dream office REIT

DREAM OFFICE REIT REPORTS 2023 YEAR-END RESULTS AND UNIT CONSOLIDATION; ANNUAL DISTRIBUTION TO REMAIN UNCHANGED AT $1.00 PER UNIT FOLLOWING CONSOLIDATION

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 for rental rates and per unit amounts, unless otherwise stated.

TORONTO, FEBRUARY 15, 2024, DREAM OFFICE REAL ESTATE INVESTMENT TRUST (D.UN-TSX) ("Dream Office REIT", the "Trust" or "we") today announced its financial results for the three months ended December 31, 2023 and that the board of trustees have determined to implement the previously approved consolidation ("Unit Consolidation") of all the issued and outstanding REIT Units, Series A ("REIT A Units"), REIT Units, Series B ("REIT B Units") and Special Trust Units of the Trust (collectively, the "Units") on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. The Unit Consolidation was authorized by the unitholders of the Trust at the annual meeting of the Trust held on June 6, 2023.

The Unit Consolidation is expected to take effect on or around February 22, 2024 (the "Effective Date") and the REIT A Units are expected to begin trading on a post-consolidation basis on the Toronto Stock Exchange (the "TSX") at market opening on February 27, 2024, under the same trading symbol "D.UN". The REIT B Units and Special Trust Units are not listed or quoted on any marketplace. The new CUSIP and ISIN numbers for the post-consolidation REIT A Units are 26153P203 and CA26153P2035, respectively.

The monthly distributions on the REIT A Units of the Trust are currently $0.08333 per REIT A Unit on a pre-consolidation basis. Following the Unit Consolidation, the monthly distributions of the Trust will not be proportionately increased and adjusted. As a result, the monthly distributions will remain $0.08333 per REIT A Unit on a post-consolidation basis, which will represent annualized distributions of $1.00 per REIT A Unit on a post-consolidation basis. Based on the change in unit count, the total annualized distribution on REIT A Units and LP B Units will adjust from $37.9 million to $18.9 million based on the number of REIT A Units and LP B Units outstanding on today's date.

Management will host a conference call to discuss the financial results on February 15, 2024 at 5:00 p.m. (ET).

OPERATIONAL HIGHLIGHTS AND UPDATE

(unaudited)

			As at
	December 31, 2023	September 30, 2023	December 31, 2022
Total properties[1]			
Number of active properties	**26**	26	26
Number of properties under development	**2**	2	2
Gross leasable area (in millions of square feet)	**5.1**	5.1	5.1
Investment properties value	**$ 2,342,374**	$ 2,355,714	$ 2,382,883
Total portfolio[2]			
Occupancy rate – including committed (period-end)	**84.4%**	84.3%	84.4%
Occupancy rate – in-place (period-end)	**82.0%**	80.8%	81.0%
Average in-place and committed net rent per square foot (period-end)	**$ 26.35**	$ 25.47	$ 24.90
Weighted average lease term (years)	**5.2**	4.9	5.3
Occupancy rate – including committed – Toronto (period-end)	**89.0%**	88.6%	87.7%
Occupancy rate – in-place – Toronto (period-end)	**85.4%**	83.4%	82.7%

See footnotes at end.

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		Three months ended		
		December 31, 2023		December 31, 2022
Operating results				
Funds from operations ("FFO")[3]	**$**	**14,588**	**$**	19,310
Comparative properties net operating income ("NOI")[4]		**27,759**		27,758
Net rental income		**25,760**		27,342
Net loss		**(42,424)**		(82,607)
Per unit amounts				
Diluted FFO per unit[5]	**$**	**0.38**	$	0.37
Distribution rate per Unit		**0.25**		0.25

See footnotes at end.

"We have made progress improving our in place occupancy over the course of the year, refinanced all of our expiring debt, completed rezoning on our large development sites and sold 720 Bay Street at a premium valuation" said Michael Cooper, Chief Executive Officer of Dream Office REIT. *"In 2024, we are focusing on leasing, reducing risk, preserving liquidity and exploring delivering long term value to our unit holders in a very challenging office market."*

Office utilization rates in Toronto downtown continue to improve gradually each quarter. Year-over-year, our downtown Toronto in-place occupancy rate improved from 82.7% to 85.4% and in-place and committed occupancy improved from 87.7% to 89.0%. This compares favourably to general downtown Toronto market statistics published by CBRE research[6] where occupancy declined from 86.4% to 82.6% over 2023. We continue to believe our portfolio is well located, difficult to replace and uniquely positioned to outperform over the long term. We remain committed to investing in our buildings and leasing to distinguish our portfolio and continue to attract tenants.

During Q4 2023, the Trust executed leases totalling approximately 388,000 square feet across our portfolio. In Toronto downtown, the Trust executed 384,000 square feet of leases at a weighted average initial net rent of $26.84 per square foot, or 4.4% 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, comprising our properties located in Calgary, Saskatoon, Regina, Mississauga, Scarborough and the United States ("U.S."), we executed leases totalling 4,000 square feet at a weighted average net rent of $18.67 per square foot, a decrease of 13.6% from the weighted average prior net rent on the same space, with a weighted average lease term of 3.7 years.

