Dream Office REIT

Annual Report 2023

350 Bay Street
Toronto, ON

dream office REIT

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.

Letter to Unitholders

2023 proved to be another challenging year for office landlords. On the macro front, many companies dealt with higher funding cost due to rising interest rates and sentiment swings from geopolitical volatilities. In our sector, prospective tenants were hesitant to make real estate decisions due to uncertainties about their office needs, the economy, and availability of funding for real estate costs. Both macro and micro changes made it difficult for office landlords to operate in this environment.

Globally, office fundamentals are improving as more employees are going back to offices in many countries. However, North America has been a laggard. South of the border, we see headlines of many defaults on high leverage, non-recourse office loans. The US office market is tremendously out of favour due to low return to office and loan defaults.

Canada is also seeing a slow return to office. Although landlords and lenders are in better shape financially, and there is more demand for office space compared to the early 1990s, the market conditions are still challenging. It takes a significant amount of capital to secure leases and enhance buildings but rents are relatively unchanged and vacancy has risen.

On the bright side, given rising construction cost and higher vacancy rates, developers will stop new projects and fewer buildings will be built. In some situations, certain office buildings will convert into residential properties. This decrease in market supply will lead to healthier office fundamentals over the longer term, resulting in firmer and reasonable occupancy and rental rates.

In addition, it is encouraging to see improvements in the office investment sentiment. Investors are underwriting more deals as they are seeing more opportunities. With more transactions, we expect the gap between the buyers and sellers will narrow and there will be more activity returning the market closer to normal. However, more transaction data will lead to more adjustments in appraisal values which have stayed relatively stagnant due to a lack of information in the market.

This quarter, we announced the 2-for-1 unit consolidation and maintained the annual distribution rate at $1.00, which will effectively result in a 50% reduction in the distribution. The adjustment in the distribution by 50% will provide the company with more flexibility to fund leasing costs and capital expenditures to keep our buildings full and competitive.

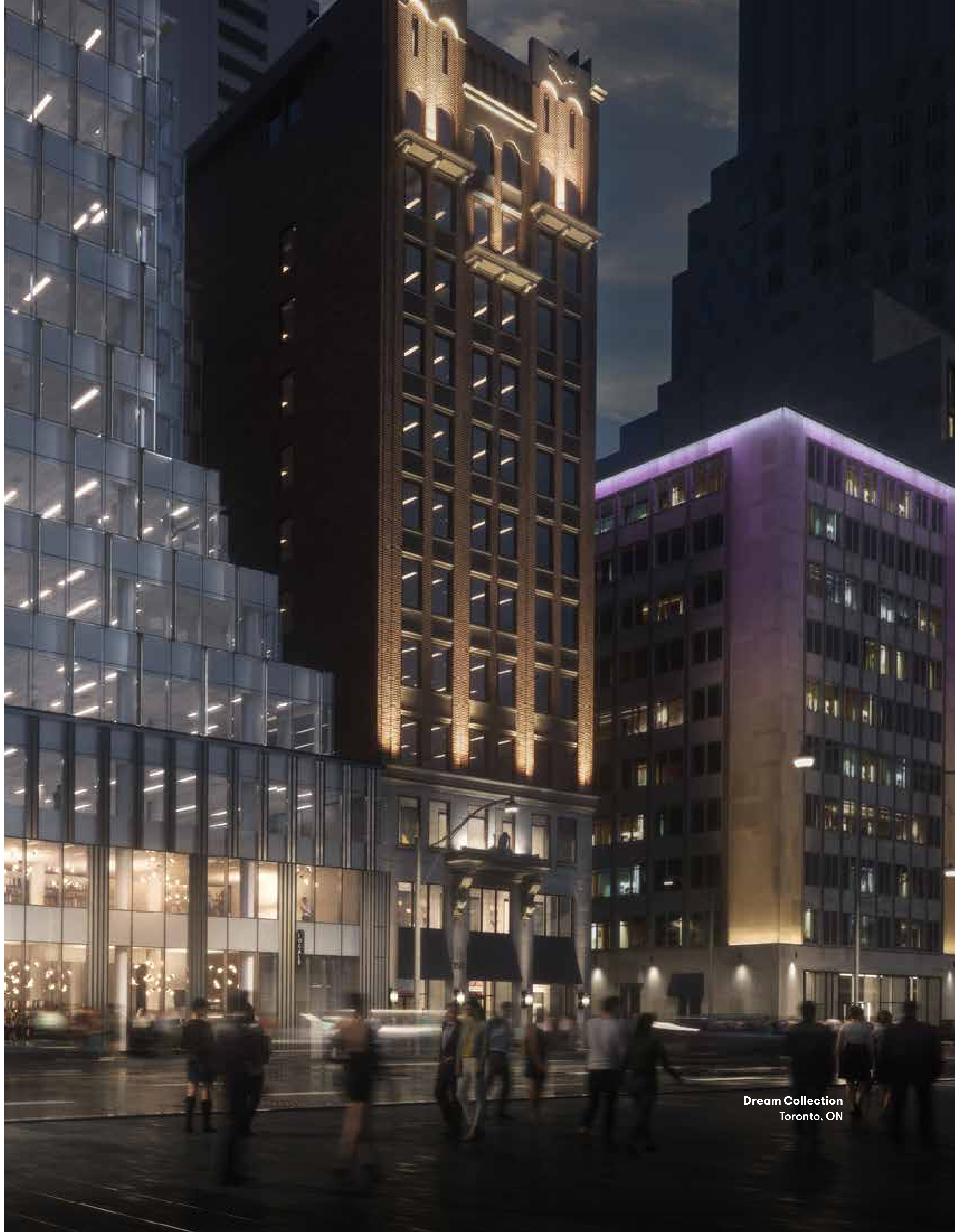
On the development side, our team continues to work collaboratively with the City of Toronto and federal government on zoning and financing solutions to create more housing for our community.

There remain a lot of challenges and uncertainties, but we are focused on executing our plan to manage identified risks and keep the business safer so that it is well positioned to deliver value when the office market reaches equilibrium. Our team will stay vigilant, flexible and nimble as we continue to adapt to the ever changing macro and micro environments. Thank you very much for your support in our business and management.
Sincerely,

"Michael J. Cooper"

Michael J. Cooper
Chief Executive Officer

February 15, 2024



Dream Collection
Toronto, ON

Dream Office REIT

At a Glance*

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

28

investment properties

5.1 million

square feet of gross leasable area

84.4%

in-place and committed occupancy

$2.7 billion

in total assets

$33.15

NAV per unit

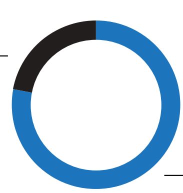
* All figures as at December 31, 2023.

Dream Office REIT

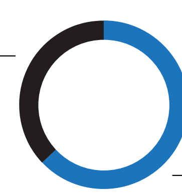
At a Glance


Daphne
67 Richmond Street W
Toronto, ON

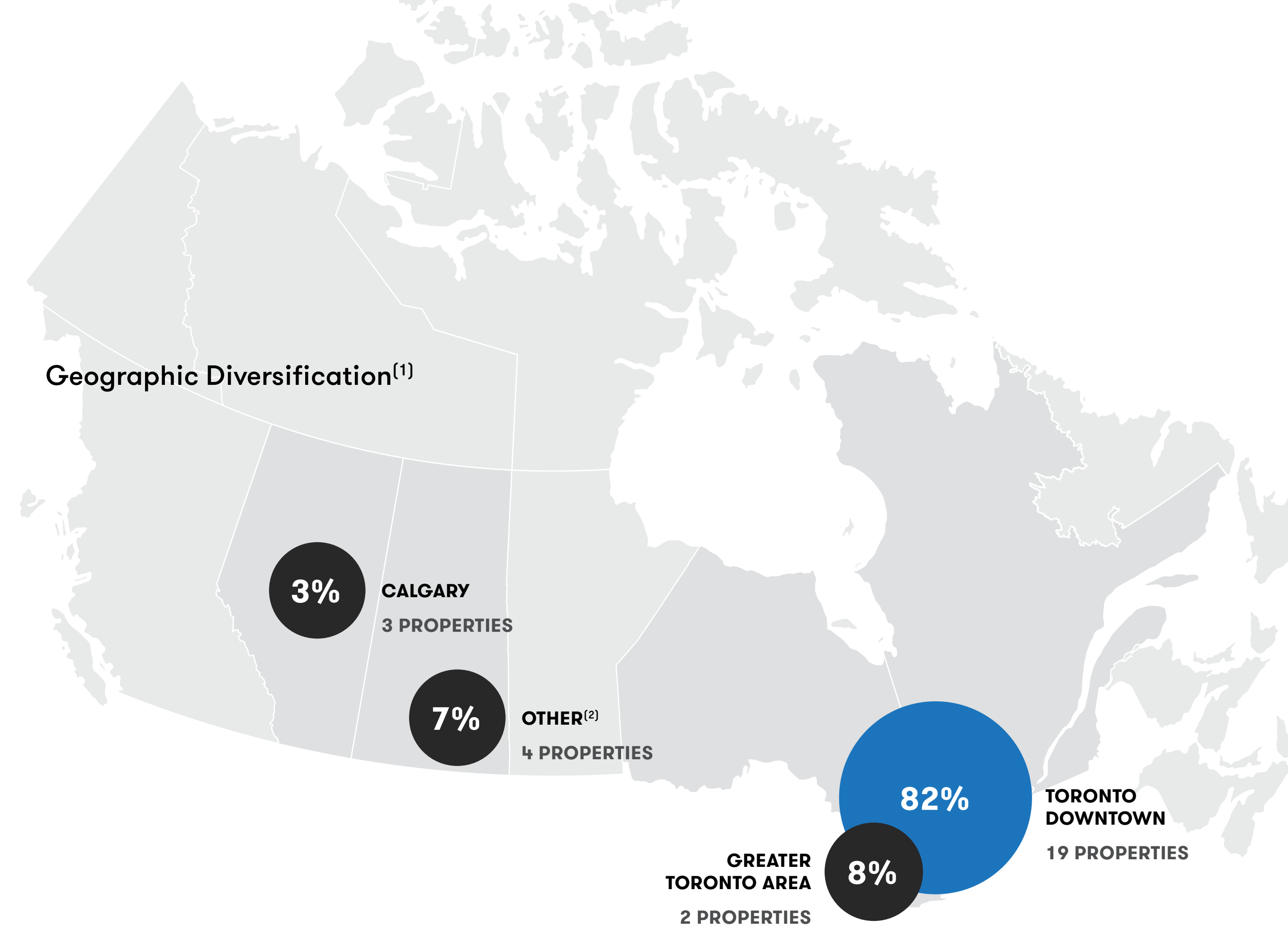
Comparative Properties NOI by Region[4]



Gross Leasable Area by Region[5]



Geographic Diversification[1]



Top Ten Tenants with a Weighted Average Lease Term of 6.0 Years

Tenant	Gross rental revenue (%)	Owned area (thousands of sf)	Owned area (%)	Credit Rating[3]
Government of Canada	9.7	331	6.6	AAA/A-1+
Government of Ontario	6.0	264	5.3	A+/A-1
International Financial Data Services	3.9	137	2.7	N/R
International Language Academy of Canada	3.3	125	2.5	N/R
State Street Trust Company	2.7	82	1.6	AA-/A/A-1+
Co-operators Life Insurance	2.6	119	2.4	A-
U.S. Bank National Association	2.6	185	3.7	A+/A-1
Medcan Health Management Inc.	2.2	69	1.4	N/R
WeWork	2.2	65	1.3	D
Field Law	1.3	64	1.3	N/R
Total	**36.5**	**1,441**	**28.8**	

(1) This chart illustrates the fair value of investment properties by region, excluding investments in joint ventures, as at December 31, 2023.
(2) Other includes Saskatchewan and U.S., based on investment property fair value.
(3) As at February 15, 2024. 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.
(4) This chart illustrates comparative properties NOI by region for the year ended December 31, 2023, excluding sold properties, properties under development and investments in joint ventures that are equity accounted.
(5) This chart illustrates the gross leasable area of investment properties by region, excluding properties under development and investments in joint ventures that are equity accounted as at December 31, 2023.

ESG Highlights

Environmental

Platinum level

Achieved Platinum level Green Lease Leaders recognition by the Institute for Market Transformation and the U.S. Department of Energy's Better Buildings Alliance for the second consecutive year

13 Decarbon-ization

projects have been Investor Ready Energy Efficiency (IREE) certified by the Canada Green Building Council over 2022 and 2023 for the purpose of draws under the Canada Infrastructure Bank Facility

$70,000+

applied for in energy efficiency rebates and incentives in 2023

Social

Certified

Great Place to Work.™ This certification is based on direct feedback from employees, provided as part of an extensive and anonymous survey in 2021, 2022 and 2023 about their workplace experience

Winner

Toronto Heritage Award for the 80 Richmond St West, Toronto, Facade Restoration and Storefront Renovation project

Selected

as a four-time honouree of the Globe and Mail's Report on Business "Women Lead Here" program that benchmarks gender parity

Governance

GRESB[1]

Four Star Rating

achieved which places it in the top 40% of the global real estate assessment benchmark

71%

of the Trustees are independent[3]

57%

of the Trustees are female[3]

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

TCFD Task Force on Climate-Related Financial Disclosures | Net Zero Asset Managers Initiative | PRI Principles for Responsible Investment

(1) All intellectual property rights to this data belong exclusively to GRESB B.V. All rights reserved. GRESB B.V. has no liability to any person (including a natural person, corporate or unincorporated body) for any losses, damages, costs, expenses or other liabilities suffered as a result of any use of or reliance on any of the information which may be attributed to it.
(2) As at December 31, 2023.

Sustainability Report

See our 2022 Sustainability Report under the Sustainability section of our website at: www.sustainability.dream.ca

Dream Office REIT

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56 Temperance Street
Toronto, ON

Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except for rental rates and per unit amounts, or unless otherwise stated)

SECTION I

KEY PERFORMANCE INDICATORS AT A GLANCE

Performance is measured by these and other key indicators:

				As at
		December 31, 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 ("GLA") (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

	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Operating results				
Net income (loss)	**$ (42,424)**	$ (82,607)	**$ (77,196)**	$ 63,641
Funds from operations ("FFO")(3)	**14,588**	19,310	**64,518**	80,594
Net rental income	**25,760**	27,342	**102,335**	106,124
Comparative properties net operating income ("NOI")(3)(4)	**27,759**	27,758	**110,316**	107,472
Per unit amounts				
Diluted FFO per unit (3)(5)	**$ 0.38**	$ 0.37	**$ 1.44**	$ 1.52
Distribution rate per Unit	**0.25**	0.25	**1.00**	1.00

		As at
	December 31, 2023	December 31, 2022
Financing		
Weighted average face rate of interest on debt (period-end)(6)	**4.53%**	4.42%
Interest coverage ratio (times)(3)	**2.0**	2.5
Total debt	**$ 1,339,461**	$ 1,372,783
Total assets	**$ 2,668,330**	$ 3,066,925
Net total debt-to-normalized adjusted EBITDAFV ratio (years)(3)	**11.5**	10.4
Level of debt (net total debt-to-net total assets)(3)	**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	**$ 173,955**	$ 163,542
Available liquidity(3)	**$ 187,228**	$ 171,560
Unencumbered assets(3)	**$ 17,117**	$ 115,662
Capital (period-end)		
Total number of REIT A Units and LP B Units (in millions)(7)	**37.9**	51.3
Equity per consolidated financial statements	**$ 1,200,311**	$ 1,532,174
Net asset value ("NAV") per unit(3)	**$ 33.15**	$ 31.36

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

(2) Total portfolio excludes properties held for sale, 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 financial measures. Diluted FFO per unit, interest coverage ratio (times), net total debt-to-normalized adjusted EBITDAFV ratio (years), 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. 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 and held for sale, properties under development, completed properties under development and joint ventures that are equity accounted as at December 31, 2023. Properties acquired and properties under development completed subsequent to January 1, 2022 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) that 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, 2023. Such consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The Canadian dollar is the functional and reporting currency for the purposes of preparing the consolidated financial statements.

This management's discussion and analysis (this "MD&A") is dated February 15, 2024.

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 A Units and REIT B Units, collectively;
- "Units", meaning the REIT Units 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, 2022, 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 this MD&A are management's estimates as at December 31, 2023 and are subject to change based on future market conditions.

In addition, certain disclosures incorporated by reference into this MD&A 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 the timing and completion of the Unit Consolidation and the expected future unitholder base; 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, including but not limited to statements regarding the Trust's annualized distribution rate, its annualized distribution amount and the retainment and investment of funds; our development, redevelopment, rezoning and intensification plans and timelines, including in respect of type and number of units, affordable housing, and retail space; expectations regarding occupancy levels in our portfolio and in certain locations, occupancy commitments and related timelines; our expectations regarding tenant requirement trends in respect of workspace preferences and upgrades, including demand for built-out space; expectations and plans for repositioning certain properties, including properties held vacant for future occupancy; our commitment to invest in our downtown Toronto portfolio and retrofit our properties in the Bay Street corridor; our modernization, decarbonization and retrofit plans for certain properties, including 366 Bay Street and 67 Richmond Street West, and in respect of attaining the Dream Collection standard; our plans in respect of the joint venture partnership with CentreCourt for the mixed-use development of Block 2 at 2200–2206 Eglinton Avenue and 1020 Birchmount Road, and characteristics and targets in respect of such projects; expected capital requirements and cost to complete development projects; timing of project completion, including in respect of revitalization and renovation projects; the effect of building improvements and redevelopments on tenant experience, building quality, performance, reduction of operating costs and higher rents; 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; expected progress on leasing, increasing our occupancy, enhancing the value of our assets, and improving our financial metrics; our conviction that the quality and location of our assets will result in certain benefits; our ability to achieve building certifications; our ability to increase building performance and achieve energy efficiency and greenhouse gas reduction goals, including in respect of retrofits made in connection with the CIB Facility; our expectation that operating cash flows less interest paid may be less than total distributions; the expectation that net income will vary from total distributions; the expectation that there could be timing differences on distributions as a result of intensification and redevelopment projects; 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 refinance our debt; our ability to meet obligations with current cash and cash equivalents on hand, cash flows generated from operations, revolving credit facilities and conventional mortgage refinancing; our future capital requirements and ability to meet those requirements; and our overall financial performance, profitability and liquidity for future periods and years. Forward-looking statements generally can be identified by words such as “outlook”, “objective”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “could”, “likely”, “plan”, “project”, “budget”, “continue” or similar expressions suggesting future outcomes or events.

Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dream Office REIT’s control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These assumptions include, but are not limited to: that no unforeseen changes in the legislative and operating framework for our business will occur, including unforeseen changes to tax laws; that we will meet our future objectives and priorities; that we will have access to adequate capital to fund our future projects and plans; that our future projects and plans will proceed as anticipated; that government restrictions due to COVID-19 will continue to ease and will not be re-imposed in any material respects that affect our and our tenants’ ability to operate our businesses at our properties; that inflation and interest rates will not materially increase beyond current market expectations; 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; our ability to sell investment properties at a price that reflects fair value; our ability to source and complete accretive acquisitions; the ability to effectively integrate acquisitions; 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; inflation; employment levels; political conditions; risks associated with unexpected or ongoing geopolitical events, including disputes between nations, war, terrorism or other acts of violence; consumer confidence; leasing risks, including those associated with the ability to lease vacant space and rental rates on future leases; the financial condition of tenants and borrowers; development risks, including construction costs, project timings and the availability of labour; NOI from development properties on completion; the uncertainties around the availability, timing and amount of future equity and debt financings; mortgage and interest rates and regulations; cyber security risks; tax risks, including our continued compliance with the real estate investment trust (“REIT”) exception under the specified investment flow-through trust (“SIFT”) legislation; changes in laws or regulations; regulatory risks; insurance risks; public health crises, pandemics and epidemics; the effect of government restrictions on leasing and building traffic; environmental risks; reliance on Dream Asset Management Corporation for management services; risks associated with jointly controlled entities and co-ownerships; foreign exchange 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 February 15, 2024. 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.sedarplus.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.

UNIT CONSOLIDATION

The Trust announced on February 15, 2024 that the Board of Trustees of the Trust have determined to implement the previously approved consolidation (“Unit Consolidation) of all the issued and outstanding 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. Following the Unit Consolidation, the monthly distributions will not be proportionately increased and adjusted and the Trust will maintain its annualized distributions of $1.00 per post-consolidation REIT A Unit. 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.

Based on the change in unit count, the annualized total distribution amount on the REIT A Units and LP B Units will adjust from $37.9 million to $18.9 million based on the REIT A 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 enhancing liquidity in the business.

OPERATIONAL UPDATE

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[1] in its January 9, 2024 publication *Canada Office Figures Q4 2023*, 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.

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

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

366 BAY AND 67 RICHMOND – 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

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.

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 the $40 million of the outstanding drawings at 5.42% (at the current pricing for BA 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.

As at December 31, 2023, the Trust had approximately $187.2 million of available liquidity(1), 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 greenhouse gas ("GHG") emission reductions. The Trust also had $17 million of unencumbered assets(1) and a level of debt (net total debt-to-net total assets)(1) of 50.0%.

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 ("CO_2"), 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.

(1) Available liquidity is a non-GAAP financial measure. Level of debt (net total debt-to-net total assets) is a non-GAAP ratio. Unencumbered assets is a supplementary financial measure. Please refer to the sections "Non-GAAP Financial Measures and Ratios" and "Supplementary Financial Measures and Other Disclosures" for details of these measures.

