8.25 compared to total unitholders' equity per unit[(1)] of $7.14. The difference was the result of market value adjustments related to the Trust's investments in Lakeshore East, Brightwater and 100 Steeles Ave. West ("100 Steeles"). For accounting purposes, the underlying assets within these investments are either carried at cost or reflect only the Trust's leasehold interest in the case of 100 Steeles. The significant inputs to the market value adjustments include expected density and price per sf of the land and were supported by independent third-party appraisals. NAV per unit as at December 31, 2021 was $9.31. The most significant factor contributing to the NAV decline year over year was the write-down of the U.S. Hotel.

Impact Progress

Over the last year, the Trust has made a number of advancements across our three impact verticals. We are continuing to work with various levels of government and stakeholders to look for creative solutions for affordable housing needs and are tracking well as it relates to our sustainability commitments. This year, we also completed our baseline benchmarking as part of the Trust's broader 2025 social procurement targets. We intend to report publicly on our progress as part of our annual Impact Report this spring but feel we are well positioned to meet our stated objectives.

Through the Dream Community Foundation and as part of the Trust's inclusivity vertical, extensive programming has been introduced at Weston Common in Toronto. The asset is a multi-family rental building comprised of 841 units, of which approximately 25% are affordable. Programming offered in 2022 included: a breakfast club with over 2,000 attendees, language classes, community event sponsorship, back-to-school supply kits and the introduction of a scholarship program to assist with post-secondary education. The Foundation will look to extend this programming beyond Weston Common in 2023.

Recurring Income
Net Operating Income ("NOI") from commercial properties was $2.7 million in the fourth quarter, down slightly from prior year due to a decline in occupancy rates. NOI from multi-family rental assets[1] was $1.7 million in the fourth quarter, up from $0.8 million in the prior year, primarily due to the timing of third-party acquisitions and the completion of development blocks.

In the fourth quarter, the Trust's recurring income segment generated net income of $16.9 million compared to $29.6 million in the prior year. The decrease of $12.7 million was largely due to the magnitude of fair value changes on income properties in each respective period. Included in current period results was a fair value gain of $29.0 million on 49 Ontario driven by an increase in land value and density, partially offset by a fair value loss of $14.9 million on Sussex Centre due to capitalization rate expansion. Sussex Centre is located in Mississauga and is owned 50% by the Trust. Both fair value adjustments were supported by independent third-party appraisals.

We are extremely pleased with progress made to date on the rezoning of 49 Ontario and 100 Steeles.

49 Ontario is an 88,000-sf commercial property owned 100% by the Trust, located in downtown Toronto and in close proximity to a future Ontario line subway stop. Inclusive of the Berkeley land assembly acquired in 2022, the Trust paid $46.8 million for the site, which was carried at $140.0 million as of December 31, 2022. The Trust has submitted a rezoning application for the site for over 800,000 sf of gross floor area, including over 1,000 residential units, and anticipates rezoning to be achieved by mid 2023. Given current tenant occupancy, construction would not commence until the existing lease expires, which may not be until 2026 should in-place extension rights be exercised.

The Trust has a 37.5% leasehold interest in a retail shopping centre and future residential mixed-use development at 100 Steeles, located near the future Steeles station on the Yonge North subway extension. We are extremely pleased with rezoning progress made to date and expect the site to allow for approximately 1.5 million sf of gross floor area, including 1,800 residential units, when zoning is approved this year.

In the fourth quarter, the Trust executed a 30,000-sf lease agreement with Eastroom at 68-70 Claremont Street ("Claremont"). Eastroom is a leading provider of coworking space and premier creative environments in some of Toronto's most vibrant communities, with two existing locations in Toronto. Acquired by the Trust in early 2021, Claremont is a boutique office building located in the Queen West neighbourhood in downtown Toronto. The execution of this lease is meaningful to the Trust as it supports long-term stability for the asset with its 15-year lease term, and fully improved interior and building systems which ultimately allows us to work with a local growing business partner.

Throughout the period, we have continued to see strong leasing momentum across our multi-family portfolio, ending the quarter with in-place and committed residential occupancy of 94.3%. The Trust's first multi-family rental building at Zibi, Aalto Suites, achieved stabilization in the fourth quarter ending the period with 87% in-place and committed occupancy. Block 206 and Block 11 are the next two multi-family buildings at Zibi, both of which are currently under construction.

Development
In the fourth quarter, adjusting for the fair value loss on the U.S. Hotel, the development segment generated net income of $0.5 million, down from $1.2 million in the comparative period. Income from this segment will fluctuate period to period and not contribute meaningfully to earnings until development milestones are achieved and/or project inventory is available for occupancy. Based on the Trust's current development pipeline, we anticipate more meaningful income from this segment upon first tenant occupancies at WDL Block 8 in the spring and Brightwater towards the end of 2023.