Subsequent to December 31, 2023, the Trust executed a further 46,000 square feet of leases in Toronto downtown at a weighted average initial net rent of $31.52 per square foot, or 4.4% 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.

Since the beginning of 2023 to today's date, the Trust has executed leases totalling approximately 874,000 square feet across our portfolio. In Toronto downtown, the Trust has executed 798,000 square feet of leases at a weighted average initial net rent of $30.53 per square foot, or 13.1% higher than the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 6.1 years. In the Other markets region, the Trust has executed leases totalling 76,000 square feet at a weighted average initial net rent per square foot of $19.11, or 11.2% higher than the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 4.1 years.

To date, the Trust has secured commitments for approximately 427,000 square feet, or 53%, of 2024 full-year natural lease expiries.

REDEVELOPMENT PROJECTS UPDATE

During 2022, we took 366 Bay Street and 67 Richmond Street West in Toronto offline to fully revitalize the assets. The development projects at these properties comprise full modernizations of the properties, including technical systems, interior lighting, and elevators, along with enhanced common areas and larger floorplates. At 366 Bay Street, we have spent $11.0 million over the course of the project, $8.2 million of which has been funded by our Canada Infrastructure Bank credit facility ("the CIB Facility"). At 67 Richmond Street West, we have spent $4.6 million on the project, $3.7 million of which has been funded by the CIB Facility. The project at 67 Richmond Street West is expected to be completed and ready to lease in the second half of 2024.

During the year, we secured a commitment at 366 Bay Street for a lease for the entire building with a global financial institution that was attracted by the location of the asset, as well as the successful completion of our redevelopment and decarbonization program at the building. The lease is for a term of 15 years for approximately 40,000 square feet with initial net rents of $38.00 per square foot, escalating to $50.00 per square foot over the term of the lease. The full building fixturing and fitout commenced in Q4 2023 on redevelopment project completion with lease commencement scheduled for Q4 2024. As part of the lease agreement, the Trust secured a non-revolving term loan facility of $8.2 million with the tenant to finance the tenant's construction allowance under the terms of the lease. The accumulated drawings will bear interest at an annual fixed rate of 6.75% for a period of five years. Subsequent to the initial availability period during the tenant fitout period, the loan will convert to an amortizing term facility.

FINANCING AND LIQUIDITY UPDATE

KEY FINANCIAL PERFORMANCE METRICS (unaudited)	As at December 31, 2023	December 31, 2022
Financing		
Weighted average face rate of interest on debt (period-end)(7)	**4.53%**	4.42%
Interest coverage ratio (times)(8)	**2.0**	2.5
Net total debt-to-normalized adjusted EBITDAFV ratio (years)(9)	**11.5**	10.4
Level of debt (net total debt-to-net total assets)(10)	**50.0%**	44.6%
Average term to maturity on debt (years)	**3.3**	3.1
Undrawn credit facilities, available liquidity and unencumbered assets		
Undrawn credit facilities (in millions)	**$ 174.0**	$ 163.5
Available liquidity (in millions)(11)	**187.2**	171.6
Unencumbered assets (in millions)(12)	**17.1**	115.7
Capital (period-end)		
Total number of REIT A and LP B units (in millions)(13)	**37.9**	51.3
Net asset value ("NAV") per unit(14)	**$ 33.15**	$ 31.36

See footnotes at end.

"We continue to be focused on strategies to improve liquidity and reduce risk in our business," said Jay Jiang, Chief Financial Officer of Dream Office REIT. *"We are in advanced negotiations on securing renewals for $73.4 million of mortgages maturing in 2024, and are also working on refinancing 2025 debt maturities early with our lenders."*

As at December 31, 2023, the Trust had $2.7 billion of total assets, $2.3 billion of investment properties and $1.3 billion of total debt.

As at December 31, 2023, the Trust had approximately $187.2 million of available liquidity,(11) comprising $13.3 million of cash, undrawn revolving credit facilities totalling $73.4 million, undrawn amounts on our non-revolving term loan facility for the purpose of financing a tenant's construction allowance obligations under the aforementioned 366 Bay Street lease totalling $8.2 million and undrawn amounts on our CIB Facility of $92.4 million which provides low-cost fixed-rate financing solely for the purpose of commercial property retrofits to achieve certain energy efficiency savings and GHG emission reductions. The Trust also had $17 million of unencumbered assets(12) and a level of debt (net total debt-to-net total assets)(10) of 50.0%.

During the quarter, the Trust entered into a fixed-for-variable swap to fix the interest rate on a $66.5 million mortgage at 6.14% secured by a property in Scarborough, Ontario. Also during the quarter, the Trust entered into a swap in relation to borrowings under the $375 million revolving credit facility whereby the Trust fixed the annual rate on $40 million of the outstanding drawings at 5.42% (at the current pricing for bankers' acceptance drawings under the facility) for five years. Over the course of the year, the Trust has successfully addressed $250.7 million of mortgage maturities and the Trust is in advanced renewal discussions with its lenders on the $73.4 million of mortgage maturities coming due in 2024. Discussions for the $336.1 million of mortgage maturities coming due in 2025 are also underway.