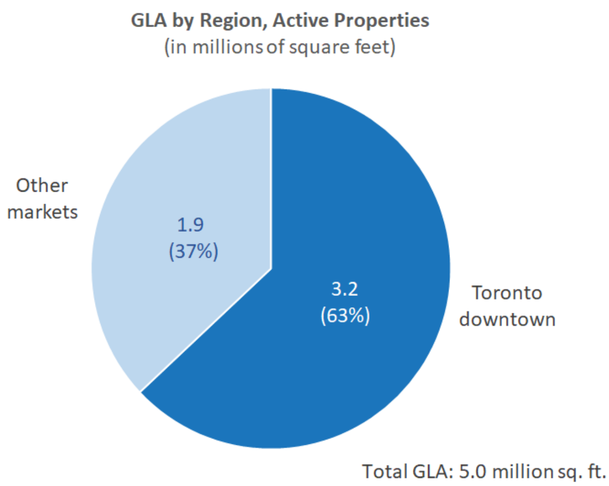
SECTION II

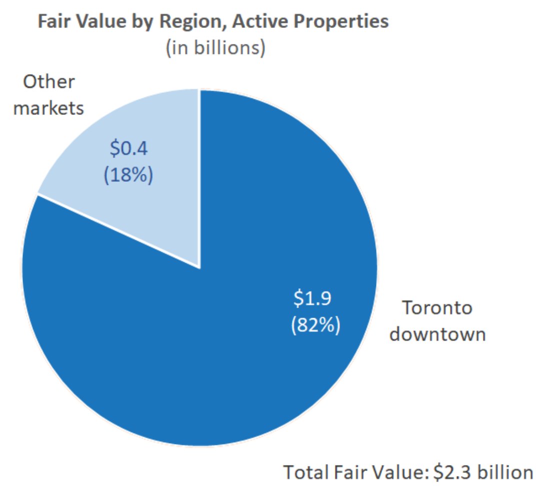
OUR PROPERTIES

At December 31, 2023, our ownership interests included 5.1 million square feet of GLA across 28 properties, which comprise 26 active office properties (5.0 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 our share). We have excluded this equity accounted joint venture from all of our metrics throughout this 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, properties under development and investments in joint ventures that are equity accounted as at December 31, 2023.





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 large financial institutions and small to medium-sized businesses across Canada. With just over 390 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 as at December 31, 2023. Our top ten tenants have a weighted average lease term of 6.0 years.

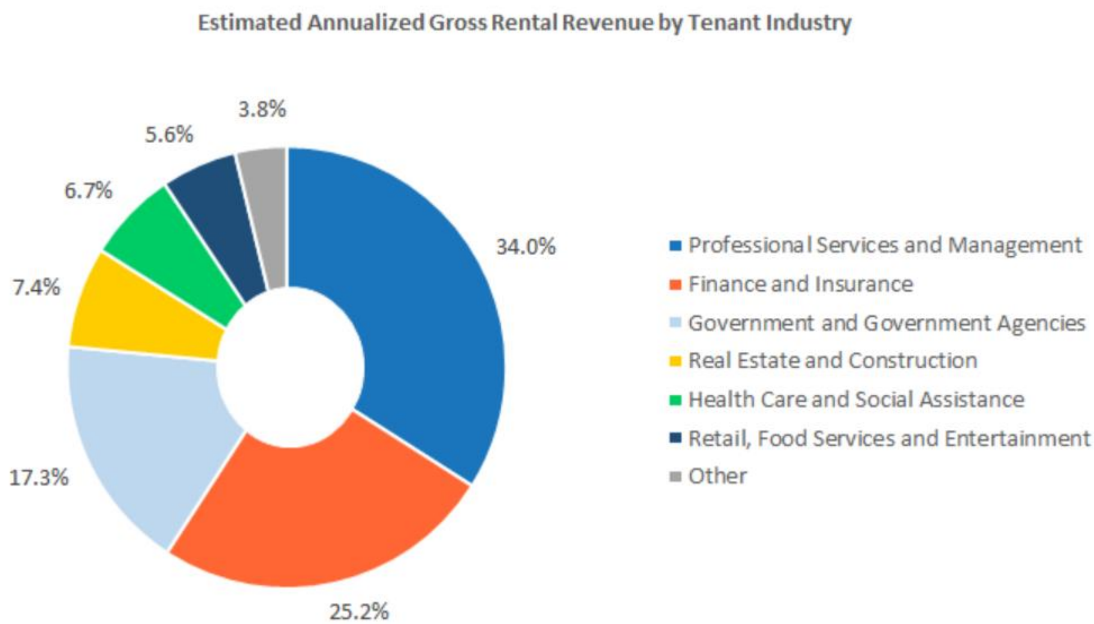
	Tenant	Gross rental revenue (%)	Owned area (thousands of sq. ft.)	Owned area (%)	Credit rating(1)
1	Government of Canada	9.7	331	6.6	AAA/A-1+
2	Government of Ontario	6.0	264	5.3	A+/A-1
3	International Financial Data Services	3.9	137	2.7	N/R
4	International Language Academy of Canada	3.3	125	2.5	N/R
5	State Street Trust Company	2.7	82	1.6	AA-/A/A-1+
6	Co-operators Life Insurance	2.6	119	2.4	A-
7	U.S. Bank National Association	2.6	185	3.7	A+/A-1
8	Medcan Health Management Inc.	2.2	69	1.4	N/R
9	WeWork	2.2	65	1.3	D
10	Field Law	1.3	64	1.3	N/R
	Total	36.5	1,441	28.8	

(1) As at February 15, 2024. 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 37% of gross rental revenue, and 50% of our top ten tenants have credit ratings of A- or higher.

WeWork Canada GP ULC, a subsidiary of WeWork Inc. (“WeWork”), a publicly listed company in the United States, is the sole tenant at the Trust’s 357 Bay Street property 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 United States 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. The Trust is monitoring the situation closely and is developing contingency plans for all potential outcomes. WeWork is current on its rental payment obligations to today’s date. The Trust is actively monitoring the effect, if any, on the Trust’s income, investment properties fair values and debt and is developing contingency plans for all outcomes.

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



OUR OPERATIONS

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

Performance indicators	December 31, 2023	September 30, 2023	December 31, 2022
Total portfolio(1)			
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

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

Occupancy

The following table details our in-place and committed occupancy and in-place occupancy rates, by geographical area, excluding properties under development and investments in joint ventures that are equity accounted at December 31, 2023, September 30, 2023 and December 31, 2022. Our in-place and committed occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

	In-place and committed occupancy rate			In-place occupancy rate		
Occupancy rate (percentage)	**December 31, 2023**	September 30, 2023	December 31, 2022	**December 31, 2023**	September 30, 2023	December 31, 2022
Toronto downtown	**89.0**	88.6	87.7	**85.4**	83.4	82.7
Other markets	**76.6**	77.0	78.8	**76.2**	76.6	78.1
Total portfolio(1)	**84.4**	84.3	84.4	**82.0**	80.8	81.0

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

Total portfolio in-place occupancy on a quarter-over-quarter basis increased by 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.

In-place and committed occupancy increased by 0.1% quarter-over-quarter and was flat year-over-year primarily driven by positive absorption in Toronto downtown and negative absorption in Other markets during the quarter and year.

The following table details the change in total portfolio in-place and committed occupancy for the three months and year ended December 31, 2023:

	Three months ended December 31, 2023			Year ended December 31, 2023		
	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(1)		4,230	84.3%		4,233	84.4%
Vacancy committed for future occupancy(1)		(172)	(3.5%)		(168)	(3.4%)
Total portfolio occupancy (in-place) at beginning of period(1)		4,058	80.8%		4,065	81.0%
Natural expiries and relocations	$ (25.08)	(378)	(7.5%)	$ (25.73)	(708)	(14.1%)
Early terminations and bankruptcies	(52.85)	(3)	(0.1%)	(36.19)	(7)	(0.1%)
Temporary lease expiries	(12.00)	(1)	0.0%	(8.23)	(12)	(0.2%)
Temporary leasing	0.00	1	0.0%	3.07	9	0.2%
New leases(2)	34.22	113	2.3%	26.66	286	5.7%
Renewals and relocations	31.81	324	6.5%	30.77	481	9.5%
Total portfolio occupancy (in-place) at end of period(1)		4,114	82.0%		4,114	82.0%
Vacancy committed for future occupancy(1)		121	2.4%		121	2.4%
Total portfolio occupancy (in-place and committed) at end of period(1)		4,235	84.4%		4,235	84.4%

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

(2) Rental rates for the year ended December 31, 2023 exclude the effect of a 54,000 square foot lease where the net rents comprise a share of the tenant's net revenues.

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.

For the year ended December 31, 2023, excluding temporary leasing, 727,000 square feet of leases commenced in Toronto downtown, including a 54,000 square foot lease with a flexible workspace provider where rents comprise a share of the tenant's net revenues. Excluding that lease, 673,000 square feet of leases commenced at net rents of $32.11 per square foot, or 25.3% higher than the previous rent in the same space with a weighted average lease term of 5.0 years. In the Other markets region, 40,000 square feet of leases commenced at $16.53 per square foot, or 10.7% lower than the previous rents in the same space as rental rates on new leases rolled down to market rates with a weighted average lease term of 4.1 years.

The table below summarizes the total portfolio retention ratio with a comparison between the renewal and relocation rate and expiring rate on retained tenant space for the three months and year ended December 31, 2023. As a result of the timing of lease executions, the renewal rates shown below are based on commitments signed in previous periods and may not be reflective of the renewal rates on leases executed during the quarter for future occupancy.

	Three months ended December 31, 2023[1]	Year ended December 31, 2023[1]
Tenant retention ratio	85.7%	67.9%
Renewal and relocation rate (per sq. ft.)	$ 31.81	$ 30.77
Expiring rate on retained tenant space (per sq. ft.)	24.48	24.44
Renewal and relocation rate to expiring rate spread (per sq. ft.)	7.33	6.33
Renewal and relocation rate to expiring rate spread	29.9%	25.9%

(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, excluding percentage rents, for binding leases with current and future tenants as at December 31, 2023, September 30, 2023 and December 31, 2022.

Average in-place and committed net rents across our total portfolio increased to $26.35 per square foot at December 31, 2023 when compared to $25.47 per square foot at September 30, 2023 and $24.90 per square foot at December 31, 2022.

In Toronto downtown, average in-place and committed net rents increased by 4.1% quarter-over-quarter due to higher rates on new leases and renewals commencing during the quarter and higher rates on future leases committed. In the Other markets region, net rents increased slightly by 0.7% relative to Q3 2023 due to rent step-ups in the quarter.

The increase in total portfolio in-place and committed net rents on a year-over-year basis was primarily driven by an increase in net rents of 6.7% in Toronto downtown for new leases, renewals and rent step-ups during the year and higher rents on committed deals.

The following table details the average in-place and committed net rental rates in our total portfolio as at December 31, 2023, September 30, 2023 and December 31, 2022:

	Average in-place and committed net rent (per sq. ft.)[1]		
	December 31, 2023	September 30, 2023	December 31, 2022
Toronto downtown	**$ 31.23**	$ 29.99	$ 29.26
Other markets	**16.79**	16.68	16.70
Total portfolio[2]	**$ 26.35**	$ 25.47	$ 24.90

(1) Excludes percentage rents.

(2) Total portfolio excludes assets held for sale, 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 next table 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 December 31, 2023.

The following table compares market rents in our total portfolio to the average in-place and committed net rent as at December 31, 2023.

		As at December 31, 2023			
		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	$	32.87	$	31.23	5.3%
Other markets		16.54		16.79	(1.5%)
Total portfolio[3]	$	26.81	$	26.35	1.7%

(1) Market rents include office and retail space.

(2) Excludes percentage rents.

(3) Total portfolio excludes properties under development and investments in joint ventures that are equity accounted.

Total portfolio leasing costs and lease incentives

Initial direct leasing costs include leasing fees and related costs and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces, cash allowances and landlord works. Initial direct leasing costs and lease incentives are dependent upon asset type, location, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions.

Initial direct leasing costs shown in the table below include costs attributable to leases that commenced in the respective periods. Due to the timing of the signing of lease agreements, certain costs, such as broker commissions, may be incurred in advance of the lease commencement.

For the three months and year ended December 31, 2023, our total portfolio average initial direct leasing costs and lease incentives were $5.92 per square foot per year and $8.34 per square foot per year, respectively, representing an increase of $2.59 per square foot per year and $4.77 per square foot per year, over the prior year comparative quarter and year. As we continue to invest in our buildings to improve occupancy and enhance the value of our assets, leasing costs are currently higher than historical norms. The increase in leasing costs in the current quarter is mainly driven by higher deal costs incurred to improve occupancy and enhance the value of our assets, while higher leasing costs for the year primarily relate to a customized fitout for a 54,000 square foot anchor tenant at a property in downtown Toronto for a 10-year lease term.

	Three months ended December 31,				Year ended December 31,			
Performance indicators		2023[1]		2022[1]		2023[1]		2022[1]
Leases that commenced during the period								
Thousands of square feet		**438**		489		**768**		777
Average lease term (years)		**5.3**		5.2		**5.6**		5.5
Initial direct leasing costs and lease incentives								
In thousands of dollars	**$**	**13,753**	$	8,469	**$**	**35,916**	$	15,128
Per square foot		**31.40**		17.32		**46.77**		19.47
Per square foot per year		**5.92**		3.33		**8.34**		3.57

(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, properties under development and investments in joint ventures that are equity accounted as at December 31, 2023:

(in thousands of square feet)	Temporary leases	2024	2025	2026	2027	2028	2029+
Toronto downtown							
Expiries	(23)	(599)	(344)	(328)	(442)	(176)	(782)
Expiring net rents at maturity	$ 9.89	$ 31.38	$ 28.73	$ 31.01	$ 29.81	$ 29.27	$ 38.08
Commencements	n/a	299	235	40	43	1	55
Commencements as a percentage of expiries	n/a	50%	68%	12%	10%	1%	7%
Other markets							
Expiries	(38)	(233)	(244)	(127)	(185)	(111)	(483)
Expiring net rents at maturity	$ 1.82	$ 16.55	$ 17.20	$ 21.77	$ 16.88	$ 15.85	$ 21.07
Commencements	n/a	19	2	14	—	—	20
Commencements as a percentage of expiries	n/a	8%	1%	11%	—	—	4%
Total portfolio							
Expiries	(61)	(832)	(588)	(455)	(627)	(287)	(1,265)
Expiring net rents at maturity	$ 4.85	$ 27.23	$ 23.94	$ 28.43	$ 25.99	$ 24.08	$ 31.29
Commencements	n/a	318	237	54	43	1	75
Commencements as a percentage of expiries	n/a	38%	40%	12%	7%	0%	6%

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 2024 are $35.96 per square foot in Toronto downtown and $13.38 per square foot in Other markets. Included in 2024 expiries for Other markets is 55,000 square feet of Greater Toronto Area industrial logistics space. In 2025, committed net rents on commencements are $26.31 per square foot in Toronto downtown and $10.00 per square foot in Other markets.

Net rental income

Net rental income in the Trust's financial statements is total investment property revenue, which includes property management and other service fees, less investment property operating expenses. Property management and other service fees comprise property management fees earned from properties owned by Dream Asset Management Corporation ("DAM") and properties owned by, or co-owned with, Dream Impact Trust, and fees earned from managing tenant construction projects and other tenant services. Fees earned from managing tenant construction projects and tenant services are not necessarily of a recurring nature and the amounts may vary year-over-year.

For a detailed discussion about investment properties revenue and expenses for the three months and year ended December 31, 2023, refer to the "Our Results of Operations" section in this MD&A.

Comparative properties NOI

Comparative properties NOI is a non-GAAP financial measure used by management in evaluating the performance of properties owned by the Trust in the current and comparative periods presented. When the Trust compares comparative properties NOI on a year-over-year basis for the three months and years ended December 31, 2023 and December 31, 2022, the Trust excludes properties under development completed subsequent to January 1, 2022 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; 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 December 31, 2023	December 31, 2022	Change Amount	Change %	Change in weighted average occupancy %	Change in in-place net rents %
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)			
Lease termination fees and other	**349**	381	(32)			
Change in provisions	**(621)**	(296)	(325)			
Straight-line rent	**702**	231	471			
Amortization of lease incentives	**(3,023)**	(2,855)	(168)			
Sold properties	**(2)**	1,459	(1,461)			
Net rental income	**$ 25,760**	$ 27,342	$ (1,582)	(5.8)		

	Year ended December 31, 2023	December 31, 2022	Change Amount	Change %	Change in weighted average occupancy %	Change in in-place net rents %
Toronto downtown	**$ 82,536**	$ 79,736	$ 2,800	3.5	0.0	4.7
Other markets	**27,780**	27,736	44	0.2	(2.7)	1.4
Comparative properties NOI	**110,316**	107,472	2,844	2.6	(1.0)	4.2
Property under development	**405**	1,027	(622)			
Property management and other service fees	**1,830**	1,983	(153)			
Lease termination fees and other(1)	**592**	1,233	(641)			
Change in provisions	**(858)**	(1,709)	851			
Straight-line rent	**1,421**	856	565			
Amortization of lease incentives	**(11,818)**	(11,337)	(481)			
Sold properties	**447**	6,599	(6,152)			
Net rental income	**$ 102,335**	$ 106,124	$ (3,789)	(3.6)		

(1) For the year ended December 31, 2022, lease termination fees and other included $688 related to a negotiated termination at a property under development.

For the three months ended December 31, 2023, comparative properties NOI was flat compared to 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. For the three months ended December 31, 2023, net rental income 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.

For the three months ended December 31, 2023, comparative properties NOI in Toronto downtown remained relatively flat over the prior year comparative quarter as higher in-place rents due to rent step-ups, higher rates on renewals and new leasing and higher weighted average occupancy were offset by lower recoveries.

In Other markets, comparative properties NOI was also relatively flat compared to the prior year comparative quarter as lower weighted average occupancy in Regina and Saskatoon and lower recoveries were substantially offset by higher in-place net rents, higher parking income and lower non-recoverable expenses in the current quarter.

For the year ended December 31, 2023, comparative properties NOI increased by 2.6%, or $2.8 million, over the prior year, primarily driven by higher in-place net rents of 4.7% in Toronto downtown from rent step-ups and higher rates on renewals/new leasing while Other markets comparative properties NOI was relatively flat as higher in-place net rents, higher parking income, and higher recoveries were primarily offset by lower weighted average occupancy in Regina and Saskatoon due to lease expiries. For the year ended December 31, 2023, net rental income decreased by 3.6%, or $3.8 million, over the prior year primarily due to the sale of 720 Bay Street in Q1 2023.

The Trust currently has two properties under development: 366 Bay Street and 67 Richmond Street West in Toronto downtown.

For the three months and year ended December 31, 2023, change in provisions was an expense of $0.6 million and $0.9 million, respectively, representing a net increase in provisions for bad debt over the prior year comparative quarter and a net decrease compared to the prior year. The increase in provisions over the prior year comparative quarter was primarily driven by a single tenant that merged to form a new entity leaving no assets with the named tenant to pursue litigation as recourse for the Trust.

For the three months ended December 31, 2023, lease termination fees and other were driven by lease termination fee income of $0.9 million and other income of $0.4 million, partially offset by write-offs of $0.3 million relating to straight-line rent and $0.7 million relating to unamortized lease incentives associated with lease terminations. For the year ended December 31, 2023, lease termination fee income was $0.9 million and other income was $0.4 million, partially offset by write-offs of $0.3 million relating to straight-line rent and $0.4 million relating to unamortized lease incentives associated with lease terminations.

OUR RESULTS OF OPERATIONS

Consolidated statement of comprehensive income (loss)

	Three months ended December 31,		Year ended December 31,	
(in thousands of Canadian dollars)	**2023**	2022	**2023**	2022
Investment properties revenue	**$ 47,675**	$ 49,606	**$ 190,448**	$ 196,273
Investment properties operating expenses	**(21,915)**	(22,264)	**(88,113)**	(90,149)
Net rental income	**25,760**	27,342	**102,335**	106,124
Other income				
Net income (loss) from investment in Dream Industrial REIT	**169**	(1,806)	**(30,674)**	60,237
Share of net loss from investment in joint ventures	**(319)**	(112)	**(812)**	(532)
Interest and other income	**530**	594	**2,885**	2,189
	380	(1,324)	**(28,601)**	61,894
Other expenses				
General and administrative	**(2,505)**	(2,274)	**(10,692)**	(9,978)
Interest:				
Debt	**(15,865)**	(15,081)	**(58,978)**	(51,836)
Subsidiary redeemable units	**(1,309)**	(1,309)	**(5,234)**	(5,234)
Depreciation on property and equipment	**(36)**	(79)	**(162)**	(430)
	(19,715)	(18,743)	**(75,066)**	(67,478)
Fair value adjustments, leasing and net gain (loss) on transactions				
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
Internal leasing costs and net gain (loss) on transactions	**(565)**	349	**(1,920)**	(1,890)
	(48,670)	(89,689)	**(75,817)**	(36,227)
Income (loss) before income taxes	**(42,245)**	(82,414)	**(77,149)**	64,313
Current and deferred income taxes expense, net	**(179)**	(193)	**(47)**	(672)
Net income (loss)	**(42,424)**	(82,607)	**(77,196)**	63,641
Other comprehensive income (loss)	**(1,589)**	5,622	**(6,598)**	8,665
Comprehensive income (loss)	**$ (44,013)**	$ (76,985)	**$ (83,794)**	$ 72,306

Investment properties revenue

Investment properties revenue includes base rent from investment properties, recoveries of operating costs and property taxes from tenants, parking services revenue, the impact of straight-line rent adjustments, lease termination fees and other adjustments as well as fees earned from property management and other services, including leasing and construction. Leasing, construction and lease termination fees and other adjustments are not necessarily of a recurring nature and the amounts may vary year-over-year. Investment properties revenue for the three months and year ended December 31, 2023 was $47.7 million and $190.4 million, respectively, compared to $49.6 million and $196.3 million, respectively, in the prior year comparative quarter and year.