In 2022, we launched sales for the first tower at Forma ("Forma East"), an 864-unit condominium project located in the heart of Toronto's entertainment district. This iconic project designed by Canadian born architect Frank Gehry has achieved firm sales of approximately $800 million or 71% of units released as of February 13, 2023. The heating and cooling for this tower will be provided by Enwave's District Energy System. As a result, Forma East is estimated to achieve a 60% on-site energy reduction and significant water savings. A number of community benefits will also be provided through the development including improvements to the adjacent public spaces and dedicated space to a local art college. In the fourth quarter, construction on Forma East commenced with nearly half of project costs tendered. The Trust has an equity interest of 25.0% in the project.

Other[2]
In the fourth quarter, the other segment generated a net loss of $3.1 million compared to $3.9 million in the prior year. The improvement was related to an income tax recovery recognized during the period, compared to an income tax expense recognized in the prior year quarter, partially offset by higher interest expense.

Distributions

Effective with the February 2023 distribution, payable on March 15, 2023 to unitholders of record as of February 28, 2023, we have revised our distribution from $0.40 per unit to $0.16 per unit, on an annualized basis. We believe the revised distribution preserves additional liquidity for the Trust's development commitments and is better aligned with our strategy. With the Trust's current stabilized asset portfolio and forecasted development completions by 2026, the Trust's distribution will be more sustainable and we are better positioning the company for success.

Cash Generated from Operating Activities

Cash utilized in operating activities in the fourth quarter was $5.8 million compared to cash generated of $5.2 million in the comparative period. The decrease was driven by the timing of proceeds received from legacy developments in the prior year and changes in non-cash working capital.

Footnotes

(1) NAV is a non-GAAP financial measure. NAV per unit and net income (loss) per unit are non-GAAP ratios, and total unitholders' equity per unit and NOI - multi-family rental are supplementary financial measures. Please refer to the cautionary statements under the heading "Specified Financial Measures and Other Measures" in this press release and the Specified Financial Measures and Other Disclosures section of the 2022 MD&A.

(2) Includes other Trust amounts not specifically related to the segments.

Conference Call

Senior management will host a conference call on Tuesday, February 14th at 1:00 pm (ET). Participants may access the call via audio conference or webcast. To access the call via audio conference, please click on the following link to register https://register.vevent.com/register/BI4a384477ded94427821cfc5d69562620. Once registered, participants will receive an email with the dial-in details, including a unique PIN. To access the conference call via webcast, please go to the Trust's website at www.dreamimpacttrust.ca and click on Calendar of Events in the News and Events section. A taped replay of the conference call and the webcast will be available for 90 days.

About Dream Impact

Dream Impact is an open-ended trust dedicated to impact investing. Dream Impact's underlying portfolio is comprised of exceptional real estate assets reported under two operating segments: development and investment holdings, and recurring income, that would not be otherwise available in a public and fully transparent vehicle, managed by an experienced team with a successful track record in these areas. The objectives of Dream Impact are to create positive and lasting impacts for our stakeholders through our three impact verticals: environmental sustainability and resilience, attainable and affordable housing, and inclusive communities; while generating attractive returns for investors. For more information, please visit: www.dreamimpacttrust.ca.

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Specified Financial Measures and Other Measures

The Trust's condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In this press release, as a complement to results provided in accordance with IFRS, the Trust discloses and discusses certain specified financial measures, including NAV, NAV per unit, net income (loss) per unit, total unitholders' equity per unit and NOI - multi-family rental, as well as other measures discussed elsewhere in this release. These specified financial measures are not defined by or recognized measures under IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. The Trust has presented such specified financial measures as management believes they are relevant measures of our underlying operating performance. Specified financial measures should not be considered as alternatives to unitholders' equity, net income, total comprehensive income or cash flows generated from operating activities, or comparable metrics determined in accordance with IFRS as indicators of the Trust's performance, liquidity, cash flow and profitability. Certain additional disclosures such as the composition, usefulness and changes as applicable are expressly incorporated by reference from the 2022 MD&A in the section titled "Specified Financial Measures and Other Disclosures", which has been filed and is available on SEDAR under the Trust's profile. Reconciliations for Net Asset Value, a non-GAAP financial measure, is found below.