Since commencing our hedging strategy in 2022, we have entered into fixed-for-variable swaps on our credit facility and mortgage debt totalling $365.6 million at a weighted average rate of 5.50% including loan-specific borrowing spreads. Based on indexes as at December 31, 2023 the weighted average unhedged rate for swapped debt was 7.22% representing annualized savings of 1.73% or $6.3 million per year. As a result of this hedging strategy, variable rate as a percentage of total debt has decreased from 24.1% as at December 31, 2021 to 6.7% as at December 31, 2023.

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During Q4 2023, the Trust drew $4.3 million against the CIB Facility. In total, we have drawn $20.5 million against the CIB Facility since 2022. These draws represent 80% of the costs to date for capital retrofits at 13 properties in Toronto downtown for projects to reduce the operational carbon emissions in these buildings by an estimated 3,241 tonnes of carbon dioxide (“CO2”), or 57.5%, per year on project completion.

GRESB REAL ESTATE ASSESSMENT

On October 2, 2023, the Trust achieved a four-star GRESB rating of 87/100. GRESB is an industry-driven organization that is committed to assessing the environmental, social, and governance (“ESG”) performance of real estate portfolios around the globe. Participation in the GRESB assessment gives Dream Office REIT the opportunity to receive a third-party assessment of our progress towards reaching our ESG goals and the latest score validates the Trust’s accomplishments to date.

SUMMARY OF KEY PERFORMANCE INDICATORS

- **Net loss for the quarter:** For the three months ended December 31, 2023, the Trust generated a net loss of $42.4 million. Included in net loss for the three months ended December 31, 2023 are negative fair value adjustments to investment properties totalling $28.8 million across the portfolio and negative fair value adjustments to financial instruments totalling $19.3 million primarily due to remeasurements on rate swap contracts due to falling market yield curves and the remeasurement of the carrying value of subsidiary redeemable units as a result of an increase in the Trust’s unit price over the quarter, partially offset by net rental income totalling $25.8 million.

- **Diluted FFO per unit[(5)] for the quarter:** For the three months ended December 31, 2023, diluted FFO per unit increased by $0.01 per unit to $0.38 per unit relative to $0.37 per unit in Q4 2022, driven by the accretive effect of repurchases under the normal course issuer bid (“NCIB”) and substantial issuer bid (“SIB”), net of reduced FFO[(3)] from Dream Industrial REIT as a result of selling units to facilitate the buyback of REIT A Units under the SIB in Q2 2023 and interest from drawing on credit facilities (+$0.03) and lease termination fee income and other items (+$0.03), partially offset by lower net rental income from the sale of 720 Bay Street (-$0.04), higher bad debt provisions (-$0.01) and higher G&A expenses (-$0.01).

- **Net rental income for the quarter:** Net rental income for the three months ended December 31, 2023 decreased by 5.8%, or $1.6 million, over the prior year comparative quarter primarily due to the sale of 720 Bay Street in Q1 2023.

- **Comparative properties NOI[(4)] for the quarter:** For the three months ended December 31, 2023, comparative properties NOI was flat compared to the prior year comparative quarter as higher in-place net rents in Toronto downtown and Other markets were substantially offset by lower recoveries across both regions and lower weighted average occupancy in Other markets.

- **In-place occupancy**: Total portfolio in-place occupancy on a quarter-over-quarter basis increased by 1.2% relative to Q3 2023. In Toronto downtown, in-place occupancy increased by 2.0% relative to Q3 2023 as 322,000 square feet of renewals and 114,000 square feet of new lease commencements were partially offset by 372,000 square feet of expiries. In the Other markets region, in-place occupancy decreased by 0.4% relative to Q3 2023 as 9,000 square feet of expiries were partially offset by 2,000 square feet of renewals.

  Total portfolio in-place occupancy on a year-over-year basis increased from 81.0% at Q4 2022 to 82.0% this quarter primarily driven by positive absorption in Toronto downtown of 2.7%, partially offset by negative absorption of 1.9% in Other markets.

- **Lease commencements for the quarter:** For the three months ended December 31, 2023, excluding temporary leasing, 435,000 square feet of leases commenced in Toronto downtown at net rents of $32.13 per square foot, or 27.1% higher than the previous rent in the same space with a weighted average lease term of 5.3 years. In the Other markets region, 2,000 square feet of leases commenced at $24.87 per square foot, or 5.6% higher than previous rents in the same space with a weighted average lease term of 2.4 years.

  The renewal and relocation rate to expiring rate spread for the quarter was 29.9% above expiring rates on 324,000 square feet of renewals.