The decrease over the prior year comparative quarter was primarily due to the sale of 720 Bay Street in Q1 2023, lower recoveries in Toronto downtown and lower weighted average occupancy in Other markets. This was partially offset by higher weighted average occupancy in Toronto downtown, as well as higher rates on renewals and new leases in Toronto downtown. The decrease over the prior year was primarily due to the sale of 720 Bay Street in Q1 2023, as well as lower recoveries in Toronto downtown and lower weighted average occupancy in Other markets. This was partially offset by higher rates on renewals and new leases in Toronto downtown.

Investment properties operating expenses

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

Investment properties operating expenses for the three months and year ended December 31, 2023 were $21.9 million and $88.1 million, respectively, compared to $22.3 million and $90.1 million, respectively, in the prior year comparative quarter and year. The decrease in investment properties operating expenses over the prior year comparative quarter was primarily driven by lower heating, ventilation and air conditioning and repair and maintenance costs. The decrease in investment properties operating expenses over the prior year was primarily driven by the sale of 720 Bay Street in Q1 2023 and a net decrease in provisions for bad debts.

Net income (loss) from investment in Dream Industrial REIT

Net income from our investment in 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 from public offerings and Dream Industrial REIT's deferred unit incentive and dividend reinvestment plans 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. Included in net income from our investment in Dream Industrial REIT are transactional losses on the sale of Dream Industrial units.

The following table summarizes the net income (loss) from investment in Dream Industrial REIT:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Share of income (loss)	**$ 400**	$ (1,283)	**$ 11,292**	$ 62,400
Dilution loss	**(231)**	(523)	**(734)**	(2,163)
Loss on the sale of Dream Industrial REIT units	**—**	—	**(45,027)**	—
Transaction costs on sale of Dream Industrial REIT units	**—**	—	**(295)**	—
Reclassification of accumulated other comprehensive income to net income due to sale of units	**—**	—	**4,090**	—
Net income (loss) from investment in Dream Industrial REIT	**$ 169**	$ (1,806)	**$ (30,674)**	$ 60,237

Our share of income (loss) from our investment in Dream Industrial REIT before dilution adjustments and transactional losses on the sale of Dream Industrial REIT units increased by $1.7 million and decreased by $51.1 million, over the prior year comparative quarter and year, respectively.

For the three months ended December 31, 2023, the increase over the prior year comparative quarter was primarily due to a reduction in fair value losses to investment properties, as well as gains on equity accounted investments due to fair value adjustments to investment properties. For the year ended December 31, 2023, the decrease over the prior year comparative year was primarily due to losses on the sale of Dream Industrial REIT units. Also, equity accounted investments due to fluctuations in fair value adjustments to investment properties, a write-off of acquisition costs attributed to the Dream Summit joint venture and an overall reduction in fair value gains on investment properties contributed to the decrease over the prior year. This was partially offset by increases in net rental income due to accretive acquisitions and higher rates on new and renewed leasing.

On March 1, 2023, the Trust sold 565,000 Dream Industrial REIT units for net proceeds of $8.3 million. As a result of the sale, the Trust recorded a loss totalling $1.3 million for the difference between the net proceeds and the IFRS carrying value of the investment.

On May 16, 2023, the Trust sold 12,500,000 units of Dream Industrial REIT for net proceeds of $170.4 million. As a result of the sale, the Trust recorded a loss totalling $43.7 million for the difference between the net proceeds and the IFRS carrying value of the investment. The Trust incurred $0.3 million in transaction costs on the secondary offering. As a result of the sale, accumulated other comprehensive income previously recorded totalling $4.1 million relating to the reduction in ownership interest was reclassified to net income.

Share of net losses 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, the Trust's investment in Alate, a venture focused on the property technology market in which we have invested jointly with DAM, the Trust's 50% interest in a partnership with CentreCourt for the mixed-use development of Block 2 at 2200–2206 Eglinton Avenue East and 1020 Birchmount Road in Scarborough, Ontario and the Trust's 50% interest in a partnership with INK Entertainment for the premium restaurant Daphne.

For the three months and year ended December 31, 2023, the Trust's share of net losses from investment in joint ventures amounted to losses of $0.3 million and $0.8 million compared to losses of $0.1 million and $0.5 million, respectively, in the prior year comparative quarter and year. The decrease over the prior year comparative quarter was primarily due to negative fair value adjustments and lower net rental income in 220 King Street West, partially offset by lower costs in Alate. The decrease over the prior year was primarily due to one-time expenses associated with the start-up costs of our restaurant partnership in the Bay Street corridor, which will be recovered over time from the tenant through additional rents, as well as negative fair value adjustments to 220 King Street West. This was partially offset by higher net rental income generated by 220 King Street West and lower general and administrative ("G&A") expenses in our investment in Alate. During the second half of 2023, our restaurant partnership finished its start-up period and began generating positive monthly income.

Interest and other income

Interest and other income mainly comprises interest earned on vendor takeback mortgage ("VTB mortgage") receivables and a 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 in any given period.

For the three months and year ended December 31, 2023, interest and other income was $0.5 million and $2.9 million, respectively, compared to $0.6 million and $2.2 million, respectively, in the prior year comparative quarter and year. The decrease over the prior year comparative quarter was primarily due to lower realized foreign exchange gains on funds repatriated from our U.S. subsidiary. The increase over the prior year was primarily due to higher interest income on cash balances.

General and administrative expenses

The following table summarizes the nature of expenses included in G&A expenses:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Salaries and benefits	**$ (912)**	$ (787)	**$ (4,021)**	$ (3,514)
Deferred compensation expense	**(273)**	(459)	**(1,862)**	(2,688)
Professional services fees, public reporting, overhead-related costs and other	**(1,320)**	(1,028)	**(4,809)**	(3,776)
General and administrative expenses	**$ (2,505)**	$ (2,274)	**$ (10,692)**	$ (9,978)

Interest expense – debt

For the three months and year ended December 31, 2023, interest expense on debt was $15.9 million and $59.0 million, respectively, relative to $15.1 million and $51.8 million, respectively, in the prior year comparative quarter and year. The increase in interest expense on debt over the prior year comparative quarter was primarily due to the refinancing of maturing debt at a higher principal balance and interest rate. The increase in interest expense on debt over the prior year was primarily due to higher interest rates on variable debt, as well as the refinancing of maturing debt at a higher principal balance and interest rate.

Interest expense – subsidiary redeemable units

The interest expense on subsidiary redeemable units represents distributions paid and payable on the 5.2 million subsidiary redeemable units owned by DAM.

Interest expense on subsidiary redeemable units for the three months and year ended December 31, 2023 was $1.3 million and $5.2 million, respectively, and remained consistent with the prior year comparative quarter and year as the distribution rate and the number of outstanding subsidiary redeemable units remained unchanged.

Fair value adjustments to investment properties

Refer to the heading "Fair value adjustments to investment properties" in the "Investment Properties" section for a discussion of fair value adjustments to investment properties for the three months and year ended December 31, 2023.

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 ("DTUs"), which are carried as a liability under IFRS as a result of changes in the Trust's REIT A Unit trading price and derivative contract remeasurements. The fair value of the derivative contracts are calculated internally using external data provided by qualified professionals based on the present value of the estimated future cash flows determined using observable yield curves. Fair value adjustments to financial instruments may vary significantly from period-to-period as a result of movements in the Trust's REIT A Unit trading price and market yield curves.

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 $14.1 million due to falling market yield curves and losses attributed to the remeasurement of the carrying value of subsidiary redeemable units and DTUs as a result of an increase in the Trust's unit price relative to September 30, 2023. Net fair value gains for the year ended December 31, 2023 were primarily due to the remeasurement of carrying value of subsidiary redeemable units and DTUs as a result of a decrease in the Trust's unit price relative to December 31, 2022, net of fair value losses on the remeasurement of rate swap contracts.

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.

Internal leasing costs and net losses on transactions

The following table summarizes the nature of expenses included in internal leasing costs and net losses on transactions:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Internal leasing costs	**$ (408)**	$ (383)	**$ (1,700)**	$ (2,005)
Recoveries (costs) attributable to sale of investment properties(1)	**(157)**	732	**(203)**	419
Debt settlement costs	**—**	—	**(17)**	(304)
Internal leasing costs and net losses on transactions	**$ (565)**	$ 349	**$ (1,920)**	$ (1,890)

(1) Consists of commissions and other expenses incurred in relation to the disposal of investment properties.

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 months and year ended December 31, 2023, the Trust incurred $0.2 million and $47.0 thousand, respectively, in net current and deferred taxes relating to our sole investment property in the U.S.

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 loss on a historical interest rate fixing arrangement, unrealized foreign currency translation gain (loss) related to the investment property located in the U.S., the Trust's share of Dream Industrial REIT's other comprehensive income (loss) and share of other comprehensive income (loss) from an investment in a joint venture.

For the three months and year ended December 31, 2023, other comprehensive income (loss) amounted to losses of $1.6 million and $6.6 million, respectively, compared to income of $5.6 million and $8.7 million, respectively, for the three months and year ended December 31, 2022. The change in other comprehensive income (loss) over the prior year comparative quarter was primarily driven by foreign currency translation adjustments in our investment in Dream Industrial REIT, as well as negative fair value adjustments to our investments held in Alate. The change in other comprehensive income (loss) over the prior year was driven by the reclassification of prior period accumulated other comprehensive income to net income on the sale of 12,500,000 units of Dream Industrial REIT, loss on hedging arrangements in our investment in Dream Industrial REIT and foreign currency translation adjustments on our U.S. property.

Funds from operations

FFO is a non-GAAP financial measure and diluted FFO per unit is a non-GAAP ratio. Diluted FFO per unit is calculated as FFO (a non-GAAP financial measure) divided by the diluted weighted average number of units. Management believes that 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 further defined and reconciled to net income in the "Non-GAAP Financial Measures and Ratios" section under the heading "Funds from operations and diluted FFO per unit". Diluted weighted average number of units is defined in the section "Supplementary Financial Measures and Other Disclosures" under the heading "Weighted average number of units".

The following table summarizes FFO and diluted FFO per unit:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
FFO for the period	**$ 14,588**	$ 19,310	**$ 64,518**	$ 80,594
Diluted weighted average number of units(1)	**38,718**	52,457	**44,821**	53,175
Diluted FFO per unit	**$ 0.38**	$ 0.37	**$ 1.44**	$ 1.52

(1) Diluted weighted average number of units includes the weighted average of all REIT A Units, LP B Units, vested but unissued and unvested DTUs and associated income DTUs. Please refer to the "Supplementary Financial Measures and Other Disclosures" section under the heading "Weighted average number of units" for details of this measure.

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 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).

For the year ended December 31, 2023, diluted FFO per unit decreased by $0.08 per unit to $1.44 per unit relative to $1.52 per unit in the prior year primarily due to lower net rental income from the sale of 720 Bay Street (-$0.13), higher interest expense (-$0.10) and higher G&A (-$0.03), partially offset by the accretive effect of repurchases under the NCIB and SIB, net of reduced FFO 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 (+$0.09), higher comparative properties NOI (+$0.06) and higher interest income and other items (+$0.03).

Related party transactions

From time to time, Dream Office REIT and its subsidiaries enter into transactions with related parties that are generally conducted on a cost recovery basis or under normal commercial terms.

The Trust and DAM are parties to a shared services agreement dated January 1, 2019 (as amended, restated, amended and restated, or otherwise revised from time to time, the "Shared Services Agreement"). Under the Shared Services Agreement, the Trust acts as the property manager for DAM's investment properties in Canada and DAM acts as the development manager for the Trust's properties with redevelopment potential. In order to take advantage of economies of scale, the Shared Services Agreement includes certain resource-sharing arrangements between the Trust and DAM, such as information technology, human resources, office services and insurance, among other services as requested, on a cost allocation basis.

Under the Shared Services Agreement, in connection with each development project, DAM earns a development fee equal to 3.75% of the total net revenues of the development project or, for rental properties, 3.75% of the fair value upon completion, without any promote or other incentive fees. In connection with the property management services provided by the Trust to DAM, the Trust generally earns a fee equal to 3.5% of gross revenue of the managed income properties.

Related party transactions with Dream Asset Management Corporation

The following is a summary of costs processed by DAM and the Trust for the three months and years ended December 31, 2023 and December 31, 2022:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Property management services fee charged by the Trust	**$ 135**	$ 133	**$ 426**	$ 409
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)	**3,265**	2,998	**12,055**	11,407
Development fees charged by DAM	**(359)**	(595)	**(1,795)**	(2,367)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)	**(539)**	(417)	**(1,867)**	(1,626)
Net fees and reimbursements from DAM	**$ 2,502**	$ 2,119	**$ 8,819**	$ 7,823

For the three months and year ended December 31, 2023, total distributions and subsidiary redeemable interest paid and payable to DAM were $2.9 million and $14.4 million, respectively (for the three months and year ended December 31, 2022 – $4.7 million and $18.2 million, respectively).

Related party transactions with Dream Impact Trust

Dream Office Management Corp. ("DOMC") provides property management services to an investment property co-owned with Dream Impact Trust, which is accounted for as a joint operation.

DOMC and Dream Impact Trust are parties to a services agreement, pursuant to which the Trust provides certain services to Dream Impact Trust on a cost recovery basis.

The following is a summary of the amounts that were charged to Dream Impact Trust for the three months and years ended December 31, 2023 and December 31, 2022:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Property management and construction fees related to co-owned and managed properties	**$ 219**	$ 276	**$ 925**	$ 970
Costs processed on behalf of Dream Impact Trust related to co-owned and managed properties	**414**	407	**1,626**	1,615
Amounts charged to Dream Impact Trust under the services agreement	**231**	278	**939**	1,032
Total cost recoveries from Dream Impact Trust	**$ 864**	$ 961	**$ 3,490**	$ 3,617

Related party transactions with Dream Industrial REIT

DOMC and Dream Industrial REIT are parties to a services agreement, pursuant to which the Trust provides certain services to Dream Industrial REIT on a cost recovery basis.

The following is a summary of the cost recoveries from Dream Industrial REIT for the three months and years ended December 31, 2023 and December 31, 2022:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Total cost recoveries from Dream Industrial REIT	**$ 2,172**	$ 2,087	**$ 8,238**	$ 7,799

SECTION III

INVESTMENT PROPERTIES

Investment properties continuity

Changes in the value of our investment properties by region, excluding an investment property owned through an investment in a joint venture that is equity accounted, for the three months and year ended December 31, 2023 are summarized in the following tables:

	Three months ended				
	October 1, 2023	Building improvements, initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments(1)	**December 31, 2023**
Toronto downtown	$ 1,876,027	$ 13,904	$ (25,798)	$ (1,136)	**$ 1,862,997**
Other markets	416,148	1,240	810	(3,125)	**415,073**
Active properties	2,292,175	15,144	(24,988)	(4,261)	**2,278,070**
Add:					
Properties under development	63,539	4,604	(3,835)	(4)	**64,304**
Total amounts included in condensed consolidated financial statements	$ 2,355,714	$ 19,748	$ (28,823)	$ (4,265)	**$ 2,342,374**

(1) Included in Other markets is a foreign currency translation adjustment totalling $(971) related to a property located in the U.S. during the quarter.

												Year ended
		January 1, 2023		Building improvements, initial direct leasing costs and lease incentives		Fair value adjustments		Amortization of lease incentives, foreign exchange and other adjustments (1)		Sold properties		**December 31, 2023**
Toronto downtown	$	1,893,376	$	50,890	$	(75,544)	$	(5,725)	$	—	**$**	**1,862,997**
Other markets		424,698		5,834		(8,971)		(6,488)		—		**415,073**
Active properties		2,318,074		56,724		(84,515)		(12,213)		—		**2,278,070**
Add:												
Properties under development		64,809		11,260		(11,741)		(24)		—		**64,304**
Total amounts included in consolidated financial statements	$	2,382,883	$	67,984	$	(96,256)	$	(12,237)	$	—	**$**	**2,342,374**
Sold property	$	135,000	$	150	$	(150)	$	—	$	(135,000)	**$**	**—**

(1) Included in Other markets is a foreign currency translation adjustment totalling $(1,063) related to a property located in the U.S. during the year.

Properties under development

As of December 31, 2023, the Trust has two properties under development: 366 Bay Street and 67 Richmond Street West in Toronto downtown.

Development projects are underway at 366 Bay Street and 67 Richmond Street West in downtown Toronto to transform these properties into best-in-class boutique office buildings by fully modernizing technical systems, improving floorplates, and upgrading washrooms, lobbies and common areas consistent with the Dream Collection standard. A portion of the development costs at these properties has satisfied the requirements of the CIB Facility, allowing the Trust to fund the projects using the low-cost, fixed-rate financing associated with that facility. Estimated project completion at 67 Richmond Street West is targeted for Q2 2024. During Q3 2023, the Trust secured a commitment for a lease at 366 Bay Street for the entire building. During the quarter, full building fixturing and fitout commenced on redevelopment project completion with lease commencement scheduled for Q4 2024.

Joint Venture Partnership Agreement

In Q2 2023, we announced our 50/50 joint venture partnership with CentreCourt for the mixed-use development of Block 2 at 2200–2206 Eglinton Avenue East and 1020 Birchmount Road in Scarborough, Ontario. The development planning process for the project is underway and we are currently working through the next steps with our partner. The planned development will consist of two towers comprising 651,000 square feet of gross floor area, which will contain approximately 1,000 residential units, 39 affordable housing units and 8,000 square feet of retail space. The Trust is currently working through site severance and preparation prior to the commencement of the project.

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the years ended December 31, 2023 and December 31, 2022 by fair values:

		December 31, 2023		December 31, 2022
Investment properties valued by qualified external valuation professionals (in millions)	**$**	**694**	$	981
Number of investment properties valued by qualified external valuation professionals		**4**		9
Percentage of the total investment properties valued by qualified external valuation professionals		**30%**		41%

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 capitalization rates (“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 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.

For the year ended December 31, 2023, the Trust recorded a fair value loss of $96.3 million comprising losses of $75.5 million in Toronto downtown, $9.0 million in Other markets and $11.7 million in our properties under development. Fair value losses in Toronto downtown and Other markets were primarily driven by expansions in weighted average cap rates across the portfolio and maintenance capital spent, partially offset by a fair value gain at 212 King Street West as a result of approved rezoning at the property, as well as a fair value gain at 2200 Eglinton Avenue East resulting from the joint venture partnership agreement entered into during Q2 2023.

Assumptions used in the valuation of investment properties

Refer to Note 4 of the consolidated financial statements for details of the assumptions used in the Trust's investment property valuations, which is incorporated by reference into this MD&A.

Building improvements

Building improvements represent investments made in 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 maintain or increase 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 that enhance our highest quality and best-located assets in order to attract quality tenants at the highest possible rents. In addition to making our properties more desirable, our capital program enhances property efficiency and reduces future maintenance and operating costs.

The table below summarizes the building improvements incurred for the three months and years ended December 31, 2023 and December 31, 2022:

	Three months ended December 31,		Year ended December 31,	
Building improvements	**2023**	2022	**2023**	2022
Recoverable	**$ 2,800**	$ 5,558	**$ 14,422**	$ 11,542
Value-add	**3,197**	2,641	**6,555**	8,003
Value-add additions to properties in the Bay Street corridor	**94**	1,105	**1,397**	9,586
Non-recoverable	**677**	721	**2,377**	2,645
Active properties	**6,768**	10,025	**24,751**	31,776
Add:				
Properties under development	**3,138**	4,632	**7,272**	11,114
Interest capitalized to properties under development	**143**	209	**680**	433
Sold property	**—**	—	**150**	—
Total	**$ 10,049**	$ 14,866	**$ 32,853**	$ 43,323
Less: Interest capitalized to properties under development	**(143)**	(209)	**(680)**	(433)
Less: Sold property	**—**	—	**(150)**	—
Total amounts included in consolidated financial statements	**$ 9,906**	$ 14,657	**$ 32,023**	$ 42,890

For the three months and year ended December 31, 2023, we incurred $6.8 million and $24.8 million, respectively, in expenditures related to building improvements in our active portfolio, the majority of which were recoverable from current and future tenants under the terms of their leases.

Recoverable building improvements are capital expenditures on investment properties required to maintain current net rental rates for new leases that are recoverable from tenants. For the three months and year ended December 31, 2023, recoverable building improvements were $2.8 million and $14.4 million, respectively, and included safety enhancements, heating, ventilation and air conditioning upgrades, elevator modernization, roofing replacements and recoverable lobby and common area upgrades.

Value-add building improvements are building capital expenditures that are made with the aim of enhancing building quality in order to increase net rents on future leases or pre-development costs for contemplated future developments. For the three months and year ended December 31, 2023, value-add building improvements were $3.2 million and $6.6 million, respectively.

As part of our transformation of our properties in the Bay Street corridor, for the three months and year ended December 31, 2023, the Trust invested $0.1 million and $1.4 million, respectively, in building improvements for those buildings.