Net asset value ("NAV")", a non-GAAP financial IFRS financial measure, represents total unitholders' equity per the consolidated financial statements, adjusted for market value adjustments for equity accounted investments (including applicable deferred income tax adjustments). The market value adjustments account for the applicable deferred income tax estimates considering the timing of their realization and, if appropriate, will be incorporated into the determination of the NAV. The applicable deferred income tax estimates related to the market value adjustments are calculated either based on income or capital gain rates or a combination thereof. The income tax rates used to determine NAV are dependent on various factors such as anticipated development plans, stage of development and current market trends applicable to the future development plans, and will be reviewed on a regular basis and are subject to change. Excluded from the NAV calculation are any market value adjustments with respect to liabilities as well as commitments/contracts that are not otherwise recorded as liabilities on the Trust's consolidated statements of financial position. The Trust has not appraised the lending portfolio, as the Trust intends to hold certain investments in the lending portfolio until maturity and its term to maturity is over the next one to five years; as such, this portfolio is considered fairly liquid. This non-GAAP measure is an important measure used by the Trust in evaluating the Trust's and the Trust's asset manager's performance as it is an indicator of the intrinsic value of the Trust; however, it is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers.

As at December 31, 2022		Total unitholders' equity		Market value adjustment to equity accounted investments		Deferred income taxes adjustment		NAV		NAV per unit	% of total NAV
Development and investment holdings	$	256,403	$	88,498	$	—	**$**	**344,901**	**$**	**5.14**	**62.4 %**
Recurring income		344,455		—		—		**344,455**		**5.14**	**62.3 %**
Cash and other[3]		(122,126)		—		(14,246)		**(136,372)**		**(2.03)**	**(24.7)%**
Total	**$**	**478,732**	**$**	**88,498**	**$**	**(14,246)**	**$**	**552,984**	**$**	**8.25**	**100.0 %**

As at December 31, 2021		Total unitholders' equity		Market value adjustment to equity accounted investments		Deferred income taxes adjustment		NAV		NAV per unit	% of total NAV
Development and investment holdings	$	296,709	$	81,428	$	—	**$**	**378,137**	**$**	**5.81**	**62.4 %**
Recurring income		283,612		—		—		**283,612**		**4.36**	**46.8 %**
Cash and other[3]		(43,390)		—		(12,363)		**(55,753)**		**(0.86)**	**(9.2)%**
Total	**$**	**536,931**	**$**	**81,428**	**$**	**(12,363)**	**$**	**605,996**	**$**	**9.31**	**100.0 %**

Forward-Looking Information

This press release may contain forward-looking information within the meaning of applicable securities legislation. Forward-looking information generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “would”, “could”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans”, or “continue”, or similar expressions suggesting future outcomes or events. Some of the specific forward-looking information in this press release may include, among other things, statements relating to the Trust's objectives and strategies to achieve those objectives; the Trust’s belief that the distribution policy is sustainable and in line with recurring income, the Trust's plans and proposals for current and future development and redevelopment projects, construction initiation, rezoning, completion and occupancy dates, number of units, square footage and planned GLA; the Trust's expectation to earn more meaningful income from the development segment upon first tenant occupancies; and the Trust's ability to achieve its impact and sustainability goals, and implementing other sustainability initiatives throughout its projects. 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 the Trust’s control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: adverse changes in general economic and market conditions; the impact of the novel coronavirus (COVID-19 and variants thereof) pandemic on the Trust; risks associated with unexpected or ongoing geopolitical events, including disputes between nations, terrorism or other acts of violence, and international sanctions; inflation; the disruption of free movement of goods and services across jurisdictions; the risk of adverse global market, economic and political conditions and health crises; risks inherent in the real estate industry; risks relating to investment in development projects; impact investing strategy risk; risks relating to geographic concentration; risks inherent in investments in real estate, mortgages and other loans and development and investment holdings; credit risk and counterparty risk; competition risks; environmental and climate change risks; risks relating to access to capital; interest rate risk; the risk of changes in governmental laws and regulations; tax risks; foreign exchange risk; acquisitions risk; and leasing risks. Our objectives and forward-looking statements are based on certain assumptions with respect to each of our markets, including that the general economy remains stable; the gradual recovery and growth of the general economy continues over 2023; that no unforeseen changes in the legislative and operating framework for our business will occur; that there will be no material change to environmental regulations that may adversely impact our business; that we will meet our future objectives, priorities and growth targets; that we receive the licenses, permits or approvals necessary in connection with our projects; that we will have access to adequate capital to fund our future projects, plans and any potential acquisitions; that we are able to identify high-quality investment opportunities and find suitable partners with which to enter into joint ventures or partnerships; that we do not incur any material environmental liabilities; there will not be a material change in foreign exchange rates; that the impact of the current economic climate and global financial conditions on our operations will remain consistent with our current expectations; our expectations regarding the impact of the COVID-19 pandemic and government measures to contain it; our expectation regarding ongoing remote working arrangements; and competition for and availability of acquisitions remains consistent with the current climate.

All forward-looking information in this press release speaks as of February 13, 2023. The Trust 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 law. Additional information about these assumptions and risks and uncertainties is disclosed in the Trust’s filings with securities regulators filed on the System for Electronic Document Analysis and Retrieval (www.sedar.com), including its latest annual information form and MD&A. These filings are also available at the Trust’s website at www.dreamimpacttrust.ca.