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- **NAV per unit[14]:** As at December 31, 2023, our NAV per unit increased to $33.15 compared to $31.36 at December 31, 2022. The increase in NAV per unit relative to December 31, 2022 is driven by cash flow retention (FFO net of distributions) and the effect of accretive unit repurchases under our NCIB program and SIB, partially offset by the sale of 12,500,000 units of Dream Industrial REIT at a price below IFRS carrying value and fair value losses on investment properties in both regions. As at December 31, 2023, equity per the consolidated financial statements was $1.2 billion.

- **Fair value adjustments to investment properties for the quarter:** For the three months ended December 31, 2023, the Trust recorded a fair value loss totalling $28.8 million comprising fair value losses of $25.8 million in Toronto downtown and $3.8 million in our properties under development, partially offset by a fair value gain of $0.8 million in Other markets. Fair value losses in Toronto downtown were primarily driven by expansions in weighted average cap rates for several properties, as well as fair value losses on two properties valued by qualified external valuation professionals during the quarter. Fair value losses in our properties under development were primarily driven by a terminal cap rate expansion at one property, revisited leasing timelines and higher projected leasing costs.

  Year-over-year, our capitalization rates for properties valued under the direct capitalization method have expanded by 26 bps in Toronto downtown and 27 bps for our total portfolio.

- **Fair value adjustments to financial instruments:** For the three months and year ended December 31, 2023, the Trust recorded fair value losses totalling $19.3 million and net fair value gains of $22.5 million, respectively. Fair value losses in the current quarter were primarily due to remeasurements on rate swap contracts resulting in a loss of $14 million due to falling market yield curves. Over the period from July 2022 to December 2023, the Trust has entered into rate swap contracts for $365.6 million of variable rate debt to fix the interest rates on the debt at a weighted average rate of 5.50% at current pricing for the swapped debt. Based on the hedged indexes as at December 31, 2023, the unhedged pricing for the swapped debt would have been 7.22%, representing annualized savings of $6.3 million per year.

- **WeWork files for creditor protection:** WeWork Canada GP ULC, a subsidiary of WeWork Inc. ("WeWork"), a publicly listed company in the U.S., is the sole tenant at the Trust's 357 Bay Street property (65,000 square feet) in Toronto, Ontario, representing $3.7 million of the Trust's investment properties revenue for the year ended December 31, 2023.

  On November 6, 2023, WeWork filed for Chapter 11 bankruptcy in the U.S. and on November 7, 2023, it filed for creditor protection under Part IV of the Companies' Creditors Arrangement Act in Canada as foreign representative of WeWork Canada GP ULC and other Canadian subsidiaries. The Trust understands that the 357 Bay Street location is well occupied and utilized. To date, the Trust has not received any indication from WeWork whether it intends to disclaim the lease at the Trust's property and the court filings do not indicate 357 Bay Street as one of the rejected unexpired leases in Canada. As of today's date, WeWork is current on all rental payment obligations. The Trust continues to monitor the situation closely, assessing potential impact, if any, on the Trust's income, investment properties' fair values and debt and is developing contingency plans for all potential outcomes.

UNIT CONSOLIDATION

The Unit Consolidation is expected to take effect on the Effective Date and the REIT A Units are expected to begin trading on a post-consolidation basis on the TSX at market opening on February 27, 2024, under the same trading symbol "D.UN". The new CUSIP and ISIN numbers for the post-Consolidation Units are 26153P203 and CA26153P2035, respectively.

As of February 15, 2024, there were currently 32,626,435 REIT A Units and 5,233,823 Special Trust Units issued and outstanding. There are no REIT B Units currently issued and outstanding. The exact number of outstanding REIT A Units after the Unit Consolidation will vary based on the number of outstanding Units on the Effective Date and taking into account the elimination of fractional Units. No fractional REIT A Units or Special Trust Units will be issued in connection with the Unit Consolidation. All fractions of post-consolidation REIT A Units and Special Trust Units will be rounded down to the nearest whole number.

Registered unitholders of the Trust will be mailed a letter of transmittal from the Trust's transfer agent, Computershare Trust Company of Canada, providing instructions regarding how to exchange their existing unit certificates representing pre-consolidation REIT A Units or Special Trust Units for Direct Registration advice statements or unit certificates representing the post-consolidation REIT A Units or Special Trust Units to which they are entitled as a result of the Unit Consolidation. Until surrendered to the transfer agent, each unit certificate representing old pre-consolidation REIT A Units or Special Trust Units will be deemed to represent the number of new whole post-consolidation REIT A Units or Special Trust Units, as the case may be, to which the holder is entitled as a result of the Unit Consolidation. Non-registered unitholders holding their REIT A Units or Special Trust Units through a bank, broker or other nominee are encouraged to contact their nominee for further information. The Special Trust Units are non-certificated and there are currently no REIT B Units issued and outstanding.

The Unit Consolidation is expected to affect unitholders of the Trust uniformly, including holders of outstanding securities of the Trust convertible or exercisable for REIT A Units or Special Trust Units, as the case may be, on the Effective Date, except for minor changes or adjustments resulting from the treatment of fractional Units. On the Effective Date, the exercise prices and the number of REIT A Units or Special Trust Units, as the case may be, issuable upon the exercise or deemed exercise deferred units or other convertible or exchangeable securities of the Trust will be automatically proportionately adjusted based on the consolidation ratio to reflect the Unit Consolidation.