Investment property dispositions

On January 30, 2023, the Trust completed the sale of 720 Bay Street located in Toronto, Ontario for total gross proceeds before adjustments and transaction costs of $135.0 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
	December 31, 2023	December 31, 2022
Dream Industrial REIT units held, end of year	**192,735**	8,052,451
Dream Industrial LP Class B limited partnership units held, end of year	**13,346,572**	18,551,855
Total units held, end of year	**13,539,307**	26,604,306
Total Dream Industrial REIT units (including LP B Units) outstanding, end of year	**286,589,921**	275,156,062
Ownership at year-end	**4.7%**	9.7%

On March 1, 2023, the Trust sold 565,000 Dream Industrial REIT units for net proceeds of $8.3 million. As a result of this sale, the Trust recorded a loss totalling $1.3 million for the difference between the net proceeds and the carrying value of the investment.

On May 16, 2023, the Trust sold 12,500,000 units of Dream Industrial REIT for net proceeds of $170.4 million. As a result of the sale, the Trust recorded a loss totalling $43.7 million for the difference between the net proceeds and the carrying value of the investment. The Trust incurred $0.3 million in transaction costs on the secondary offering. As a result of the sale, accumulated other comprehensive income previously recorded relating to the reduction in ownership interest was reclassified to net income.

OUR FINANCING

Debt summary

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

Financing and liquidity metrics	**December 31, 2023**	December 31, 2022
Weighted average face rate of interest on debt (period-end)(1)	**4.53%**	4.42%
Interest coverage ratio (times)(2)	**2.0**	2.5
Net total debt-to-normalized adjusted EBITDAFV ratio (years)(2)	**11.5**	10.4
Level of debt (net total debt-to-net total assets)(2)	**50.0%**	44.6%
Average term to maturity on debt (years)	**3.3**	3.1
Variable rate debt as percentage of total debt(3)	**6.7%**	19.8%
Undrawn credit facilities	**$ 173,955**	$ 163,542
Available liquidity(2)	**$ 187,228**	$ 171,560
Unencumbered assets(2)	**$ 17,117**	$ 115,662

(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) Interest coverage ratio (times), net total debt-to-normalized adjusted EBITDAFV ratio and level of debt (net total debt-to-net total assets) are non-GAAP ratios. Available liquidity is a non-GAAP financial measure. Unencumbered assets is a supplemental financial measure. Please refer to the "Non-GAAP Financial Measures and Ratios" and the "Supplementary Financial Measures and Other Disclosures" sections of this MD&A for additional information on these specified financial measures.

(3) Variable rate debt excludes debt with variable interest rates where the interest rate has been fixed by way of an economically effective hedge.

Net total debt-to-normalized adjusted EBITDAFV ratio increased to 11.5 at December 31, 2023 compared to 10.4 at December 31, 2022 driven by lower net rental income and reduced distributions earned from Dream Industrial REIT as a result of the sale of 12,500,000 units to fund the SIB.

The net total debt-to-net total assets ratio increased to 50.0% at December 31, 2023 compared to 44.6% at December 31, 2022 due to lower asset balances as a result of the sale of 12,500,000 Dream Industrial REIT units to fund the purchase of 12,500,000 REIT A Units under the SIB.

As at December 31, 2023, our available liquidity of $187.2 million comprises $13.3 million of cash and cash equivalents on hand, undrawn revolving credit facilities totalling $73.4 million, availability on our CIB Facility totalling $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, and availability on our ICICI Bank facility totalling $8.2 million. The increase of $15.7 million compared to December 31, 2022 is primarily due to repaying drawings on our credit facility using the proceeds from the sale of 720 Bay Street in Toronto, the additional availability from the Trust entering into an $8.2 million non-revolving term loan facility during the quarter, partially offset by incremental drawings on our CIB Facility.

Unencumbered assets as at December 31, 2023 were $17.1 million, a decrease of $98.5 million from $115.7 million at December 31, 2022, due to the Trust pledging a previously unencumbered property against the $20 million demand revolving credit facility in Q1 2023 and the sale of 13,065,000 Dream Industrial REIT units during the year ended December 31, 2023.

Variable rate debt as a percentage of total debt as at December 31, 2023 was 6.7%, a reduction from 19.8% at December 31, 2022 as the Trust entered into two fixed-for-variable swaps on mortgages renewed during the year and entered into an additional $40 million swap to fix the interest rate in relation to borrowings on the $375 million revolving credit facility. As at December 31, 2023, interest rates on mortgage debt are fixed and $190 million of revolving credit facility drawings, or 53.6% of borrowing capacity on variable rate credit facilities, is hedged.

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 and debt principal and interest payments.

As at December 31, 2023, our current liabilities exceeded our current assets by $110.4 million. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule and undrawn revolving credit facilities. We are able to use our revolving credit facilities on short notice, which eliminates the need to hold significant amounts of cash and cash equivalents on hand. Working capital balances can fluctuate significantly from period-to-period depending on the timing of receipts and payments. The Trust's credit facility availability may fluctuate from time to time due to the effect of interest rates, collateralized property performance and collateralized asset values, including units of Dream Industrial REIT pledged as collateral. Liquidity risk may be enhanced if the credit facility availability were to be significantly reduced. Debt obligations that are due within one year include debt maturities and scheduled principal repayments of $86.7 million. We typically refinance maturing debt with our undrawn revolving credit facilities and mortgages of terms between five and ten years unless our strategy for the asset or preferential loan terms dictate otherwise. Amounts payable and accrued liabilities balances outstanding at the end of any reporting period depend primarily on the timing of leasing costs and capital expenditures incurred, as well as the impact of transaction costs incurred on acquisitions and dispositions, if any.

In order to meet ongoing operational and interest requirements, the Trust relies on cash flows generated from operations. Where, due to the timing of leasing cost payments, cash flows generated from operations are insufficient to cover immediate operational and leasing cost requirements, the Trust makes use of its revolving credit facilities. As of December 31, 2023, the Trust has $187.2 million of available liquidity comprising $13.3 million of cash and cash equivalents on hand, undrawn revolving credit facilities totalling $73.4 million, availability on our non-revolving term facility for restricted use to meet tenant obligations totalling $8.2 million, and availability on our CIB Facility, 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, totalling $92.4 million. In addition, the Trust has unencumbered assets totalling $17.1 million that could be pledged as security for further borrowings. The Trust may also consider, from time to time, opportunistic asset sales at prices in line with fair values to enhance long-term financial flexibility.

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

Hedging activities

On December 8, 2023, the Trust entered into a fixed-for-variable swap to fix the interest rate on a $66.5 million mortgage secured by a property in Scarborough, Ontario at an interest rate of 6.14%.

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.

Credit facilities

On November 30, 2023, The Trust entered into an $8.2 million non-revolving term loan facility negotiated in connection with a lease negotiated with a commercial banking tenant. Under the facility, the tenant will lend the Trust up to $8.2 million for the specific use of meeting the tenant's construction allowance requirements under 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, the loan will convert to an amortizing term facility.

On December 7, 2023, 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 the $40 million of the outstanding drawings at 5.42% (the current pricing for BA drawings under the facility) for five years.

The amounts available and drawn under the credit facilities as at December 31, 2023 are summarized in the table below:

			December 31, 2023				
Facility	Maturity date	Interest rates on drawings	Face interest rate[6]	Borrowing capacity	Drawings	Letters of credit	Amount available
Formula-based maximum not to exceed $375,000[1]	September 30, 2025	BA + 1.675% or prime + 0.675%	6.01%	$ 335,192	$ (280,866)	$ (132)	$ 54,194
Formula-based maximum not to exceed $10,000[2]	March 31, 2025	BA + 1.975% or prime + 0.825%	n/a	10,000	—	—	10,000
Formula-based maximum not to exceed $20,000[3]	Due on demand	BA + 2.00% or prime + 0.50%	n/a	9,200	—	—	9,200
Canada Infrastructure Bank credit facility	March 31, 2027[4]	2.15%	2.15%	112,870	(20,509)	—	92,361
Non-revolving term loan facility[5]	November 30, 2028	6.75%	6.75%	8,200	—	—	8,200
Total			5.75%	$ 475,462	$ (301,375)	$ (132)	$ 173,955

(1) The $375,000 revolving credit facility is secured by five investment properties and 11,916,572 Dream Industrial LP Class B limited partnership units.

(2) The $10,000 revolving credit facility is secured by 1,430,000 Dream Industrial LP Class B limited partnership units.

(3) The $20,000 demand revolving credit facility is secured by one investment property.

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

(5) The non-revolving term loan facility is restricted for use towards meeting a tenant's construction allowance requirements in connection with a lease negotiated with a commercial banking tenant.

(6) Face interest rate includes the effect of applicable interest rate swaps.

n/a – not applicable

As at December 31, 2023, drawings on the CIB Facility represent 80% of the costs to date for the capital retrofits at certain Toronto downtown properties in connection with projects to reduce the operational carbon emissions in these buildings by an estimated 3,241 tonnes of CO_2, or 57.5%, per year on project completion.

Debt maturity profile

The following table summarizes our debt maturity profile, excluding debt in joint ventures that are equity accounted, as at December 31, 2023:

	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
2024	$ 73,369	3.44%	$ —	—	$ 73,369	3.44%
2025	336,104	4.27%	280,864	5.93%	616,968	5.02%
2026	81,006	3.10%	—	—	81,006	3.10%
2027	171,185	4.13%	—	—	171,185	4.13%
2029–2030	352,200	4.66%	—	—	352,200	4.66%
2047	—	—	20,511	2.15%	20,511	2.15%
Subtotal before undernoted items	$ 1,013,864	4.23%	$ 301,375	5.67%	$ 1,315,239	4.56%
Scheduled principal repayments on non-matured debt (2024–2027)	28,246	—	—	—	28,246	—
Subtotal before undernoted items	$ 1,042,110	4.20%	$ 301,375	5.67%	$ 1,343,485	4.53%
Unamortized financing costs	(3,117)		(907)		(4,024)	
Debt per consolidated financial statements	$ 1,038,993	4.34%	$ 300,468	5.78%	$ 1,339,461	4.66%

Commitments and contingencies

Dream Office REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business, on certain debt assumed by purchasers of investment properties, and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of the Trust as at December 31, 2023.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $48.2 million (December 31, 2022 – $49.8 million) with a term to maturity of 2.6 years (December 31, 2022 – 3.6 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, including interest and penalties, total $15.6 million. There has been no change to total current taxes payable by the Trust as no cash payment is expected to be made unless it is ultimately established that the Trust has an obligation to make one. Management does not expect any payment with respect to the reassessments will ultimately be made by the Trust or any of its subsidiaries. For this reason, no amounts have been recorded in the consolidated financial statements as at December 31, 2023 relating to these reassessments.

At December 31, 2023, Dream Office REIT's future minimum commitments are as follows:

	Minimum payments due			
	Within 1 year	1–5 years	> 5 years	Total
Operating commitments	$ 2,848	$ 4,389	$ —	$ 7,237
Fixed price contracts	222	888	1,245	2,355
Total	$ 3,070	$ 5,277	$ 1,245	$ 9,592

Since 2018, the Trust has invested $10.2 million (December 31, 2022 – $9.7 million) towards real estate technologies through a joint venture. As at December 31, 2023, the Trust has a remaining commitment totalling US$3.8 million to the fund.

In the event that a contemplated property development project proceeds, the Trust has committed to contribute one of its investment properties with a fair value of $45.0 million to the development project.

In the event the mixed-use development of Block 2 at 2200–2206 Eglinton Avenue East and 1020 Birchmount Road in Scarborough, Ontario proceeds, the Trust has committed up to a maximum of $80 million.

As part of the sale of a property in Calgary in 2018, the Trust received partial consideration in the form of a 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, 2024, with an option to extend to April 10, 2025, and are secured by the property. As at December 31, 2023, the Trust had funded $10.5 million under the loan facility.

OUR EQUITY

Total equity

Our discussion of equity includes LP B Units (or subsidiary redeemable units), which are economically equivalent to REIT Units. Pursuant to IFRS, the LP B Units are classified as a liability in our consolidated financial statements.

						Unitholders' equity
			December 31, 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)(1)	**37,860,258**	**$**	**1,255,161**	51,344,416	$	1,610,367
NAV per unit(2)		**$**	**33.15**		$	31.36

(1) Total equity (including LP B Units) is a non-GAAP financial measure. Please refer to the section "Non-GAAP Financial Measures and Ratios" under the heading "Total equity (including LP B Units or subsidiary redeemable units)" for additional information on this non-GAAP financial measure.

(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 June 6, 2023 (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 be issued only 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. There are no Transition Fund Units outstanding.

As at December 31, 2023, DAM held 6,247,453 REIT A Units and 5,233,823 LP B Units for a total ownership interest of approximately 30.3%.

NAV per unit

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 Units and LP B Units. This non-GAAP ratio is a useful measure to investors as it reflects management's view of the intrinsic value of the Trust and enables investors 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. However, NAV per unit is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

As at December 31, 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 due to cap rate expansions across several properties. 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. As at December 31, 2023, equity per the consolidated financial statements was $1.2 billion.

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

	Total	Per unit	GLA (in millions of sq. ft.)	Occupancy – in-place and committed	Weighted average lease term (years)
Investment properties					
Toronto downtown	$ 1,862,997	$ 49.21	3.2	89.0%	5.2
Other markets	415,073	10.96	1.9	76.6%	5.0
Active investment properties	2,278,070	60.17	5.0	84.4%	5.2
Mortgages secured by active investment properties	(1,020,964)	(26.97)			
Active investment properties, net of mortgages	1,257,106	33.20			
Properties under development, net of mortgages	46,275	1.22			
Investment in Dream Industrial REIT	224,888	5.94			
Investments in joint ventures	31,987	0.84			
Cash and cash equivalents	13,273	0.35			
Credit facilities	(300,468)	(7.94)			
Other items	(17,900)	(0.46)			
Net asset value	$ 1,255,161	$ 33.15			
Less: LP B Units	(54,850)				
Total equity per consolidated financial statements	**$ 1,200,311**				

Outstanding equity

The following table summarizes the changes in our outstanding equity:

For the three months ended December 31, 2023	REIT A Units	LP B Units	Total
Total units issued and outstanding at October 1, 2023	32,624,637	5,233,823	37,858,460
REIT A Units issued pursuant to Deferred Unit Incentive Plan (“DUIP”)	1,798	—	1,798
Total units issued and outstanding at December 31, 2023	32,626,435	5,233,823	37,860,258
Percentage of all units	86.2%	13.8%	100.0%

For the year ended December 31, 2023	REIT A Units	LP B Units	Total
Total units issued and outstanding at January 1, 2023	46,110,593	5,233,823	51,344,416
REIT A Units issued pursuant to DUIP	470,454	—	470,454
Cancellation of REIT A Units under NCIB	(1,454,612)	—	(1,454,612)
Cancellation of REIT A Units under SIB	(12,500,000)	—	(12,500,000)
Issuance of REIT A Units pursuant to special distribution	13,701,610	—	13,701,610
Consolidation of REIT A Units issued pursuant to special distribution	(13,701,610)	—	(13,701,610)
Total units issued and outstanding at December 31, 2023 and February 15, 2024	32,626,435	5,233,823	37,860,258
Percentage of all units	86.2%	13.8%	100.0%

The DUIP provides for the grant of DTUs to trustees of the Trust, officers and employees, as well as affiliates. DTUs are granted at the discretion of the Board of Trustees of the Trust and participants are also credited with income DTUs based on distributions as they are declared and paid by the Trust. Distributions on the unvested DTUs are paid in the form of units converted at market price of the units of the Trust on the date of distribution. As at December 31, 2023, there were 871,540 DTUs and income DTUs outstanding (December 31, 2022 – 1,112,042) under the DUIP.

Normal course issuer bid

On August 17, 2023, the TSX accepted a notice filed by the Trust to renew its prior NCIB for a one-year period. Under the bid, the Trust will have the ability to purchase for cancellation up to a maximum of 2,538,524 of its REIT A Units (representing 10% of the Trust’s public float of 25,385,245 REIT A Units as of August 4, 2023) through the facilities of the TSX. The renewed bid commenced on August 21, 2023 and will remain in effect until the earlier of August 20, 2024 or the date on which the Trust has purchased the maximum number of REIT A Units permitted under the bid. Daily repurchases are limited to 40,440 REIT A Units, which equals 25% of the average daily trading volume during the prior six calendar months (being 161,762 REIT A Units per day), other than purchases pursuant to applicable block purchase exceptions.

In connection with the NCIB renewal, the Trust entered into an automatic securities repurchase plan (the "Plan") with its designated broker in order to facilitate purchases of its REIT A Units under the NCIB. The Plan allows for purchases by Dream Office REIT of REIT A Units at any time including, without limitation, when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust's broker based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the REIT A Units may also be purchased in accordance with management's discretion. The Plan will terminate on August 20, 2024.

For the year ended December 31, 2023, the Trust purchased 1,454,612 REIT A Units for cancellation under the NCIB program at a cost of $22.2 million (for the year ended December 31, 2022 – 1,985,551 REIT A Units cancelled at a cost of $43.0 million). There have been no REIT A Units purchased for cancellation under the NCIB program since April 18, 2023.

Substantial Issuer Bid

On May 4, 2023, the Trust announced the offer to purchase for cancellation up to 12,500,000 of its outstanding REIT A Units at a purchase price of $15.50 per REIT A Unit.

On June 22, 2023, the Trust took up and paid for 12,500,000 REIT A Units at a price of $15.50 per REIT A Unit for an aggregate cost of $193.8 million, excluding fees and expenses relating to the SIB. The Trust incurred transaction costs of $0.5 million in connection with the SIB.

Special distribution of REIT A Units and consolidation of REIT A Units

On May 16, 2023, the Trust declared a special distribution (the "Special Distribution") of $4.55 per REIT A Unit, payable on June 16, 2023 to unitholders of record on June 16, 2023. The Special Distribution was made to distribute to unitholders all or a portion of the capital gain realized by the Trust from certain transactions completed during the fiscal year.

On June 16, 2023, 13,701,610 REIT A Units were issued at a price of $14.98 per REIT A Unit, for an aggregate value of $205.3 million. Immediately following the issuance of these REIT A Units, the REIT A Units were consolidated such that each unitholder held the same number of REIT A Units after the consolidation of the REIT A Units as each unitholder held prior to the Special Distribution.

Weighted average number of units

The following table outlines the basic and diluted weighted average number of units for the three months and years ended December 31, 2023 and December 31, 2022:

	Three months ended December 31,		Year ended December 31,	
Weighted average number of units(1) (in thousands)	**2023**	2022	**2023**	2022
Basic	**38,404**	52,189	**44,520**	52,916
Diluted	**38,718**	52,457	**44,821**	53,175

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

Distribution policy

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. For the three months and years ended December 31, 2023 and December 31, 2022, the Trust declared monthly distributions totalling $0.25 and $1.00 per unit, respectively.

The following table summarizes our total distributions paid and payable (a non-GAAP financial measure) for the three months and years ended December 31, 2023 and December 31, 2022:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Total distributions paid and payable on REIT A Units	**$ 8,156**	$ 11,527	**$ 37,912**	$ 46,817
Add: Interest on subsidiary redeemable units	**1,309**	1,309	**5,234**	5,234
Total distributions paid and payable(1)	**$ 9,465**	$ 12,836	**$ 43,146**	$ 52,051

(1) Total distributions paid and payable is a non-GAAP financial measure. Please refer to the "Non-GAAP Financial Measures and Ratios" section under the heading "Total distributions paid and payable" for additional information on this non-GAAP financial measure.

The decrease in total distributions paid and payable on a year-over-year basis for the three months and year ended December 31, 2023 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
December 18, 2023	December 2023	January 15, 2024	$ 0.08333	$ 2,719
January 22, 2024	January 2024	February 15, 2024	0.08333	2,719

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 ample 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 Trust funded the current year shortfall using its 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 may be renewed on unfavourable terms; and the risk associated with increasing the overall indebtedness of the Trust. 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 sales of investment properties. Accordingly, the Trust does not use net income as a proxy for determining distributions.

The following table summarizes net income, cash flows generated from (utilized in) operating activities, cash interest paid on debt, and total distributions paid and payable for the three months and years ended December 31, 2023 and December 31, 2022:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Net income (loss) for the period	**$ (42,424)**	$ (82,607)	**$ (77,196)**	$ 63,641
Cash flows generated from operating activities	**20,262**	11,931	**70,725**	76,669
Cash interest paid on debt	**(13,208)**	(14,764)	**(55,708)**	(51,012)
Total distributions paid and payable(1) for the period	**(9,465)**	(12,836)	**(43,146)**	(52,051)

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

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the difference between net income and total distributions paid and payable (a non-GAAP financial measure), as well as the difference between cash flows generated from (utilized in) operating activities less cash interest paid on debt and total distributions paid and payable, in accordance with the guidelines:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Excess (shortfall) of net income over total distributions paid and payable (1)(2)	**$ (51,889)**	$ (95,443)	**$ (120,342)**	$ 11,590
Shortfall of cash flows generated from (utilized in) operating activities less cash interest paid on debt over total distributions paid and payable(2)(3)	**(2,411)**	(15,669)	**(28,129)**	(26,394)

(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 months ended December 31, 2023, total distributions paid and payable exceeded net income by $51.9 million, primarily due to the effect of negative fair value adjustments on investment properties and financial instruments that are non-cash in nature. For the year ended December 31, 2023, total distributions paid and payable exceeded net income by $120.3 million, primarily due to the effect of negative fair value adjustments on investment properties that are non-cash in nature and the sale of 12,500,000 units of Dream Industrial REIT at a price below IFRS carrying value in the second quarter of 2023.