The general partner of Dream Office LP also plans to take steps to effect a consolidation of the LP Class A Units and LP Class B Units of Dream Office LP on a proportionate basis effective as of the Effective Date. As a result, if the Unit Consolidation is implemented, the LP Class B Units of Dream Office LP will also be consolidated on the basis of one (1) post-consolidation LP Class B Unit for every two (2) pre-consolidation LP Class B Units on the Effective Date.

Further details on the Unit Consolidation are contained in the management information circular of the Trust dated April 21, 2023 (the "Circular"), which has been filed and is available under the Trust's profile on SEDAR+ at www.sedarplus.com. Please review the Circular for the specific terms and conditions of the Unit Consolidation. The letter of transmittal will also be available under the Trust's SEDAR+ profile at www.sedarplus.com.

ANNUAL DISTRIBUTION TO REMAIN UNCHANGED AT $1.00 PER UNIT

Following the Unit Consolidation, The Trust will maintain its annualized distribution rate at $1.00 per unit. Based on the change in unit count, the annualized total distribution amount on the Units and LP B Units will adjust from $37.9 million to $18.9 million based on the Units and LP B Units outstanding on today's date. This will allow the Trust to retain approximately $18.9 million of cash on an annualized basis to reinvest in improving occupancy and enhance liquidity in the business. In addition, the Trust will consider opportunistically selling assets in the portfolio at fair prices to reduce debt and improve long-term financial flexibility. The Trust will continue to explore strategies over the course of 2024 to deliver long-term value to its unitholders.

CONFERENCE CALL

Management will host a conference call to discuss the financial results today, February 15, 2024, at 5:00 p.m. (ET). To access the conference call, please dial 1-800-319-4610 in Canada or 416-915-3239 elsewhere. To access the conference call via webcast, please go to Dream Office REIT's website at www.dreamofficereit.ca and click on the link for News, then click on Events. A taped replay of the conference call and the webcast will be archived for 90 days.

OTHER INFORMATION

Information appearing in this press release is a selected summary of results. The condensed consolidated financial statements and Management's Discussion and Analysis ("MD&A") of the Trust are available at www.dreamofficereit.ca and on www.sedarplus.com.

Dream Office REIT is an unincorporated, open-ended real estate investment trust. Dream Office REIT is a premier office landlord in downtown Toronto with over 3.5 million square feet owned and managed. We have carefully curated an investment portfolio of high-quality assets in irreplaceable locations in one of the finest office markets in the world. For more information, please visit our website at www.dreamofficereit.ca.

FOOTNOTES

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

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

(3) FFO is a non-GAAP financial measure. The most directly comparable financial measure to FFO is net income. The tables included in the Appendices section of this press release reconcile FFO for the three months ended December 31, 2023 and December 31, 2022 to net income. For further information on this non-GAAP financial measure please refer to the statements under the heading "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" in this press release.

(4) Comparative properties NOI is a non-GAAP financial measure. The most directly comparable financial measure to comparative properties NOI is net rental income. The tables included in the Appendices section of this press release reconcile comparative properties NOI for the three months ended December 31, 2023 and December 31, 2022 to net rental income. For further information on this non-GAAP financial measure, please refer to the statements under the heading "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" in this press release.

(5) Diluted FFO per unit is a non-GAAP ratio. Diluted FFO per unit is calculated as FFO (a non-GAAP financial measure) divided by diluted weighted average number of units. For further information on this non-GAAP ratio, please refer to the statements under the heading "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" in this press release. A description of the determination of the diluted weighted average number of units can be found in the management's discussion and analysis of the financial condition and results of operations of the Trust for the three months and year ended December 31, 2023, dated February 15, 2024 (the "MD&A for the fourth quarter of 2023") in the section "Supplementary Financial Measures and Other Disclosures" under the heading "Weighted average number of units".

(6) Canada Office Figures Q4 2023 published January 9, 2024

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

(8) Interest coverage ratio (times) is a non-GAAP ratio. Interest coverage ratio comprises trailing 12-month adjusted EBITDAFV divided by trailing 12-month interest expense on debt. Adjusted EBITDAFV, trailing 12-month adjusted EBITDAFV and trailing 12-month interest expense on debt are non-GAAP measures. The tables in the Appendices section reconcile adjusted EBITDAFV to net income for the three months and years ended December 31, 2023 and December 31, 2022 and for the year ended December 31, 2022 and trailing 12-month adjusted EBITDAFV and trailing 12-month interest expense on debt to adjusted EBITDAFV and interest expense on debt, respectively, for the trailing 12-month period ended December 31, 2023. For further information on this non-GAAP ratio and these non-GAAP financial measures, please refer to the statements under the heading "Non-GAAP Financial Measures and Ratios and Supplementary Financial Measures" in this press release.