For the three months and year ended December 31, 2023, total distributions paid and payable exceeded cash flows generated from (utilized in) operating activities less cash interest paid on debt by $2.4 million and $28.1 million, respectively (for the three months and year ended December 31, 2022 – $15.7 million and $26.4 million, respectively), primarily due to leasing costs.

While the cash distributions received from Dream Industrial REIT have been included as part of cash flows generated from (utilized in) investing activities in the consolidated financial statements, management is of the view that such distributions are operating in nature and could be used to mitigate any shortfalls of cash flows generated from (utilized in) operating activities less interest paid on debt over total distributions paid and payable. For the three months and year ended December 31, 2023, the Trust received distributions from Dream Industrial REIT totalling $2.4 million and $13.2 million, respectively (for the three months and year ended December 31, 2022 – $4.7 million and $18.6 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 for investors to assess 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 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

The undrawn CIB facility may be used solely for the purpose of commercial property retrofits to achieve certain energy efficiency savings and GHG emission reductions.

The undrawn non-revolving term loan facility is restricted for use towards meeting a tenant's construction allowance requirements in connection with a lease negotiated with a commercial banking tenant.

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

One of the components used to determine the Trust's NAV per unit (a non-GAAP ratio) is total equity (including LP B Units), a non-GAAP financial measure. Total equity (including LP B Units) is calculated as the sum of the equity amount per consolidated financial statements and the subsidiary redeemable units amount. Management believes it is important to include the subsidiary redeemable units (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 total equity per the condensed consolidated financial statements (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 interest expense on LP B Units per consolidated financial statements. Because management considers the subsidiary redeemable units to be a component of the Trust's equity, management considers the interest paid on the subsidiary redeemable units to be a component of total distributions paid to unitholders.

The table within the section "Our Equity" under the heading "Distribution policy" reconciles total distributions paid and payable to total distributions paid and payable on REIT A Units (the most directly comparable financial measure) for the three months and years ended December 31, 2023 and December 31, 2022.

NAV per unit

NAV per unit is a non-GAAP ratio calculated as 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 investors 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 per the consolidated financial statements (the most directly comparable financial measure) as at December 31, 2023 and December 31, 2022.

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 investors additional relevant information on our operating performance. Fair value adjustments to investment properties and financial instruments, including fair value adjustments to interest rate swaps constituting economically effective hedges for which the Trust elects not to apply hedge accounting under IFRS, 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 the Trust's determination of FFO substantially aligns 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 months and years ended December 31, 2023 and December 31, 2022. Diluted FFO per unit is a non-GAAP ratio calculated as FFO (a non-GAAP financial measure) divided by the weighted average number of units. The table below summarizes the components used to calculate diluted FFO per unit for the three months and years ended December 31, 2023 and December 31, 2022:

	Three months ended December 31,		Year ended December 31,	
	2023	2022	**2023**	2022
Net income (loss) for the period	**$ (42,424)**	$ (82,607)	**$ (77,196)**	$ 63,641
Add (deduct):				
Net loss (income) from investment in Dream Industrial REIT	**(169)**	1,806	**30,674**	(60,237)
Share of FFO from investment in Dream Industrial REIT	**3,280**	6,209	**17,973**	23,710
Depreciation and amortization	**3,711**	2,904	**12,390**	11,713
Costs (recoveries) attributable to sale of investment properties	**157**	(732)	**203**	(419)
Interest expense on subsidiary redeemable units	**1,309**	1,309	**5,234**	5,234
Fair value adjustments to investment properties	**28,823**	99,142	**96,406**	95,171
Fair value adjustments to investment properties held in joint ventures	**355**	3	**495**	35
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**18,985**	(9,322)	**(23,342)**	(61,184)
Internal leasing costs	**408**	383	**1,700**	2,005
Principal repayments on finance lease liabilities	**(14)**	(13)	**(54)**	(51)
Deferred income taxes expense	**167**	228	**35**	672
Debt settlement costs due to disposals of investment properties, net	**—**	—	**—**	304
FFO for the period	**$ 14,588**	$ 19,310	**$ 64,518**	$ 80,594
Diluted weighted average number of units	**38,718**	52,457	**44,821**	53,175
Diluted FFO per unit	**$ 0.38**	$ 0.37	**$ 1.44**	$ 1.52

Comparative properties NOI

Comparative properties NOI is a non-GAAP financial 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 investors to evaluate our current and future operating performance, especially to assess the effectiveness of our management of properties generating NOI growth from existing properties in the respective regions.

When the Trust compares comparative properties NOI on a year-over-year basis for the three months and years ended December 31, 2023 and December 31, 2022, the Trust excludes investment properties acquired and properties under development completed after January 1, 2022 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; 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 a non-GAAP financial measure defined by the Trust as net income for the period adjusted for change in provisions, 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, 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 provides our investors with additional relevant information on our operating performance, excluding any non-cash items and extraneous factors. Adjusted EBITDAFV is a commonly used measure of performance of real estate operations; however, it does not represent net income or cash flows generated from (utilized in) operating activities, as defined by IFRS, and is not necessarily indicative of cash available to fund the Trust's needs.

Adjusted EBITDAFV has been reconciled to net income (the most directly comparable financial measure) for the three months and years ended December 31, 2023 and December 31, 2022 in the table below:

	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 (recovery), 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)

Management believes that interest coverage ratio, a non-GAAP ratio, is an important measure that assists investors in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio is calculated as the ratio between trailing 12-month adjusted EBITDAFV and trailing 12-month interest expense on debt, both of which are non-GAAP financial measures. The Trust uses trailing 12-month figures (which in Q4 2023 are equal to full-year adjusted EBITDAFV and full-year interest expense on debt) to assist investors in identifying longer-term trends in property operating performance and the cost of the Trust's debt.

The following table 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

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 assisting our investors 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 (a non-GAAP measure) is calculated as the sum of current and non-current debt less cash on hand. Cash on hand excludes cash and cash equivalents held in co-owned properties and joint ventures that are equity accounted and which cannot be used at the Trust's sole discretion. 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 that investors may use to monitor the principal amount of debt outstanding after factoring in cash on hand, and as a component of investors' assessment of 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 (a non-GAAP measure) less the NOI of disposed properties for the quarter plus the normalized NOI of properties acquired in the quarter. Management believes that normalized adjusted EBITDAFV – annualized (a non-GAAP financial measure) provides investors with additional relevant information based on our normalized operating performance. 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 ratio (years) 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[2] – 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.

(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 (a non-GAAP measure) is a component in the calculation of net total debt-to-net total assets. Net total debt (a non-GAAP financial measure) is defined under the heading "Net total debt-to-normalized adjusted EBITDAFV ratio (years)" within this section.

Net total assets is a non-GAAP measure calculated as the sum of total assets less cash on hand. Cash on hand excludes cash and cash equivalents held in co-owned properties and joint ventures that are equity accounted that cannot be used at the Trust's sole discretion. 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 investors' assessment of the Trust's ability to take on additional debt and its ability to manage overall balance sheet risk levels.

Level of debt (net total debt-to-net total assets), a non-GAAP ratio, is calculated as net total debt (a non-GAAP financial measure) divided by net total assets (a non-GAAP financial measure). Management believes this measure is an important measure to assist investors in assessing the Trust's leverage.

The following table reconciles net total debt to non-current debt (the most comparable financial measure) and net total assets to total assets (the most directly comparable financial measure) as at December 31, 2023 and December 31, 2022:

	Amounts included in 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.

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.

The table below presents the components of unencumbered assets as at December 31, 2023 and December 31, 2022:

	As at	
	December 31, 2023	December 31, 2022
Investment properties not pledged as security for debt	**$ 14,426**	$ 37,160
Fair value of unpledged Dream Industrial REIT Units[1]	**2,691**	78,502
Unencumbered assets	**$ 17,117**	$ 115,662

(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 the revolving credit facilities.

Weighted average number of units

The basic weighted average number of units comprises the weighted average of all REIT Units, LP B Units and vested but unissued DTUs and income DTUs. The diluted weighted average number of units outstanding used in the FFO per unit (a non-GAAP ratio) calculation includes the basic weighted average number of units, unvested DTUs and associated income DTUs.

SELECTED ANNUAL INFORMATION

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

	2023	2022	2021
Investment properties revenue	**$ 190,448**	$ 196,273	$ 195,932
Net income (loss)	**(77,196)**	63,641	154,207
Total assets	**2,668,330**	3,066,925	3,065,560
Non-current debt	**1,254,090**	1,106,816	1,206,734
Total debt	**1,339,461**	1,372,783	1,283,273
Total distributions paid and payable(1)	**43,146**	52,051	55,183
Distribution rate (per unit)	**$ 1.00**	$ 1.00	$ 1.00
Units outstanding:			
REIT Units, Series A	**32,626,435**	46,110,593	48,034,754
LP Class B Units, Series 1	**5,233,823**	5,233,823	5,233,823

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

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2022.

Key portfolio, leasing, financing and other capital information

				2023				2022
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Portfolio(1)								
Number of properties	**28**	28	28	28	28	29	30	30
GLA (millions of sq. ft.)	**5.1**	5.1	5.1	5.1	5.1	5.4	5.5	5.5
Leasing – total portfolio(2)								
In-place and committed occupancy	**84.4%**	84.3%	83.9%	84.0%	84.4%	85.7%	85.0%	85.0%
In-place occupancy	**82.0%**	80.8%	80.9%	80.2%	81.0%	81.8%	81.6%	81.7%
Tenant retention ratio	**85.7%**	56.1%	46.1%	44.0%	79.1%	65.7%	67.6%	35.4%
Average in-place and committed net rent per square foot (period-end)	**$26.35**	$25.47	$25.33	$25.13	$24.90	$23.71	$23.35	$23.25
Financing								
Weighted average face rate of interest on debt (period-end)(3)	**4.53%**	4.59%	4.40%	4.24%	4.42%	4.22%	3.66%	3.37%
Interest coverage ratio (times)(4)	**2.0**	2.1	2.2	2.3	2.5	2.7	2.9	2.9
Net total debt-to-normalized adjusted EBITDAFV ratio (years)(4)	**11.5**	11.6	10.9	10.3	10.4	10.6	10.4	10.4
Total debt (in billions)	**$1.3**	$1.3	$1.3	$1.3	$1.4	$1.3	$1.3	$1.3
Level of debt (net total debt-to-net total assets)(4)	**50.0%**	48.8%	48.3%	43.0%	44.6%	42.6%	42.3%	41.9%
Capital								
Total number of REIT A Units and LP B Units (in millions)(5)	**37.9**	37.9	37.9	50.3	51.3	51.6	52.3	52.3
NAV per unit(4)	**$33.15**	$34.42	$34.71	$31.50	$31.36	$33.15	$32.83	$32.63

(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) For additional information on the following non-GAAP ratios – interest coverage ratio (times), net total debt-to-normalized adjusted EBITDAFV ratio (years), level of debt (net total debt-to-net total assets) and NAV per unit – see 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)		2023 Q4		Q3		Q2		Q1		2022 Q4		Q3		Q2		Q1
Investment properties revenue	**$**	**47,675**	$	47,545	$	47,019	$	48,209	$	49,606	$	48,896	$	48,148	$	49,623
Investment properties operating expenses		**(21,915)**		(22,438)		(21,723)		(22,037)		(22,264)		(22,158)		(21,967)		(23,760)
Net rental income		**25,760**		25,107		25,296		26,172		27,342		26,738		26,181		25,863
Other income (loss)		**380**		455		(32,286)		2,850		(1,324)		10,058		9,977		43,183
Other expenses		**(19,715)**		(19,010)		(18,166)		(18,175)		(18,743)		(17,247)		(16,256)		(15,232)
Fair value adjustments, internal leasing costs and net gains (losses) on transactions		**(48,670)**		7,195		(24,665)		(9,677)		(89,689)		8,845		46,025		(1,408)
Income (loss) before income taxes and discontinued operations		**(42,245)**		13,747		(49,821)		1,170		(82,414)		28,394		65,927		52,406
Current and deferred income taxes recovery (expense), net		**(179)**		(191)		115		208		(193)		(350)		(5)		(124)
Net income (loss) for the period		**(42,424)**		13,556		(49,706)		1,378		(82,607)		28,044		65,922		52,282
Other comprehensive income (loss)		**(1,589)**		700		(7,773)		2,064		5,622		6,118		540		(3,615)
Comprehensive income (loss) for the period	**$**	**(44,013)**	$	14,256	$	(57,479)	$	3,442	$	(76,985)	$	34,162	$	66,462	$	48,667

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 Q1 2022 and Q4 2023 is primarily due to the sale of properties during 2022 and 2023 and the residual effects of the COVID-19 pandemic on our portfolio occupancy.

Reconciliation between net income (loss) and funds from operations

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

				2023				2022
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss) for the period	**$(42,424)**	$ 13,556	$(49,706)	$ 1,378	$(82,607)	$ 28,044	$ 65,922	$ 52,282
Add (deduct):								
Net loss (income) from investment in Dream Industrial REIT	**(169)**	(449)	33,725	(2,433)	1,806	(9,567)	(9,577)	(42,899)
Share of FFO from investment in Dream Industrial REIT	**3,280**	3,327	4,839	6,527	6,209	5,914	5,740	5,847
Depreciation, amortization and write-off of intangible assets	**3,711**	2,960	2,972	2,747	2,904	2,831	2,993	2,986
Costs (recovery) attributable to sale of investment properties(1)	**157**	—	(3)	49	(732)	325	—	(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	**28,823**	16,649	38,866	12,068	99,142	9,588	5,820	(19,379)
Fair value adjustments to investment properties held in joint ventures	**355**	84	27	29	3	33	21	(23)
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**18,985**	(24,452)	(14,885)	(2,990)	(9,322)	(19,786)	(52,416)	20,340
Debt settlement costs due to disposals of investment properties, net	**—**	—	—	—	—	304	—	—
Internal leasing costs	**408**	405	492	395	383	578	527	517
Principal repayments on finance lease liabilities	**(14)**	(13)	(14)	(13)	(13)	(13)	(12)	(13)
Deferred income taxes expense (recovery)	**167**	191	(115)	(208)	228	350	5	89
FFO for the period(2)	**$ 14,588**	$ 13,566	$ 17,507	$ 18,857	$ 19,310	$ 19,909	$ 20,332	$ 21,043
Diluted weighted average number of units(3)	**38,718**	38,694	49,882	52,183	52,457	53,243	53,350	53,688
Diluted FFO per unit(4)	**$ 0.38**	$ 0.35	$ 0.35	$ 0.36	$ 0.37	$ 0.37	$ 0.38	$ 0.39

(1) Includes both continuing and discontinued operations.

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

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

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

SECTION V

DISCLOSURE CONTROLS AND PROCEDURES

For the year ended December 31, 2023, the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), together with other members of management, have evaluated the design and operational effectiveness of Dream Office REIT's disclosure controls and procedures, as defined in National Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"). The Certifying Officers have concluded that the disclosure controls and procedures are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures by Dream Office REIT and its consolidated subsidiary entities within the required time periods.

Dream Office REIT's internal control over financial reporting (as defined in NI 52-109) is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Using the framework established in the "2013 Committee of Sponsoring Organizations ("COSO") Internal Control Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission, the Certifying Officers, together with other members of management, have evaluated the design and operation of Dream Office REIT's internal control over financial reporting. Based on that evaluation, the Certifying Officers have concluded that Dream Office REIT's internal control over financial reporting was effective for the year ended December 31, 2023.

There were no changes in Dream Office REIT's internal control over financial reporting during the financial year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, Dream Office REIT's internal control over financial reporting.

SECTION VI

RISKS AND OUR STRATEGY TO MANAGE

In addition to the specific risks discussed in this MD&A, we are exposed to various risks and uncertainties, many of which are beyond our control and could have an impact on our business, financial condition, operating results and prospects. Unitholders should consider these risks and uncertainties when assessing our outlook in terms of investment potential. For a further discussion of the risks and uncertainties identified by Dream Office REIT, please refer to our latest Annual Report and Annual Information Form filed on the System for Electronic Document Analysis and Retrieval+ ("SEDAR+") (www.sedarplus.com).

REAL ESTATE OWNERSHIP

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (including market interest rates and the availability of mortgage financings and other types of credit), local economic conditions (such as an oversupply of office and other commercial properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession, we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash from operations and make distributions and interest payments.

Certain significant expenditures (e.g., property taxes, maintenance costs, mortgage payments, insurance costs and related charges) must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs that we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction, or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. In the course of acquiring a property, undisclosed defects in design or construction or other risks might not have been recognized or correctly evaluated during the pre-acquisition due diligence process. These circumstances could lead to additional costs and could have an adverse effect on our proceeds from sales and rental income of the relevant properties.

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 of the Canadian economy and other economies elsewhere, 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.

Further increases to inflation or prolonged inflation above central banks' targets could lead to further increases to interest rates by central banks, which 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.

ADVERSE GLOBAL MARKET, ECONOMIC AND POLITICAL CONDITIONS

Adverse Canadian and global market, economic and political conditions, including dislocations and volatility in the credit markets and general global economic uncertainty, unexpected or ongoing geopolitical events, including disputes between nations, war, terrorism or other acts of violence, could have a material adverse effect on our business, results of operations and financial condition with the potential to impact, among others: (i) the value of our properties; (ii) the availability or the terms of financing that we have or may anticipate utilizing; (iii) our ability to make principal and interest payments on, or refinance, any outstanding debt when due; (iv) the occupancy rates in our properties; and (v) the ability of our tenants to enter into new leasing transactions or to satisfy rental payments under existing leases.

DEMAND FOR COMMERCIAL REAL ESTATE

Changes to work dynamics, including changes from on-site work to off-site or work-from-home arrangements, and a reduction in visitor traffic in the downtown areas in the regions where our properties are located, have had a negative impact in the demand by tenants for commercial real estate. These factors have also negatively affected certain of our revenue streams, including parking revenues. The duration and scope of these factors will depend on future developments, which are highly uncertain and cannot be predicted, including the effects of any pandemic or epidemic, the stability of the Canadian economy, and other factors. It is uncertain whether tenant demand for commercial real estate and visitor traffic in downtown areas where we operate will recover to, or surpass, pre-COVID-19 levels.

ROLLOVER OF LEASES

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. Our cash flows and financial position would be adversely affected if our tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, creditor protection, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in the cash flows available to us.

COMPETITION

The real estate market in Canada is highly competitive and fragmented, and we compete for real property acquisitions with individuals, corporations, institutions and other entities that may seek real property investments similar to those we desire. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. If competing properties of a similar type are built in the area where one of our properties is located or if similar properties located in the vicinity of one of our properties are substantially refurbished, the net rental income derived from and the value of such property could be reduced.

Numerous other developers, managers and owners of properties will compete with us in seeking tenants. To the extent that our competitors own properties that are in better locations, of better quality or less leveraged than the properties owned by us, they may be in a better position to attract tenants who might otherwise lease space in our properties. To the extent that our competitors are better capitalized or financially stronger, they would be in a better position to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition.

CONCENTRATION OF PROPERTIES AND TENANTS

Currently, principally all of our properties are located in Canada, with a concentration in Toronto, Ontario and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in Toronto, Ontario and the rest of Canada. These factors may differ from those affecting the real estate markets in other regions. Due to the concentrated nature of our properties, a number of our properties could experience any of the same conditions at the same time. If real estate conditions in Toronto, Ontario and the rest of Canada decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

DEVELOPMENT RISK

The Trust’s current, prospective and future development projects are subject to development risks. These risks include delays and cost overruns arising from permitting delays, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions, the availability of financing and other factors. Other development risks include the failure of prospective tenants to occupy their space upon project completion and the inability to achieve forecasted rates of return.

FINANCING

We require access to capital to maintain our properties as well as to fund our growth strategy and significant capital expenditures. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing will be subject to a number of factors, including general market conditions; the market’s perception of our growth potential; our current and expected future earnings; our cash flow and cash distributions, and cash interest payments; and the market price of our REIT A Units.

A significant portion of our financing is debt. Accordingly, we are subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest, and that, on maturities of such debt, we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing debt. If we are unable to refinance debt at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to unitholders. Such losses could have a material adverse effect on our financial position or cash flows.

The degree to which we are leveraged could have important consequences to our operations. A high level of debt will reduce the amount of funds available for the payment of distributions to unitholders; limit our flexibility in planning for and reacting to changes in the economy and in the industry, and increase our vulnerability to general adverse economic and industry conditions; limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments; place us at a competitive disadvantage compared to other owners of similar real estate assets that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of the outstanding borrowings; and impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

LIQUIDITY

Our ability to meet our financial obligations as they become due represents our exposure to liquidity risk. Our principal liquidity needs arise from the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, development projects, major property improvements, debt principal repayments and interest payments. As at December 31, 2023, current liabilities totalled $134.1 million, exceeding current assets of $23.6 million, resulting in a working capital deficiency of $110.4 million. Our net working capital deficiencies are currently funded using cash on hand, cash flows from operations and from the Trust's credit facilities.

Our ability to meet our future obligations may be impacted by the liquidity risk associated with receiving tenant rent payments and loans receivable and realization of fair value on any full or partial disposition of real property.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. If we are required to liquidate our real property investments, the proceeds to us might be significantly less than the aggregate carrying value of our properties.

The Trust's credit facilities contain covenants, certain of which require it to maintain certain financial ratios and a minimum level of equity. In addition, certain of the Trust's mortgages have covenants tied to the performance of the mortgaged properties. The mortgages generally have cure mechanisms in the case of a failure to meet a property level covenant. If a property covenant is breached and not cured, or if the Trust fails to meet the covenants on its credit facilities, the related debt may become due and payable immediately which would have significant impacts on the Trust's liquidity and ability to meet its obligations.

Management manages liquidity risk by monitoring actual and projected cash flows and liquidity requirements of the Trust. Management seeks to ensure that it has sufficient cash to meet operational needs by maintaining sufficient cash, ensuring availability under its credit facility and its ability to lease out vacant space. The Trust mitigates its liquidity risk by staggering the maturity dates of its borrowing, maintaining borrowing relationships with different lenders and maintaining sufficient availability on its credit facilities. In the next 12 months, debt and scheduled principal repayments of $86.7 million will mature and will need to be settled by means of renewal or payment. The Trust manages the risk of refinancings to liquidity by proactively engaging lenders in advance of maturity to renew or otherwise refinance mortgages as they come due.

The failure of the Trust to adequately manage its liquidity risk could have an adverse effect on our financial condition and results of operation and decrease the amount of cash available for distribution to unitholders and cause the price of our units to decrease.

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 continue to increase. A further 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.

CYBER SECURITY RISKS

As we continue to increase our dependence on information technologies to conduct our operations, the risks associated with cyber security also increase. We rely on management information systems and computer control systems. Business disruptions, utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm our operations and materially adversely affect our operating results. Cyber security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the misuse of or loss of control over computer control systems, and breaches due to employee error. Our exposure to cyber security risks includes exposure through third parties on whose systems we place significant reliance for the conduct of our business. We have implemented security procedures and measures in order to protect our systems and information from being vulnerable to cyber-attacks. However, we may not have the resources or technical sophistication to anticipate, prevent or recover from rapidly evolving types of cyber-attacks. Compromises to our information and control systems could have severe financial and other business implications.

TAX CONSIDERATIONS

We intend to continue to qualify as a "unit trust" and a "mutual fund trust" for purposes of the *Income Tax Act* (Canada). There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the unitholders. If we cease to qualify as a "mutual fund trust" under the *Income Tax Act* (Canada), the income tax considerations applicable to us would be materially and adversely different in certain respects, including that the REIT A Units may cease to be qualified investments for registered plans under the *Income Tax Act* (Canada).

Although we have been structured with the objective of maximizing after-tax distributions, tax charges and withholding taxes in foreign jurisdictions in which we invest will affect the level of distributions made to us by our subsidiaries. No assurance can be given as to the level of taxation suffered by us or our subsidiaries. Currently, our revenues are derived from our investments located in Canada and one investment property in the U.S., which will subject us to legal and political risks specific to those countries, any of which could adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units and our ability to implement our strategy. The taxable income portion of our distributions is affected by a variety of factors, including the amount of foreign accrual property income that we recognize annually, gains and losses, if any, from the disposition of properties and the results of our operations. These components will change each year and, therefore, the taxable income allocated to our unitholders each year will also change accordingly.

CHANGES IN LAW

We are subject to applicable federal, provincial, municipal, local and common laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in such laws or regulations, or changes in their application, enforcement or regulatory interpretation, could result in changes in the legal requirements affecting us (including with retroactive effect). In addition, the political conditions in the jurisdictions in which we operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which we are subject in the jurisdictions in which we operate could materially affect our rights and title in and to the properties and the revenues we are able to generate from our investments.

INSURANCE

We carry general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in Canada and otherwise acceptable to our trustees. For the property risks, we carry "All Risks" property insurance including, but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24-month indemnity period). We also carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. However, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. We have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We may carry, or may cause to be carried, title insurance on certain of our real estate assets but will not necessarily insure all titles. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

PUBLIC HEALTH RISK

Public health crises, pandemics and epidemics could adversely impact our and our customers' businesses, and thereby our and our customers' ability to meet payment obligations, by disrupting supply chains and transactional activities, causing reduced traffic at our properties, leading to mobility restrictions and other quarantine measures, precipitating increased government regulation and negatively impacting local, national or global economies. Public health crises, pandemics and epidemics may also increase the volatility in financial markets and impact debt and equity markets, which could affect our ability to access capital. All of these factors may have a material adverse effect on our business, results of operations and our ability to make cash distributions to unitholders. All of these factors may have a material adverse effect on our business, results of operations and our ability to make cash distributions to unitholders. The extent to which public health crises, disease, epidemic or a pandemic impacts business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain.

RELIANCE ON DAM FOR CERTAIN MANAGEMENT SERVICES

We rely on DAM for certain management services, as requested. DAM has the right, upon 180 days' notice, to terminate our Shared Services Agreement for any reason at any time. Our Shared Services Agreement may also be terminated in other circumstances, such as in the event of default or insolvency of DAM within the meaning of such agreement. Accordingly, there can be no assurance that DAM will continue to provide management services. If DAM should cease for whatever reason to provide such services, this may adversely impact our ability to meet our objectives and execute our strategy.

ENVIRONMENTAL AND CLIMATE CHANGE-RELATED RISK

As an owner of real property, we are subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. We have insurance and other policies and procedures in place to review and monitor environmental exposure, which we believe mitigates these risks to an acceptable level. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental audit to be conducted. Although such an audit provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to obtain a Phase I Environmental Site Assessment, conducted by an independent and qualified environmental consultant, before acquiring any real property or any interest therein.

Climate change continues to attract the focus of governments and the general public as an important threat, given that greenhouse gas emissions and other activities continue to negatively impact the planet. We face the risk that our properties will be subject to government initiatives aimed at countering climate change, such as a reduction of GHG emissions, which could impose constraints on our operational flexibility or cause us to incur financial costs to comply with various reforms. Any failure to adhere and adapt to climate change reform could result in fines or adversely affect our reputation, operations or financial performance. Furthermore, our properties may be exposed to the impact of events caused by climate change, such as natural disasters and increasingly frequent and severe weather conditions. Such events could interrupt our operations and activities or damage our properties, and may potentially decrease our property values or require us to incur additional expenses, including an increase in insurance costs to insure our properties against natural disasters and severe weather.

JOINT ARRANGEMENTS

We may be, from time to time, a participant in jointly controlled entities and co-ownerships (combined "joint arrangements") with third parties. A joint arrangement involves certain additional risks, including:

(i) the possibility that such third parties may at any time have economic or business interests or goals that will be inconsistent with ours, or take actions contrary to our instructions or requests or to our policies or objectives with respect to our real estate investments;

(ii) the risk that such third parties could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on us to maintain and operate such properties or repay the third parties' share of property debt guaranteed by us or for which we will be liable, and/or result in our suffering or incurring delays, expenses and other problems associated with obtaining court approval of the joint arrangement;

(iii) the risk that such third parties may, through their activities on behalf of or in the name of the joint arrangements, expose or subject us to liability; and

(iv) the need to obtain third parties' consent with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint arrangements may be subject to rights of first refusal or first offer, and certain of the joint venture and partnership agreements may provide for buy–sell or similar arrangements. Such rights may be triggered at a time when we may not desire to sell but may be forced to do so because we do not have the cash to purchase the other party's interests. Such rights may also inhibit our ability to sell an interest in a property or a joint arrangement within the time frame or otherwise on the basis we desire.

Our investment in properties through joint arrangements is subject to the investment guidelines set out in our Declaration of Trust.

SECTION VII

CRITICAL ACCOUNTING JUDGMENTS

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

The following are the critical accounting judgments used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Investment properties

Critical judgments are made in respect of the fair values of investment properties. The fair values of these investments are reviewed at least quarterly by management with reference to independent property appraisals and market conditions existing at the reporting date, using generally accepted market practices. The independent appraisers are experienced, nationally recognized and qualified in the professional valuation of investment properties in their respective geographic areas. Judgment is also applied in determining the extent and frequency of obtaining independent appraisals. At each reporting period, a select number of properties, determined on a rotational basis, are valued by independent appraisers. For properties not subject to independent appraisals, valuations are prepared internally during each reporting period.

Critical assumptions used in estimating the fair values of investment properties include capitalization rates, discount rates that reflect current market uncertainties, terminal cap rates and market rents. Other key assumptions relating to the estimates of fair values of investment properties include components of stabilized NOI, leasing costs and vacancy rates. The Trust examines the critical and key assumptions at the end of each reporting period and updates these assumptions based on recent leasing activity and external market data available at that time. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee or lessor owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property. For properties under development, the Trust exercises judgment in determining when development activities have commenced, when and how much borrowing costs are to be capitalized to the development project, and the point of practical completion.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to equity accounted investments.

IAS 36, "Impairment of Assets" ("IAS 36"), requires management to use judgment in determining the recoverable amount of equity accounted investments that are tested for impairment. Judgment is also involved in estimating the value-in-use of the equity accounted investments, including estimates of future cash flows, discount rates, terminal cap rates and associate income and distribution payout ratios. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

Elevated estimation uncertainty as a result of the current economic environment

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, including but not limited to heightened inflation, rising interest rates, general economic slowdown or significant residual effects of the COVID-19 pandemic, the fair value of investment properties may change materially.

The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND FUTURE ACCOUNTING POLICIES

Changes in accounting policies and disclosures

Amendments to IAS 1

On January 1, 2023, the Trust has adopted the amendments to the requirements of IAS 1, "Presentation of Financial Statements" ("IAS 1"), in relation to disclosing material accounting policies and replacing the requirements for disclosing significant accounting policies. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. The new requirements add guidance on applying the concept of materiality in making decisions about accounting policy disclosures.

Future accounting policies

Amendments to IAS 1

The International Accounting Standards Board has issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"). The amendments to IAS 1 clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2024. As a result of these amendments, effective January 1, 2024, the subsidiary redeemable units and vested but not issued deferred trust units will be presented as a current liability in the consolidated financial statements and the Trust will provide expanded disclosures regarding the covenants it is subject to under its debt obligations. The Trust is currently assessing the other impacts of these amendments.

ADDITIONAL INFORMATION

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

SECTION VIII

ASSET LISTING

The following table includes supplementary information on our portfolio as at December 31, 2023:

Property	Ownership	Owned share of total GLA (in thousands of sq. ft.)	Number of tenants (in-place and committed)	Average tenant size (in thousands of sq. ft.)	Average remaining lease term (in years)	In-place and committed occupancy
Adelaide Place, Toronto	100.0%	662	57	10	6.1	83.0%
30 Adelaide Street East, Toronto	100.0%	414	11	38	5.1	99.9%
438 University Avenue, Toronto	100.0%	323	15	21	5.4	97.6%
655 Bay Street, Toronto	100.0%	309	20	15	7.2	99.7%
74 Victoria Street/137 Yonge Street, Toronto	100.0%	266	5	53	2.0	98.9%
36 Toronto Street, Toronto	100.0%	214	30	6	3.3	83.3%
330 Bay Street, Toronto	100.0%	165	32	4	5.0	79.8%
20 Toronto Street/33 Victoria Street, Toronto	100.0%	159	13	11	6.4	90.2%
250 Dundas Street West, Toronto	100.0%	121	17	6	3.2	79.1%
80 Richmond Street West, Toronto	100.0%	102	24	3	4.6	59.4%
425 Bloor Street East, Toronto(1)	100.0%	83	6	13	7.2	96.2%
212 King Street West, Toronto	100.0%	73	8	8	2.8	91.5%
357 Bay Street, Toronto	100.0%	65	1	65	11.8	100.0%
360 Bay Street, Toronto	100.0%	58	8	4	2.1	52.8%
350 Bay Street, Toronto	100.0%	53	6	5	4.5	59.8%
56 Temperance Street, Toronto	100.0%	33	7	4	5.4	91.0%
6 Adelaide Street East, Toronto	100.0%	55	10	4	4.0	79.4%
Toronto downtown		**3,155**	**270**	**10**	**5.2**	**89.0%**
2200-2206 Eglinton Avenue East & 1020 Birchmount Road, Scarborough	100.0%	442	14	23	3.9	72.9%
50 & 90 Burnhamthorpe Road West, Mississauga (Sussex Centre)(2)	49.9%	327	55	9	4.6	73.1%
444 – 7th Building, Calgary	100.0%	261	9	23	3.1	78.9%
Vendasta Square, Saskatoon	100.0%	229	8	16	8.6	55.5%
Co-operators Place, Regina	100.0%	206	4	43	12.4	83.0%
12800 Foster Street, Overland Park, Kansas, U.S.	100.0%	185	1	185	1.9	100.0%
606 – 4th Building & Barclay Parkade, Calgary	100.0%	126	11	10	3.0	83.3%
Kensington House, Calgary	100.0%	77	15	4	4.2	87.0%
234 – 1st Avenue South, Saskatoon	100.0%	10	2	3	1.7	53.0%
Other markets		**1,863**	**119**	**14**	**5.0**	**76.6%**
Total portfolio		**5,018**	**389**	**12**	**5.2**	**84.4%**
67 Richmond Street West, Toronto(3)	100.0%	51	2	6	9.6	23.7%
366 Bay Street, Toronto(4)	100.0%	40	1	40	15.0	100.0%
Total properties under development		**91**	**3**	**17**	**13.7**	**57.1%**
Total portfolio and properties under development		**5,109**	**392**	**12**	**5.3**	**83.9%**
220 King Street West, Toronto(5)	50.0%	11	5	5	1.4	100.0%

(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 Toronto downtown to properties under development on May 1, 2022.

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

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

Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dream Office Real Estate Investment Trust. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, which comprises appointed trustees, meets with management as well as the external auditor to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditor. The Audit Committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditor, has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditor has full and unrestricted access to the Audit Committee, with or without management present.

"Michael J. Cooper"	***"Jay Jiang"***
Michael J. Cooper Chief Executive Officer	**Jay Jiang** Chief Financial Officer

Toronto, Ontario, February 15, 2024

Independent auditor's report

To the Unitholders of Dream Office Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dream Office Real Estate Investment Trust and its subsidiaries (together, the Trust) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, ca_toronto_18_york_fax@pwc.com

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Refer to note 2 – Summary of material accounting policy information, note 4 – Investment properties and note 30 – Fair value measurement to the consolidated financial statements.* The Trust measures its investment properties at fair value and as at December 31, 2023, these assets were valued at $2,342 million. The fair values of these investments are reviewed by management with reference to independent property appraisals, if obtained, and market conditions existing at the reporting date, using generally accepted market practices. Generally the Trust values its investment properties using an income approach. The Trust uses two methods under the income approach: the capitalization rate (cap rate) method and the discounted cash flow method. On a quarterly basis, the Trust generally uses the cap rate method to value investment properties that are considered to have more stable net cash flow streams and uses the discounted cash flow method on an annual basis to validate the cap rate value and reasonability of assumptions on such properties. Properties under development, properties with redevelopment potential and other properties that do not have a stabilized cash flow stream are measured using the discounted cash flow method, net of costs to complete, if any, as of the consolidated balance sheet dates. For the cap rate method, the critical and key assumptions included cap rates and stabilized net operating income (NOI). For the discounted cash flow method, the critical and key assumptions included discount	Our approach to addressing the matter included the following procedures, among others: • For a sample of investment properties, tested how management determined the fair value, which included the following: – Evaluated the appropriateness of the valuation methods used (the cap rate method, the discounted cash flow method and the direct comparison method). – Tested the underlying data used in the valuations that are significant to the fair value of investment properties. – Evaluated the reasonableness of significant inputs that build up stabilized NOI (gross leasable area and market rent) used in the cap rate method by benchmarking them to the underlying accounting records and/or market information as applicable. – Evaluated the reasonableness of leasing costs and capital expenditures by comparing to management's budgets approved by the Board of Trustees. – Evaluated the reasonableness of critical and key assumptions, such as the discount rates, terminal cap rates and market rents, by comparing to external market and industry data, where available.

Key audit matter	How our audit addressed the key audit matter
rates, terminal cap rates, market rents, leasing costs, vacancy rates, and capital expenditures. Two properties with redevelopment potential were valued using the direct comparison approach. Critical judgments are made by management in respect of the fair values of investment properties. We considered this a key audit matter due to (i) significant effort required to audit the fair value of a large number of investment properties, (ii) critical judgments made by management when determining the fair value including the development of the critical and key assumptions, and (iii) a high degree of complexity in assessing audit evidence to support the critical and key assumptions made by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.	• Professionals with specialized skill and knowledge in the field of real estate valuations further assisted us in evaluating the reasonableness of these critical and key assumptions.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Carly Stallwood.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 15, 2024

Consolidated balance sheets

(in thousands of Canadian dollars)

	Note	**December 31, 2023**	December 31, 2022
Assets			
NON-CURRENT ASSETS			
Investment properties	4	**$ 2,342,374**	$ 2,382,883
Investment in Dream Industrial REIT	5	**224,888**	451,476
Investments in joint ventures	6	**31,987**	28,150
Other non-current and derivative assets	7	**45,460**	44,327
		2,644,709	2,906,836
CURRENT ASSETS			
Amounts receivable	8	**5,913**	12,265
Prepaid expenses and other assets		**4,435**	4,806
Cash and cash equivalents		**13,273**	8,018
		23,621	25,089
Asset held for sale	22	**—**	135,000
Total assets		**$ 2,668,330**	$ 3,066,925
Liabilities			
NON-CURRENT LIABILITIES			
Debt	9	**$ 1,254,090**	$ 1,106,816
Subsidiary redeemable units	10	**54,850**	78,193
Deferred Unit Incentive Plan	11	**7,932**	15,103
Deferred tax liabilities, net	12	**1,961**	1,974
Other non-current and derivative liabilities	13	**15,120**	11,018
		1,333,953	1,213,104
CURRENT LIABILITIES			
Debt	9	**85,371**	265,967
Amounts payable and accrued liabilities	14	**48,695**	55,680
		134,066	321,647
Total liabilities		**1,468,019**	1,534,751
Equity			
Unitholders' equity	15	**1,837,138**	1,842,010
Deficit	15	**(642,162)**	(321,769)
Accumulated other comprehensive income	15, 16	**5,335**	11,933
Total equity		**1,200,311**	1,532,174
Total liabilities and equity		**$ 2,668,330**	$ 3,066,925

See accompanying notes to the consolidated financial statements.

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

"Qi Tang" ***"Michael J. Cooper"***

QI TANG
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of comprehensive income (loss)

(in thousands of Canadian dollars)

	Note	Year ended December 31, 2023	2022
Investment properties revenue	17	**$ 190,448**	$ 196,273
Investment properties operating expenses		**(88,113)**	(90,149)
Net rental income		**102,335**	106,124
Other income			
Net income (loss) from investment in Dream Industrial REIT	5	**(30,674)**	60,237
Share of net loss from investment in joint ventures	6	**(812)**	(532)
Interest and other income		**2,885**	2,189
		(28,601)	61,894
Other expenses			
General and administrative	18	**(10,692)**	(9,978)
Interest:			
Debt	19	**(58,978)**	(51,836)
Subsidiary redeemable units		**(5,234)**	(5,234)
Depreciation on property and equipment		**(162)**	(430)
		(75,066)	(67,478)
Fair value adjustments, leasing costs and net losses on transactions			
Fair value adjustments to investment properties	4, 22	**(96,406)**	(95,171)
Fair value adjustments to financial instruments	20	**22,509**	60,834
Internal leasing costs and net losses on transactions	21	**(1,920)**	(1,890)
		(75,817)	(36,227)
Income (loss) before income taxes		**(77,149)**	64,313
Current and deferred income taxes expense, net	12	**(47)**	(672)
Net income (loss)		**(77,196)**	63,641
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net income (loss):			
Amortization of historical interest rate fixing arrangement	16	**37**	37
Unrealized gain (loss) on foreign currency translation	16	**(1,157)**	3,031
Other comprehensive income (loss) from investment in Dream Industrial REIT	5, 16	**(5,050)**	7,071
Items that will not be reclassified subsequently to net income (loss):			
Share of other comprehensive loss from investment in joint ventures	6, 16	**(428)**	(1,474)
Other comprehensive income (loss)		**(6,598)**	8,665
Comprehensive income (loss) for the year		**$ (83,794)**	$ 72,306

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(all dollar amounts in thousands of Canadian dollars)

		Attributable to unitholders of the Trust							
Year ended December 31, 2023	**Note**	**Number of REIT A Units**		**Unitholders' equity**		**Deficit**		**Accumulated other comprehensive income**	**Total equity**
Balance at January 1, 2023		**46,110,593**	**$**	**1,842,010**	**$**	**(321,769)**	**$**	**11,933**	**$ 1,532,174**
Net loss for the year		**—**		**—**		**(77,196)**		**—**	**(77,196)**
Distributions paid and payable	15	**—**		**—**		**(37,912)**		**—**	**(37,912)**
Deferred trust units exchanged for REIT A Units	11	**470,454**		**6,388**		**—**		**—**	**6,388**
Cancellation of REIT A Units under NCIB	15	**(1,454,612)**		**(22,216)**		**—**		**—**	**(22,216)**
Cancellation of REIT A Units under SIB	15	**(12,500,000)**		**(193,750)**		**—**		**—**	**(193,750)**
Unit cancellation costs		**—**		**(544)**		**—**		**—**	**(544)**
Special Distribution	15	**—**		**—**		**(205,285)**		**—**	**(205,285)**
Issuance of REIT A Units pursuant to Special Distribution	15	**13,701,610**		**205,250**		**—**		**—**	**205,250**
Consolidation of REIT A Units issued pursuant to Special Distribution	15	**(13,701,610)**		**—**		**—**		**—**	**—**
Other comprehensive loss	16	**—**		**—**		**—**		**(6,598)**	**(6,598)**
Balance at December 31, 2023		**32,626,435**	**$**	**1,837,138**	**$**	**(642,162)**	**$**	**5,335**	**$ 1,200,311**

		Attributable to unitholders of the Trust							
Year ended December 31, 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 year		—		—		63,641		—	63,641
Distributions paid and payable	15	—		—		(46,817)		—	(46,817)
Deferred trust units exchanged for REIT A Units	11	61,390		1,363		—		—	1,363
Cancellation of REIT A Units under NCIB	15	(1,985,551)		(42,986)		—		—	(42,986)
Unit cancellation costs		—		(20)		—		—	(20)
Other comprehensive income	16	—		—		—		8,665	8,665
Balance at December 31, 2022		46,110,593	$	1,842,010	$	(321,769)	$	11,933	$ 1,532,174

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)

	Note	Year ended December 31, 2023	2022
Generated from (utilized in) operating activities			
Net income (loss) for the year		**$ (77,196)**	$ 63,641
Non-cash items:			
Net loss (income) from investment in Dream Industrial REIT	5	**30,674**	(60,237)
Fair value adjustments to investment properties	4, 22	**96,406**	95,171
Fair value adjustments to financial instruments	20	**(22,509)**	(60,834)
Amortization and depreciation	24	**12,434**	11,865
Other adjustments	24	**1,831**	2,921
Interest expense on debt	19	**58,978**	51,836
Interest expense on subsidiary redeemable units		**5,234**	5,234
Change in non-cash working capital	24	**(657)**	(6,363)
Investment in lease incentives and initial direct leasing costs		**(34,470)**	(26,565)
		70,725	76,669
Generated from (utilized in) investing activities			
Investment in building improvements		**(25,110)**	(35,426)
Investment in properties under development		**(8,246)**	(11,394)
Contributions to joint ventures		**(5,077)**	(1,306)
Distributions from investment in Dream Industrial REIT		**13,221**	18,622
Net cash proceeds from sale of Dream Industrial REIT units	5	**178,405**	—
Net proceeds from disposal of investment properties		**134,386**	14,087
Advances on loan facility	7	**(1,458)**	(3,824)
		286,121	(19,241)
Generated from (utilized in) financing activities			
Borrowings	9	**366,422**	139,799
Scheduled principal repayments	9	**(16,237)**	(17,477)
Lump sum repayments	9	**(383,213)**	(15,328)
Lump sum repayments on property dispositions	9	**—**	(18,556)
Financing cost additions	9	**(1,787)**	(505)
Interest paid on debt	19	**(55,708)**	(51,012)
Interest paid on subsidiary redeemable units		**(5,234)**	(5,234)
Distributions paid on REIT A Units		**(39,070)**	(46,978)
Cancellation of REIT A Units under NCIB and transaction costs		**(22,231)**	(43,006)
Debt settlement costs paid		**(17)**	(245)
Cancellation of REIT A Units under the SIB and transaction costs		**(194,279)**	—
Principal repayments on finance lease liabilities	13	**(54)**	(51)
		(351,408)	(58,593)
Increase (decrease) in cash and cash equivalents		**5,438**	(1,165)
Foreign exchange gain (loss) on cash held in foreign currency		**(183)**	420
Cash and cash equivalents, beginning of year		**8,018**	8,763
Cash and cash equivalents, end of year		**$ 13,273**	$ 8,018

See accompanying notes to the consolidated financial statements.