(9) Net total debt-to-normalized adjusted EBITDAFV ratio (years) is a non-GAAP ratio. Net total debt-to-normalized adjusted EBITDAFV comprises net total debt (a non-GAAP financial measure) divided by normalized adjusted EBITDAFV (a non-GAAP financial measure). Normalized adjusted EBITDAFV comprises adjusted EBITDAFV (a non-GAAP financial measure) adjusted for NOI from sold properties in the quarter. For further information on this non-GAAP ratio and these non-GAAP financial measures, please refer to the statements under the heading "Non-GAAP Financial Measures and Ratios and Supplementary Financial Measures" in this press release.

(10) Level of debt (net total debt-to-net total assets) is a non-GAAP ratio. Net total debt-to-net total assets comprises net total debt (a non-GAAP financial measure) divided by net total assets (a non-GAAP financial measure). The tables in the Appendices section reconcile net total debt and net total assets to total debt and total assets, the most directly comparable financial measures to these non-GAAP financial measures, respectively, as at December 31, 2023 and December 31, 2022. For further information on this non-GAAP ratio and these non-GAAP financial measures, please refer to the statements under the heading "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" in this press release.

(11) Available liquidity is a non-GAAP financial measure. The most directly comparable financial measure to available liquidity is undrawn credit facilities. The tables included in the Appendices section of this press release reconcile available liquidity to undrawn credit facilities as at December 31, 2023 and December 31, 2022. For further information on this non-GAAP financial measure please refer to the statements under the heading "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" in this press release.

(12) Unencumbered assets is a supplementary financial measure. For further information on this supplementary financial measure, please refer to the statements under the heading "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" in this press release

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

(14) NAV per unit is a non-GAAP ratio. NAV per unit is calculated as Total equity (including LP B Units) (a non-GAAP financial measure) divided by the total number of REIT A and LP B units outstanding as at the end of the period. Total equity (including LP B Units) is a non-GAAP measure. The most directly comparable financial measure to total equity (including LP B Units) is equity. The tables included in the Appendices section of this press release reconcile total equity (including LP B Units) to equity as at December 31, 2023 and December 31, 2022. For further information on this non-GAAP financial measure please refer to the statements under the heading "Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures" in this press release.

NON-GAAP FINANCIAL MEASURES, RATIOS AND SUPPLEMENTARY FINANCIAL MEASURES

The Trust's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). In this press release, as a complement to results provided in accordance with IFRS, the Trust discloses and discusses certain non-GAAP financial measures, including FFO, comparative properties NOI, available liquidity, adjusted EBITDAFV, trailing 12-month adjusted EBITDAFV, trailing 12-month interest expense on debt, net total debt, net total assets, normalized adjusted EBITDAFV – annualized and total equity (including LP B Units or subsidiary redeemable units) and non-GAAP ratios, including diluted FFO per unit, level of debt (net total debt-to-net total assets), interest coverage ratio, net total debt-to-normalized adjusted EBITDAFV and NAV per unit, as well as other *measures discussed elsewhere in this release. These non-GAAP financial measures and ratios are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. The Trust has presented such non-GAAP financial measures and non-GAAP ratios as Management believes they are relevant measures of the Trust's underlying operating and financial performance. Certain additional disclosures such as the composition, usefulness and changes, as applicable, of the non-GAAP financial measures and ratios included in this press release are expressly incorporated by reference from the MD&A for the fourth quarter of 2023 and can be found under the section "Non-GAAP Financial Measures and Ratios" and respective sub-headings labelled "Funds from operations and diluted FFO per unit", "Comparative properties NOI", "Level of debt (net total debt-to-net total assets)", "Net total debt-to-normalized adjusted EBITDAFV ratio (years)", "Interest coverage ratio (times)", "Available liquidity", "Total equity (including LP B Units or subsidiary redeemable units)", "Adjusted earnings before interest, taxes, depreciation, amortization and fair value adjustments ("adjusted EBITDAFV")", "Trailing 12-month Adjusted EBITDAFV and trailing 12-month interest expense on debt", and " NAV per Unit". In this press release, the Trust also discloses and discusses certain supplementary financial measures, including unencumbered assets. The composition of supplementary financial measures included in this press release are expressly incorporated by reference from the MD&A for the fourth quarter of 2023 and can be found under the section "Supplementary financial measures and ratios and other disclosures". The MD&A for the fourth quarter of 2023 is available on SEDAR+ at www.sedarplus.com under the Trust's profile and on the Trust's website at www.dreamofficereit.ca under the Investors section. Non-GAAP financial measures should not be considered as alternatives to net income, net rental income, cash flows generated from (utilized in) operating activities, cash and cash equivalents, total assets, non-current debt, total equity, or comparable metrics determined in accordance with IFRS as indicators of the Trust's performance, liquidity, leverage, cash flow, and profitability. Reconciliations for FFO, comparative properties NOI, available liquidity, adjusted EBITDA, and total equity (including LP B Units) to the nearest comparable IFRS measure are contained at the end of this press release.*