Note 1

ORGANIZATION

Dream Office Real Estate Investment Trust ("Dream Office REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dream Office REIT include the accounts of Dream Office REIT and its subsidiaries. Dream Office REIT indirectly owns office properties through its subsidiaries primarily in downtown Toronto. A subsidiary of Dream Office REIT performs the property management function.

The principal office and centre of administration of the Trust is 30 Adelaide Street East, Suite 301, Toronto, Ontario, M5C 3H1. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "D.UN". Dream Office REIT's consolidated financial statements for the year ended December 31, 2023 were authorized for issuance by the Board of Trustees on February 15, 2024, after which they may be amended only 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 A Units and REIT B Units, collectively;
- "Units", meaning the REIT Units 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 MATERIAL ACCOUNTING POLICY INFORMATION

Material accounting policy information used in the preparation of these consolidated financial statements is described below:

Basis of presentation and statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Trust and the presentation currency for the consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dream Office REIT and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Trust obtains control, and continue to be consolidated until the date such control ceases. Control exists when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Equity accounted investments

Equity accounted investments are investments over which the Trust has significant influence, but not control and joint ventures over which the Trust has joint control. Generally, the Trust is considered to exert significant influence when it holds more than a 20% interest in an entity or partnership. However, determining significant influence is a matter of judgment and specific circumstances and, from time to time, the Trust may hold an interest of more than 20% in an entity or partnership without exerting significant influence. Conversely, the Trust may hold an interest of less than 20% and exert significant influence through representation on the Board of Trustees, direction of management or contractual agreements, as in the case of the Trust's investment in Dream Industrial REIT.

The financial results of the Trust's equity accounted investments are included in the Trust's consolidated financial statements using the equity method, whereby the investment is carried on the consolidated balance sheets at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. The Trust's share of profits and losses is recognized in the share of income from equity accounted investments in the consolidated statements of comprehensive income. Dilution/accretion gains or losses arising from changes in the Trust's interest in equity accounted investments are recognized in earnings. If the Trust's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Trust has incurred legal or constructive obligations, or made payments on behalf of the equity accounted investment.

At each reporting date, the Trust evaluates whether there is objective evidence that its interest in an equity accounted investment is impaired. The entire carrying amount of the equity accounted investment is compared to the recoverable amount, which is the higher of the value-in-use or fair value less costs to sell. The recoverable amount of each investment is considered separately.

IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), requires management to use judgment in determining the recoverable amount of equity accounted investments and investments in joint ventures that are tested for impairment. Judgment is also involved in estimating the value-in-use of the investment, including estimates of future cash flows, discount rates, terminal cap rates and associate income and distribution payout ratios. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

Investment properties

Investment properties are initially recorded at cost, including transaction costs incurred in connection with asset acquisitions, and include investment properties held to earn rental income and/or for capital appreciation and properties that are being constructed or developed for future use as investment properties. Subsequent to initial recognition, investment properties are accounted for at fair value. At the end of each reporting period, the Trust determines the fair value of investment properties by:

1) considering current contracted sales prices for properties that are available for sale;
2) obtaining appraisals from qualified external professionals on a rotational basis for select properties; and
3) using internally prepared valuations.

Generally the Trust values its investment properties using an income approach. The Trust uses two methods under the income approach: the capitalization rate ("cap rate") method and the discounted cash flow method. In applying the cap rate method, the stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate cap rate with adjustments for items such as average lease-up costs, vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents, property capital requirements and other non-recurring items. On a quarterly basis, the Trust generally uses the cap rate method to value investment properties that are considered to have more stable net cash flow streams and uses the discounted cash flow method on an annual basis to validate the cap rate value and reasonability of assumptions on such properties. Properties under development and properties with redevelopment potential and other properties that do not have a stabilized cash flow stream are measured using the discounted cash flow method, net of costs to complete, if any, as of the consolidated balance sheet dates. Where comparable recent market transactions indicate that a market participant would be willing to pay for an investment property is not fully captured in the values derived under an income approach using the current highest and best use for the property, the Trust applies a comparable sales approach to determine the fair value for that investment property.

Building improvements are added to the carrying amount of investment properties only when it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost of the item can be measured reliably. Repairs and maintenance costs are recorded in investment properties operating expenses when incurred.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Lease incentives, which include committed costs on commenced leases, costs incurred prior to lease commencement to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction to investment properties revenue. Internal leasing costs are expensed in the period that they are incurred.

Borrowing costs associated with direct expenditures on properties under development are capitalized during the period of active development. The amount of capitalized borrowing costs is determined first by reference to project-specific borrowings, where applicable, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of active construction until the date of practical completion when the property is substantially ready for its intended use. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by management. Generally, this occurs on completion of construction and receipt of all necessary occupancy and other material permits. If the Trust has pre-leased space at or prior to the start of the development, practical completion is considered to occur on the lease commencement date when the tenant takes possession of the space.

Investment properties, including investment properties held for sale, are derecognized on transfer of control. Any transaction costs arising on derecognition of an investment property are included in the consolidated statements of comprehensive income during the reporting period the asset is derecognized.

Straight-line rent receivables are included in the carrying amount of investment properties.

Other non-current and derivative assets

Other non-current and derivative assets include a vendor takeback ("VTB") mortgage receivable, derivative assets, property and equipment and deposits. The VTB mortgage receivable was originally recorded at the fair value of the consideration received at inception and is subsequently measured at amortized cost including the expected credit loss ("ECL") model for impairment. Derivative assets are recorded at fair value through profit and loss.

Cash and cash equivalents

Cash and cash equivalents include all short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes.

Financial instruments

Classification and measurement of financial instruments

The following summarizes the Trust's classification and measurement of financial assets and financial liabilities in accordance with IFRS 9, "Financial Instruments" ("IFRS 9"):

	Classification and measurement
Financial assets	
VTB mortgage receivable(1)	Financial asset at amortized cost
Deposits(1)	Financial asset at amortized cost
Amounts receivable	Financial asset at amortized cost
Cash and cash equivalents	Financial asset at amortized cost
Financial liabilities	
Mortgages(2)	Financial liability at amortized cost
Credit facilities(2)	Financial liability at amortized cost
Debentures(2)	Financial liability at amortized cost
Subsidiary redeemable units	Financial liability at amortized cost
Deferred Unit Incentive Plan	Financial liability at amortized cost
Tenant security deposits(3)	Financial liability at amortized cost
Amounts payable and accrued liabilities	Financial liability at amortized cost
Financial assets/financial liabilities	
Derivative instruments not designated as hedges(4)	Fair value through profit and loss

(1) Included within other non-current and derivative assets in the consolidated balance sheets.

(2) Included within debt in the consolidated balance sheets.

(3) Included within other non-current liabilities in the consolidated balance sheets.

(4) Included within other non-current and derivative assets or non-current and derivative liabilities as applicable in the consolidated balance sheets.

Impairment

The Trust recognizes an allowance for ECLs for all financial assets not held at fair value. For amounts receivable, the Trust applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized upon initial recognition of the receivables. To measure the ECLs, the Trust has established a provision matrix that is based on its historical credit loss experience based on days past due, adjusted for forward-looking factors specific to the tenant and the economic environment. The Trust will usually consider a financial asset in default when a contractual payment is over 90 days past due but will also consider other factors such as alternate repayment arrangements negotiated with tenants. However, in certain cases, the Trust may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full.

Equity

The Trust presents REIT Units as equity, notwithstanding the fact that the Trust's REIT Units meet the definition of a financial liability. Under IAS 32, "Financial instruments: presentation" ("IAS 32"), the REIT Units are considered a puttable financial instrument because of the holder's option to redeem REIT Units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date and 100% of the closing market price on the redemption date. The total amount payable by Dream Office REIT in any calendar month will not exceed $50 unless waived by Dream Office REIT's Board of Trustees at their sole discretion. The Trust has determined the REIT Units can be presented as equity and not as financial liabilities because the REIT Units have all of the following features as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- REIT Units entitle the holder to a pro rata share of the Trust's net assets in the event of its liquidation; net assets are those assets that remain after deducting all other claims on the assets;
- REIT Units are the class of instruments that is subordinate to all other classes of instruments as they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Trust to redeem the REIT Units for cash or another financial asset, the REIT Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments;
- The total expected cash flows attributable to the REIT Units over their lives are based substantially on the profit or loss, and the change in the recognized net assets and unrecognized net assets of the Trust over the life of the REIT Units; and
- REIT Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issuance of REIT Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

Unit-based compensation plan

As described in Note 11, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the granting of deferred trust units and income deferred trust units to trustees, officers, employees and employees of affiliates.

Over the vesting period, deferred trust units are recorded as a liability, and compensation expense is recognized based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding REIT A Units, with changes in fair value recognized in the consolidated statements of comprehensive income as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are usually settled in REIT A Units.

Revenue recognition

Rental income

IFRS 16, "Leases" ("IFRS 16") applies to revenues derived from leases. The Trust accounts for tenant leases as operating leases given that it has retained substantially all of the risks and rewards of ownership of its investment properties. Lease revenue from investment properties includes base rents, recoveries of property taxes, percentage participation rents and lease termination fees. Revenue recognition under a lease commences when the tenant has a right to use the leased premises. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. A straight-line rent receivable, which is included in investment properties, is recorded for the difference between the rental revenue recognized and the contractual amount received. Property tax recoveries are recognized as revenues in the period in which the variability resolves and collectability is reasonably assured. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds.

Revenue from contracts with customers

The Trust has obligations to provide ongoing services related to its leases which are contract revenues within the scope of IFRS 15, "Revenue from contracts with customers" ("IFRS 15"). These services include common area maintenance services, utilities and other services at its properties (collectively "CAM services"). The Trust's performance obligations on CAM services are satisfied over time as services are provided during the period which tenants occupy the premises. When providing CAM services, the Trust is entitled to recoveries from tenants to the extent of costs incurred to provide such services. The Trust recognizes revenue as the CAM services are provided over time, at the best estimate of the amounts earned for those services, which reflects actual costs incurred. Tenants are billed monthly based on estimates. To the extent that costs exceed billings, a receivable is recognized; if the billings exceed costs, a payable is recognized. These current assets or liabilities are settled with tenants annually.

The Trust provides parking services to its properties' tenants and visitors. Tenant parking revenue is recognized evenly over the terms of the related contract. Transient parking revenue is recognized as the parking service is rendered.

The consideration received from tenants under rental arrangements is allocated between the leased premises, CAM services and parking services, as applicable, based on relative stand-alone selling prices.

Pursuant to certain agreements, the Trust has an obligation to provide property management services to properties directly or indirectly owned by Dream Asset Management Corporation ("DAM") and Dream Impact Trust, related parties of the Trust and third parties. The Trust recognizes revenue over time as it provides property management services calculated as a percentage of the related property revenues for that period.

Pursuant to the Shared Services Agreement with DAM and the Services Agreements with Dream Industrial REIT and Dream Impact Trust (see Note 26), the Trust arranges for administrative and support services to be provided to these related parties on a cost recovery basis. The Trust has determined that it is acting as an agent for these services and the fees are netted against the related expenses with the exception of fees related to the occupation of office space. In providing office space to related parties, the Trust is acting as the principal in the arrangement, and the revenues and related expenses are presented separately in the consolidated statements of comprehensive income. The Trust recognizes revenues for office space monthly in accordance with the terms of the agreements.

Significant judgments in applying IFRS 15

The application of IFRS 15 requires the Trust to make the following significant judgments:

Estimation of transaction prices

The Trust exercises judgment in estimating the transaction price for revenues from contracts with customers. The Trust exercises judgment with regards to the amount and timing of the revenue recognized for CAM service contracts, which are satisfied over time. The amount of revenue recognized for CAM services with variable consideration is constrained by the actual costs incurred and any restrictions in lease agreements. The revenues related to these obligations are recorded over time as the obligation of the Trust is to provide the CAM services on an as-needed basis throughout the contract period. The Trust considers this to be a faithful depiction of the transfer of services.

Scoping of revenues

The Trust exercises judgment in determining which of its revenue streams that arise from lease agreements are in scope of IFRS 15 and which are not. Specifically, the Trust considers whether a revenue stream related to a lease agreement is for the lease of an asset or is for the provision of a distinct service. Revenues of the latter type are determined to be in scope of IFRS 15, while the former are in scope of IFRS 16.

Principal versus agent determination

The Trust exercises judgment in determining whether it is acting as a principal or an agent in providing services under the Shared Services Agreement with DAM and the services agreements with Dream Industrial REIT and Dream Impact Trust. In making this determination, the Trust considers which party controls the service and the nature of the obligation that the Trust has to DAM, Dream Industrial REIT and Dream Impact Trust. In making this determination, the Trust considers whether it is primarily responsible for fulfilling the promise to provide the service; whether it bears inventory risk; and whether it has discretion to set the price for the service.

Income taxes

Dream Office REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its unitholders, which enables the Trust to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes is required on such amounts. The Trust expects to continue to distribute its taxable income and to qualify as a real estate investment trust for the foreseeable future. The Trust has a subsidiary in the United States ("U.S.") for which income taxes are accounted for using the asset and liability method.

Provisions

Provisions are recognized when the Trust has a present legal or constructive obligation as a result of past events, it is probable an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Critical accounting judgments, estimates and assumptions

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments, estimates and assumptions on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which form the basis of the carrying amounts of assets and liabilities. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Critical accounting estimates

The following are the critical accounting estimates used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements.

Investment properties

Critical judgments are made in respect of the fair values of investment properties. The fair values of these investments are reviewed at least quarterly by management with reference to independent property appraisals and market conditions existing at the reporting date using generally accepted market practices. The independent appraisers are experienced, nationally recognized and qualified in the professional valuation of investment properties in their respective geographic areas. Judgment is applied in determining the extent and frequency of obtaining independent appraisals. At each reporting period, a select number of properties, determined on a rotational basis, are valued by independent appraisers. For properties not subject to independent appraisals, valuations are prepared internally during each reporting period.

Critical assumptions used in estimating the fair values of investment properties include cap rates, discount rates that reflect current market uncertainties, terminal cap rates and market rents. Other key assumptions relating to the estimates of fair values of investment properties include components of stabilized NOI, leasing costs and vacancy rates. The Trust examines the critical and key assumptions at the end of each reporting period and updates these assumptions based on recent leasing activity and external market data available at that time. If there is any change in these assumptions or in regional, national or international economic conditions, the fair value of investment properties may change materially.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property. For properties under development, the Trust exercises judgment in determining when development activities have commenced, when and how much borrowing costs are to be capitalized to the development project, and the point of practical completion.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to equity accounted investments.

IAS 36, "Impairment of Assets" ("IAS 36"), requires management to use judgment in determining the recoverable amount of equity accounted investments that are tested for impairment. Judgment is also involved in estimating the value-in-use of the equity accounted investments, including estimates of future cash flows, discount rates and terminal cap rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

Note 3

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND FUTURE ACCOUNTING POLICIES

Changes in accounting policies and disclosures

Amendments to IAS 1

On January 1, 2023, the Trust has adopted the amendments to the requirements of IAS 1, “Presentation of Financial Statements” (“IAS 1”), in relation to disclosing material accounting policies and replacing the requirements for disclosing significant accounting policies. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies. The new requirements add guidance on applying the concept of materiality in making decisions about accounting policy disclosures.

Future accounting policy changes

Amendments to IAS 1

The International Accounting Standards Board has issued amendments to IAS 1, “Presentation of Financial Statements” (“IAS 1”). The amendments to IAS 1 clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2024. As a result of these amendments, effective January 1, 2024, the subsidiary redeemable units and vested but not issued deferred trust units will be presented as a current liability in the consolidated financial statements and the Trust will provide expanded disclosures regarding the covenants it is subject to under its debt obligations. The Trust is currently assessing the other impacts of these amendments.

Note 4

INVESTMENT PROPERTIES

	Year ended December 31, 2023			Year ended December 31, 2022		
	Active properties	**Properties under development**	**Investment properties**	Active properties	Properties under development	Investment properties
Balance, beginning of year	**$ 2,318,074**	**$ 64,809**	**$ 2,382,883**	$ 2,545,924	$ 23,078	$ 2,569,002
Additions:						
Building improvements	**24,751**	**7,272**	**32,023**	31,776	11,114	42,890
Lease incentives and initial direct leasing costs	**31,973**	**3,308**	**35,281**	22,342	13	22,355
Capitalized interest	**—**	**680**	**680**	—	433	433
Total additions to investment properties	**56,724**	**11,260**	**67,984**	54,118	11,560	65,678
Transfers, dispositions, assets classified as held for sale and other:						
Active properties transferred to properties under development during the year	**—**	**—**	**—**	(30,923)	30,923	—
Investment properties classified as held for sale during the year	**—**	**—**	**—**	(135,000)	—	(135,000)
Investment properties disposed of during the year	**—**	**—**	**—**	(14,000)	—	(14,000)
Total transferred, disposed, classified as held for sale and other	**—**	**—**	**—**	(179,923)	30,923	(149,000)
Changes included in net income (loss):						
Fair value adjustments to investment properties	**(84,515)**	**(11,741)**	**(96,256)**	(94,430)	(741)	(95,171)
Change in straight-line rent	**1,111**	**(13)**	**1,098**	743	(10)	733
Amortization and write-off of lease incentives	**(12,261)**	**(11)**	**(12,272)**	(11,434)	(1)	(11,435)
Total changes included in net income (loss)	**(95,665)**	**(11,765)**	**(107,430)**	(105,121)	(752)	(105,873)
Change included in other comprehensive income (loss):						
Foreign currency translation adjustment	**(1,063)**	**—**	**(1,063)**	3,076	—	3,076
Total change included in other comprehensive income (loss)	**(1,063)**	**—**	**(1,063)**	3,076	—	3,076
Balance, end of year	**$ 2,278,070**	**$ 64,304**	**$ 2,342,374**	$ 2,318,074	$ 64,809	$ 2,382,883
Change in unrealized income included in net income (loss) for the year						
Unrealized change in fair value of investment properties	**$ (84,515)**	**$ (11,741)**	**$ (96,256)**	$ (94,077)	$ (741)	$ (94,818)

Investment properties includes $13,957 (December 31, 2022 – $12,859) related to straight-line rent receivables.