FORWARD-LOOKING INFORMATION

This press release may contain forward-looking information within the meaning of applicable securities legislation, including, but not limited to, timing and completion of the Unit Consolidation and the expected future unitholder base; the expected post-consolidation monthly distributions on the REIT A Units and LP B Units; statements regarding the Trust's annualized distribution rate and annualized total distribution amount; the potential consolidation of the LP Class A and LP Class B Units of Dream office LP; statements regarding our objectives and strategies to achieve those objectives; statements regarding the value and quality of our portfolio, the effect of the Trust's leasing strategy on the return on invested capital, occupancy at our buildings, property value, cash flows, liquidity and refinancing value; the effect of building improvements on tenant experience and building quality and performance; our development, redevelopment and intensification plans, including timelines, square footage and other project characteristics, including in respect of 366 Bay Street and 67 Richmond Street West; our future capital requirements and cost to complete development projects; the expectation that we will be able to use our CIB Facility to fund development costs for certain projects; our ability to increase building performance and achieve certain energy efficiency and greenhouse gas reduction goals, including in respect of specific properties and of retrofits made in connection with the CIB Facility; expectations regarding our financing undertakings, including our ability to address future debt maturities; negotiations for renewals of mortgage and refinancing debt maturities; the ability of the Trust to hedge variable debt; capital allocation, investments and expected benefits; prospective leasing activity; 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 that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions, including in respect of real estate; mortgage and interest rates and regulations; inflation; risks related to a potential economic slowdown in certain of the jurisdictions in which we operate and the effect inflation and any such economic slowdown may have on market conditions and lease rates; risks associated with unexpected or ongoing geopolitical events, including disputes between nations, war, terrorism or other acts of violence; the uncertainties around the availability, timing and amount of future equity and debt financings; development risks including construction costs, the project timings and the availability of labour; NOI from development properties on completion; 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; the financial condition of tenants and borrowers; employment levels; the uncertainties around the timing and amount of future financings; leasing risks, including those associated with the ability to lease vacant space; rental rates on future leasing; and interest and currency rate fluctuations.

Our objectives and forward-looking statements are based on certain assumptions, which include but are not limited to: that the general economy remains stable; our interest costs will be relatively low and stable; that we will have the ability to refinance our debts as they mature; inflation and interest rates will not materially increase beyond current market expectations; conditions within the real estate market remain consistent; the timing and extent of current and prospective tenants' return to the office; 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 not be re-imposed in any material respects; competition for acquisitions remains consistent with the current climate; and that the capital markets continue to provide ready access to equity and/or debt to fund our future projects and plans. All forward-looking information in this press release speaks as of the date of this press release. 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 law.

Additional information about these assumptions and risks and uncertainties is contained in Dream Office REIT's filings with securities regulators, including its latest annual information form and MD&A. These filings are also available at Dream Office REIT's website at www.dreamofficereit.ca.

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APPENDICES

Funds from operations and diluted FFO per unit

The table below reconciles FFO to net income (the most directly comparable financial measure) for the three months ended December 31, 2023 and December 31, 2022.

	Three months ended December 31,	
	2023	2022
Net loss for the period	**$ (42,424)**	$ (82,607)
Add (deduct):		
Net loss (income) from investment in Dream Industrial REIT	**(169)**	1,806
Share of FFO from investment in Dream Industrial REIT	**3,280**	6,209
Depreciation and amortization	**3,711**	2,904
Costs (recoveries) attributable to sale of investment properties	**157**	(732)
Interest expense on subsidiary redeemable units	**1,309**	1,309
Fair value adjustments to investment properties	**28,823**	99,142
Fair value adjustments to investment properties held in joint ventures	**355**	3
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**18,985**	(9,322)
Internal leasing costs	**408**	383
Principal repayments on finance lease liabilities	**(14)**	(13)
Deferred income taxes expense	**167**	228
FFO for the period	**$ 14,588**	$ 19,310
Diluted weighted average number of units	**38,718**	52,457
FFO per unit - diluted	**$ 0.38**	$ 0.37

Comparative properties NOI

The table below reconciles comparative properties NOI to net rental income (the most directly comparable financial measure) for the three months ended December 31, 2023 and December 31, 2022.

	Three months ended				Change in weighted average occupancy %	Change in in-place net rents %
	December 31, 2023	December 31, 2022	Change Amount	Change %		
Toronto downtown	**$ 20,724**	$ 20,721	$ 3	0.0	1.5	1.3
Other markets	**7,035**	7,037	(2)	0.0	(2.7)	2.3
Comparative properties NOI	**27,759**	27,758	1	0.0	0.0	2.1
Properties under development	**116**	38	78			
Property management and other service fees	**480**	626	(146)			
Change in provisions	**(621)**	(296)	(325)			
Straight-line rent	**702**	231	471			
Amortization of lease incentives	**(3,023)**	(2,855)	(168)			
Lease termination fees and other	**349**	381	(32)			
Sold properties	**(2)**	1,459	(1,461)			
Net rental income	**$ 25,760**	$ 27,342	$ (1,582)	(5.8)		

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Adjusted EBITDAFV

The table below reconciles Adjusted EBITDAFV to net income (the most directly comparable financial measure) for the three months and years ended December 31, 2023 and December 31, 2022.

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Net income (loss) for the period	**$ (42,424)**	$ (82,607)	**$ (77,196)**	$ 63,641
Add (deduct):				
Interest – debt	**15,865**	15,081	**58,978**	51,836
Interest – subsidiary redeemable units	**1,309**	1,309	**5,234**	5,234
Current and deferred income taxes expense, net	**179**	193	**47**	672
Depreciation on property and equipment	**36**	79	**162**	430
Fair value adjustments to investment properties	**28,823**	99,142	**96,406**	95,171
Fair value adjustments to financial instruments	**19,282**	(9,104)	**(22,509)**	(60,834)
Net loss (income) from investment in Dream Industrial REIT	**(169)**	1,806	**30,674**	(60,237)
Distributions earned from Dream Industrial REIT	**2,369**	4,656	**12,459**	18,622
Share of net loss from investment in joint ventures	**319**	112	**812**	532
Non-cash items included in investment properties revenue[1]	**2,321**	2,624	**10,397**	10,481
Change in provisions	**621**	296	**858**	1,709
Lease termination fees and other	**(349)**	(381)	**(592)**	(1,233)
Net loss (income) on transactions and other items	**565**	(349)	**1,920**	1,890
Adjusted EBITDAFV for the period	**$ 28,747**	$ 32,857	**$ 117,650**	$ 127,914

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

Interest coverage ratio (times)

The table below calculates the interest coverage ratio for the trailing 12-month periods ended December 31, 2023 and December 31, 2022:

	For the trailing 12-month period ended	
	December 31, 2023	December 31, 2022
Trailing 12-month adjusted EBITDAFV	**$ 117,650**	$ 127,914
Trailing 12-month interest expense on debt	**$ 58,978**	$ 51,836
Interest coverage ratio (times)	**2.0**	2.5

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

The table below reconciles net total debt to total debt (the most directly comparable measure) and net total assets to total assets (the most directly comparable measure) as at December 31, 2023 and December 31, 2022.

	Amounts included in condensed consolidated financial statements	
	December 31, 2023	December 31, 2022
Non-current debt	**$ 1,254,090**	$ 1,106,816
Current debt	**85,371**	265,967
Total debt	**1,339,461**	1,372,783
Less: Cash on hand(1)	**(11,908)**	(6,811)
Net total debt	**$ 1,327,553**	$ 1,365,972
Total assets	**2,668,330**	3,066,925
Less: Cash on hand(1)	**(11,908)**	(6,811)
Net total assets	**$ 2,656,422**	$ 3,060,114
Net total debt-to-net total assets	**50.0%**	44.6%

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

Available liquidity

The table below reconciles available liquidity to undrawn credit facilities (the most directly comparable financial measures) as at December 31, 2023 and December 31, 2022:

	As at	
	December 31, 2023	December 31, 2022
Cash and cash equivalents	**$ 13,273**	$ 8,018
Undrawn revolving credit facilities	**73,394**	58,585
Undrawn CIB Facility	**92,361**	104,957
Undrawn non-revolving term loan facility	**8,200**	—
Available liquidity	**$ 187,228**	$ 171,560

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

The table below calculates the annualized net total debt-to-normalized adjusted EBITDAFV as at December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Non-current debt	**$ 1,254,090**	$ 1,106,816
Current debt	**85,371**	265,967
Total debt	**1,339,461**	1,372,783
Less: Cash on hand(1)	**(11,908)**	(6,811)
Net total debt	**$ 1,327,553**	$ 1,365,972
Adjusted EBITDAFV – quarterly	**28,747**	32,857
Less: NOI of disposed properties for the quarter	**2**	(31)
Normalized adjusted EBITDAFV – quarterly	**$ 28,749**	$ 32,826
Normalized adjusted EBITDAFV – annualized	**$ 114,996**	$ 131,304
Net total debt-to-normalized adjusted EBITDAFV ratio (years)	**11.5**	10.4

(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.

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Total equity (including LP B Units) and NAV per unit

The table below reconciles total equity (including LP B Units) to total equity for the years ended December 31, 2023 and December 31, 2022:

						Unitholders' equity
	December 31, 2023			December 31, 2022		
	Number of Units		**Amount**	Number of Units		Amount
Unitholders' equity	**32,626,435**	**$**	**1,837,138**	46,110,593	$	1,842,010
Deficit	**—**		**(642,162)**	—		(321,769)
Accumulated other comprehensive income	**—**		**5,335**	—		11,933
Equity per consolidated financial statements	**32,626,435**		**1,200,311**	46,110,593		1,532,174
Add: LP B Units	**5,233,823**		**54,850**	5,233,823		78,193
Total equity (including LP B Units)	**37,860,258**	**$**	**1,255,161**	51,344,416	$	1,610,367
NAV per unit		**$**	**33.15**		$	31.36