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the years ended December 31, 2023 and December 31, 2022 by fair values:

	Year ended December 31, 2023	Year ended December 31, 2022
Investment properties valued by qualified external valuation professionals	**$ 694,239**	$ 981,379
Number of investment properties valued by qualified external valuation professionals	**4**	9
Percentage of the total investment properties valued by qualified external valuation professionals	**30%**	41%

Fair value adjustments to investment properties

When performing fair value assessments for its investment properties, the Trust incorporates a number of factors including recent market transactions, recent leasing activity, market vacancy, leasing costs and other information obtained from market research and recently completed leases. The fair value of the investment properties as at December 31, 2023 and December 31, 2022 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 capitalization ("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 novel coronavirus ("COVID-19") pandemic, the fair value of investment properties may change materially. The significant and unobservable Level 3 valuation metrics used in the valuation methods are set out in the tables below.

As at December 31, 2023, the Trust valued 22 properties using the cap rate method, two properties under development and a property with redevelopment potential using the discounted cash flow method, and two properties with redevelopment potential using the direct comparison approach (December 31, 2022 – 24 properties were valued using the cap rate method, three properties using the discounted cash flow method and one property using the direct comparison approach). In addition the Trust applied a scenario-weighted discounted cash flow model to value one property where there had been a change in the quality of the tenant's covenant where the tenant's ability to continue as a going concern is less certain.

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 December 31, 2023 and December 31, 2022 are set out below:

	December 31, 2023		December 31, 2022	
	Range (%)	**Weighted average cap rates (%)**	Range (%)	Weighted average cap rates (%)
Toronto downtown	**5.13–6.25**	**5.38**	4.75–6.00	5.12
Other markets	**7.25–8.75**	**7.83**	6.75–8.50	7.57
Total portfolio	**5.13–8.75**	**5.75**	4.75–8.50	5.48

Sensitivities on assumptions

Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in the cap rate will result in a decrease to the fair value of an investment property. The cap rate magnifies the effect of a change in stabilized NOI, with a lower rate resulting in a greater impact on 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, three properties with redevelopment potential and a property where there had been a change in the quality of the tenant's covenant), for a range of changes to the weighted average cap rate as at December 31, 2023:

	Impact of change to weighted average cap rates					
	+100 bps	+50 bps	+25 bps	–25 bps	–50 bps	–100 bps
Increase (decrease) in value	$ (299,930)	$ (162,290)	$ (84,600)	$ 92,570	$ 194,270	$ 431,210

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

In Q3 2023, one property previously valued under the direct cap method was applied a value under the scenario-weighted discounted cash flow method as a result of a change in the quality of the tenant's covenant where the outcome of tenant's going concern is less certain. As at December 31, 2023, two investment properties under development, a property with redevelopment potential and a property where there had been a change in the quality of the tenant's covenant were valued using the discounted cash flow method. For the year ended December 31, 2022, two investment properties under development and a property with redevelopment potential were valued using the discounted cash flow method.

The critical valuation metrics as at December 31, 2023 and December 31, 2022 are set out below:

	December 31, 2023		December 31, 2022	
	Range	**Weighted average**	Range	Weighted average
Discount rates (%)	**5.75–6.50**	**6.15**	5.75–6.50	6.19
Terminal cap rates (%)	**4.25–5.50**	**4.88**	4.25–5.25	4.66
Market rental rates (in dollars per square foot)[1]	**$ 35.00–47.00**	**$ 42.02**	$ 35.00–47.00	$ 43.11

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

In addition to the assumptions noted above, as at December 31, 2023, leasing cost assumptions for new and renewed leasing were within the range of $2.00 to $14.00 per square foot per year (December 31, 2022 – $1.50 to $10.00 per square foot per year). The assumptions for leasing costs for renewed leasing as at December 31, 2023 exclude 366 Bay Street in Toronto as there is a committed 15-year lease at the property.

Sensitivities on assumptions

The following sensitivity table outlines the potential impact on the fair values of the four properties valued under the discounted cash flow method, for a range of changes in the weighted average discount rates and terminal cap rates as at December 31, 2023.

Increase (decrease) in value ($)	Impact of change to weighted average discount rates						
Impact of change to weighted average terminal cap rates	+100 bps	+50 bps	+25 bps	Weighted average (6.15%)	–25 bps	–50 bps	–100 bps
–100 bps	58,711	85,244	99,263	113,809	128,901	144,562	177,675
–50 bps	2,019	24,931	37,045	49,620	62,675	76,226	104,898
–25 bps	(21,216)	215	11,550	23,320	35,541	48,230	75,087
Weighted average (4.88%)	(41,822)	(21,702)	(11,056)	—	11,483	23,409	48,658
+25 bps	(60,223)	(41,274)	(31,243)	(20,823)	(9,998)	1,247	25,063
+50 bps	(76,758)	(58,859)	(49,380)	(39,531)	(29,297)	(18,663)	3,866
+100 bps	(105,266)	(89,173)	(80,645)	(71,779)	(62,561)	(52,979)	(32,664)

The following sensitivity table outlines the potential impact on the fair values of the four properties valued under the discounted cash flow method, assuming the market rental rates were to change by $1.00 per square foot and the leasing costs were to change by $5.00 per square foot as at December 31, 2023.

	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	$ 4,276	$ (4,274)	$ (618)	$ 619

Generally, a decrease in vacancy rate assumptions will result in an increase to the fair values of the four properties valued under the discounted cash flow method, while an increase in vacancy rate assumptions will result in a decrease to the fair values of the four properties valued under the discounted cash flow method.

Note 5

INVESTMENT IN DREAM INDUSTRIAL REIT

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

	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of year	**$ 451,476**	$ 402,790
Share of income	**11,292**	62,400
Share of other comprehensive income (loss)	**(960)**	7,071
Dilution loss	**(734)**	(2,163)
Distributions earned	**(12,459)**	(18,622)
Net proceeds on the sale of Dream Industrial REIT units	**(178,700)**	—
Loss on the sale of Dream Industrial REIT units	**(45,027)**	—
Balance, end of year	**$ 224,888**	$ 451,476
Dream Industrial REIT units held, end of year(1)	**192,735**	8,052,451
Dream Industrial LP Class B limited partnership units held, end of year(2)(3)	**13,346,572**	18,551,855
Total units held, end of year	**13,539,307**	26,604,306
Ownership as a percentage of total units outstanding, end of year	**4.7%**	9.7%

(1) 1,337,176 Dream Industrial REIT units are pledged as security for the $375,000 revolving credit facility as at December 31, 2022.

(2) 1,430,000 Dream Industrial LP Class B limited partnership units are pledged as security for the $10,000 revolving credit facility as at December 31, 2023 (December 31, 2022 – 4,800,587 Dream Industrial LP Class B limited partnership units).

(3) 11,916,572 Dream Industrial LP Class B limited partnership units are pledged as security for the $375,000 revolving credit facility as at December 31, 2023 (December 31, 2022 – 13,751,268 Dream Industrial LP Class B limited partnership units).

The table below reconciles the components of net income (loss) from investment in Dream Industrial REIT for the years ended December 31, 2023 and December 31, 2022.

	Year ended December 31, 2023	2022
Share of income	**$ 11,292**	$ 62,400
Dilution loss	**(734)**	(2,163)
Loss on the sale of Dream Industrial REIT units	**(45,027)**	—
Transaction costs on the sale of Dream Industrial REIT units	**(295)**	—
Reclassification of accumulated other comprehensive income to net income (loss) from sale of units	**4,090**	—
Net income (loss) from investment in Dream Industrial REIT	**$ (30,674)**	$ 60,237

The table below reconciles the components of other comprehensive income (loss) from investment in Dream Industrial REIT for the years ended December 31, 2023 and December 31, 2022.

	Year ended December 31, 2023	2022
Share of other comprehensive income (loss)	**$ (960)**	$ 7,071
Reclassification of accumulated other comprehensive income to net income (loss) from sale of units	**(4,090)**	—
Other comprehensive income (loss) from investment in Dream Industrial REIT	**$ (5,050)**	$ 7,071

The fair value of the Trust's interest in Dream Industrial REIT of $189,009 (December 31, 2022 – $311,004) was determined using the Dream Industrial REIT closing unit price of $13.96 per unit (December 31, 2022 – $11.69 per unit) at period-end multiplied by the number of units held by the Trust as at December 31, 2023.

On March 1, 2023, the Trust sold 565,000 Dream Industrial REIT units for net proceeds of $8,300. As a result of this sale, the Trust recorded a loss totalling $1,317 for the difference between the net proceeds and the carrying value of the investment.

On May 16, 2023, the Trust sold 12,500,000 units of Dream Industrial REIT, on a bought-deal basis, for net proceeds of $170,400. As a result of the sale, the Trust recorded a loss totalling $43,710 for the difference between the net proceeds and the carrying value of the investment. The Trust incurred $295 in transaction costs on the secondary offering. As a result of the sale, accumulated other comprehensive income previously recorded relating to the reduction in ownership interest was reclassified to net income (loss) from investment in Dream Industrial REIT.

The following amounts represent the Trust's ownership interest in the assets, liabilities, revenues and expenses of Dream Industrial REIT:

	At 100%		At % ownership interest	
		December 31,		December 31,
	2023	2022	**2023**	2022
Non-current assets	**$ 7,770,857**	$ 7,164,968	**$ 367,043**	$ 692,736
Current assets	**87,483**	115,525	**4,132**	11,170
Total assets	**7,858,340**	7,280,493	**371,175**	703,906
Non-current liabilities	**2,857,998**	2,458,929	**312,510**	433,641
Current liabilities	**425,445**	368,823	**20,095**	35,660
Total liabilities	**3,283,443**	2,827,752	**332,605**	469,301
Net assets	**$ 4,574,897**	$ 4,452,741	**$ 38,570**	$ 234,605
Add-back:				
Subsidiary redeemable units			**186,318**	216,871
Investment in Dream Industrial REIT			**$ 224,888**	$ 451,476

	At 100 %		At % ownership interest	
		Year ended December 31,		Year ended December 31,
	2023	2022	**2023**	2022
Net rental income	**$ 334,180**	$ 281,587	**$ 26,398**	$ 28,320
Other revenue and expenses, fair value adjustments and other items	**(229,881)**	424,298	**(69,129)**	123,686
Net income (loss) for the year	**104,299**	705,885	**(42,731)**	152,006
Other comprehensive income (loss)	**(27,533)**	74,444	**(960)**	7,071
Comprehensive income (loss) before the undernoted adjustments	**$ 76,766**	$ 780,329	**$ (43,691)**	$ 159,077
Add:				
Interest on subsidiary redeemable units			**10,557**	12,986
Fair value adjustments to subsidiary redeemable units			**43,466**	(102,592)
Share of comprehensive income from investment in Dream Industrial REIT			**$ 10,332**	$ 69,471
Add (deduct):				
Share of other comprehensive loss (income) from investment in Dream Industrial REIT			**960**	(7,071)
Share of income from investment in Dream Industrial REIT			**$ 11,292**	$ 62,400
Add (deduct):				
Net dilution gain (loss)			**(734)**	(2,163)
Loss on the sale of Dream Industrial REIT units			**(45,027)**	—
Transaction costs on sale of Dream Industrial REIT units			**(295)**	—
Reclassification of accumulated other comprehensive income to net income (loss) from sale of units			**4,090**	—
Share of net income from investment in Dream Industrial REIT			**$ (30,674)**	$ 60,237

Note 6

JOINT ARRANGEMENTS

Joint ventures

During the year, the Trust entered into two joint arrangements: a 50% interest in a partnership that is accounted for as a joint venture for the mixed-use development of Block 2 at 2200–2206 Eglinton Avenue East and 1020 Birchmount Road in Scarborough, Ontario, and another 50% interest in a partnership that is accounted for as a joint venture for a premium restaurant at 67 Richmond Street West in downtown Toronto.

As at December 31, 2023, the Trust also holds a 50% interest in a partnership that is accounted for as a joint venture formed for the purpose of holding an investment property at 220 King Street West in downtown Toronto and an investment in Alate.

In 2018, the Trust took a 25% stake in Alate, a vehicle specializing in real estate technology investments. As at December 31, 2023, the Trust had funded $10,245 since inception into the joint investment (December 31, 2022 – $9,713). As at December 31, 2023, the Trust has a remaining commitment for up to US$3,762 to the fund.

The following amounts represent the Trust's ownership interest in the assets, liabilities, revenues and expenses of its investment in joint ventures:

	Net assets at ownership interest	
	December 31, 2023	December 31, 2022
Non-current assets	**$ 28,962**	$ 29,191
Current assets	**7,690**	3,020
Total assets	**36,652**	32,211
Non-current liabilities	**3,733**	3,857
Current liabilities	**932**	204
Total liabilities	**4,665**	4,061
Net assets	**$ 31,987**	$ 28,150

	Share of comprehensive income (loss) at ownership interest for the year ended December 31,	
	2023	2022
Net rental income	**$ 312**	$ 170
Other income, expenses and fair value adjustments	**(1,124)**	(702)
Share of net loss from investment in joint ventures	**(812)**	(532)
Other comprehensive loss from investment in joint ventures	**(428)**	(1,474)
Share of comprehensive loss from investment in joint ventures	**$ (1,240)**	$ (2,006)

Co-owned investment properties

The Trust's interest in co-owned investment properties is accounted for based on the Trust's share of interest in the assets, liabilities, revenues and expenses of the investment properties.

		Ownership interest (%)	
Property	Location	**December 31, 2023**	December 31, 2022
50 & 90 Burnhamthorpe Road West (Sussex Centre)(1)	Mississauga, Ontario	**49.9**	49.9

(1) The Trust co-owns this investment property with Dream Impact Trust, a related party of the Trust (see Note 26).

The following amounts represent the Trust's ownership interest in the assets, liabilities, revenues and expenses of the co-owned property in which the Trust participated during 2022 and 2023.

	Net assets at ownership interest			
		December 31, 2023		December 31, 2022
Non-current assets	**$**	**76,212**	$	87,849
Current assets		**825**		216
Total assets		**77,037**		88,065
Non-current liabilities		**65,174**		65,132
Current liabilities		**802**		1,885
Total liabilities		**65,976**		67,017
Net assets	**$**	**11,061**	$	21,048

	Share of net income at ownership interest for the year ended December 31,			
		2023		2022
Net rental income	**$**	**4,275**	$	4,017
Other income, expenses and fair value adjustments		**(13,152)**		(15,231)
Share of net loss from co-owned properties	**$**	**(8,877)**	$	(11,214)

Note 7

OTHER NON-CURRENT AND DERIVATIVE ASSETS

	Note		**December 31, 2023**		December 31, 2022
VTB mortgage receivable		**$**	**44,630**	$	43,172
Derivative assets	23		**662**		835
Property and equipment, net of accumulated depreciation of $9,397 (December 31, 2022 – $9,236)			**121**		281
Deposits			**47**		39
Total		**$**	**45,460**	$	44,327

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. On April 6, 2023, the borrower exercised its right to extend the maturity to April 10, 2024 and paid an extension fee totalling $438 in connection with exercising the extension option. The VTB mortgage and loan facility bear interest at 2.5%, mature on April 10, 2024, with an option to extend to April 10, 2025, and are secured by the property. The expected credit loss ("ECL") for the VTB mortgage receivable is nominal as a result of the value of the secured property. As at December 31, 2023, the Trust had funded $10,530 (December 31, 2022 – $9,072) under the loan facility.

Property and equipment primarily includes leasehold improvements, information and technology hardware, and furniture and fixtures. Deposits comprise refundable utility deposits.

Note 8

AMOUNTS RECEIVABLE

		December 31, 2023		December 31, 2022
Trade receivables	**$**	**4,422**	$	5,189
Less: Provision for impairment of trade receivables		**(4,345)**		(3,914)
Trade receivables, net		**77**		1,275
Other amounts receivable		**5,836**		10,990
Total	**$**	**5,913**	$	12,265

The movement in the provision for impairment of trade receivables for the years ended December 31, 2023 and December 31, 2022 were as follows:

	Year ended December 31, 2023	2022
Balance, beginning of year	**$ 3,914**	$ 4,124
Change in ECL provision	**858**	1,683
Receivables written off during the year as uncollectible	**(427)**	(1,893)
Balance, end of year	**$ 4,345**	$ 3,914

The carrying value of amounts receivable approximates fair value due to their current nature. Amounts receivable are written off on contractual forgiveness or when it is ultimately determined that the probability of collection is remote based on lease terms, the tenant's financial condition and other factors.

The Trust leases office properties to tenants under operating leases. The following table summarizes the minimum net rents receivable for lease agreements which had been committed at December 31, 2023 over the remaining terms of those leases.

	December 31, 2023
2024	$ 101,738
2025	94,274
2026	80,986
2027	67,750
2028	55,228
2029+	236,984
Total	$ 636,960

Note 9

DEBT

	December 31, 2023	December 31, 2022
Mortgages(1)(2)	**$ 1,038,993**	$ 1,053,998
Credit facilities(2)(3)(4)	**300,468**	318,785
Total debt	**1,339,461**	1,372,783
Less: Current portion	**(85,371)**	(265,967)
Non-current debt	**$ 1,254,090**	$ 1,106,816

(1) Net of financing costs of $3,117 (December 31, 2022 – $2,819).

(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 $907 (December 31, 2022 – $911).

Continuity of debt

The following tables provide a continuity of debt for the years ended December 31, 2023 and December 31, 2022:

	Year ended December 31, 2023		
	Mortgages	**Credit facilities**	**Total**
Balance as at January 1, 2023	**$ 1,053,998**	**$ 318,785**	**$ 1,372,783**
Cash items:			
Borrowings	**141,800**	**224,622**	**366,422**
Scheduled principal repayments	**(16,237)**	**—**	**(16,237)**
Lump sum repayments	**(140,270)**	**(242,943)**	**(383,213)**
Financing costs additions	**(1,384)**	**(403)**	**(1,787)**
Non-cash items:			
Amortization of financing costs	**1,086**	**407**	**1,493**
Balance as at December 31, 2023	**$ 1,038,993**	**$ 300,468**	**$ 1,339,461**

	Year ended December 31, 2022		
	Mortgages	Credit facilities	Total
Balance as at January 1, 2022	$ 1,084,097	$ 199,176	$ 1,283,273
Cash items:			
Borrowings	4,990	134,809	139,799
Scheduled principal repayments	(17,477)	—	(17,477)
Lump sum repayments	—	(15,328)	(15,328)
Lump sum repayment on property disposition	(18,556)	—	(18,556)
Financing costs additions	(259)	(246)	(505)
Non-cash items:			
Amortization of financing costs	1,203	374	1,577
Balance as at December 31, 2022	$ 1,053,998	$ 318,785	$ 1,372,783

Mortgage refinancing

On March 13, 2023, the Trust extended the maturity of a $44,264 mortgage secured by an investment property in downtown Toronto to a new maturity date of May 31, 2025. In connection with the renewal, the Trust entered into a fixed-for-variable swap to fix the interest rate on the mortgage at 5.03%.

During the second quarter of 2023, the Trust repaid in full a $25,919 mortgage secured by a property in Regina, Saskatchewan, by drawing on the $375,000 revolving credit facility and pledged the property against that facility.

On September 27, 2023, the Trust refinanced a mortgage totalling $114,351 secured by an investment property in downtown Toronto at maturity. The refinanced interest-only mortgage totals $141,800 for a term of seven years at an annual fixed interest rate of approximately 6.14%.

On September 29, 2023, the Trust negotiated a two-year extension for a $66,500 interest-only mortgage secured by a property in Scarborough, Ontario, bearing interest at the bankers' acceptance rate ("BA rate") plus 1.95%. In connection with the renewal, the Trust entered into a fixed-for-variable swap on December 8, 2023 to fix the interest rate on the mortgage at 6.14%.

Credit facilities

The Trust has five credit facilities: (i) a $375,000 revolving credit facility, (ii) a $10,000 revolving credit facility, (iii) a $20,000 demand revolving credit facility, (iv) a $112,870 non-revolving credit facility and (v) an $8,200 non-revolving term loan facility. The details of each credit facility are specified in the tables below.

On February 10, 2023, the Trust entered into a $20,000 demand revolving credit facility secured by a property in Saskatoon, Saskatchewan with no fixed maturity. The demand revolving credit facility bears interest at the BA rate plus 2.00% or at the bank's prime rate plus 0.50%.

During the second quarter of 2023, the Trust reduced the borrowing capacity on one of its revolving credit facilities from $20,000 to $10,000 and reduced the number of Dream Industrial LP Class B limited partnership units pledged from 4,800,587 to 1,430,000.

On November 30, 2023, The Trust entered into an $8,200 non-revolving term loan facility negotiated in connection with a lease negotiated with a commercial banking tenant. Under the facility, the tenant will lend the Trust up to $8,200 for the specific use of meeting the tenant's construction allowance requirements under the lease and transaction-related costs. The non-revolving credit facility is available for a five-year term, with two renewal options and will bear interest at an annual fixed rate of 6.75%. Subsequent to the loan initial availability period, aligned with the construction allowance availability under the lease, the loan will convert to an amortizing term facility.

On December 7, 2023, the Trust entered into a swap in relation to borrowings under the $375,000 revolving credit facility whereby the Trust fixed the annual rate on the $40,000 of the outstanding drawings at 5.42% (the current pricing for BA drawings under the facility) for five years.

The amounts available and drawn under the credit facilities as at December 31, 2023 and December 31, 2022 are summarized in the tables below:

			December 31, 2023					
Facility	Maturity date	Interest rates on drawings	**Face interest rate(6)**		**Borrowing capacity**	**Drawings**	**Letters of credit**	**Amount available**
Formula-based maximum not to exceed $375,000(1)	September 30, 2025	BA + 1.675% or prime + 0.675%	**6.01%**	**$**	**335,192 $**	**(280,866) $**	**(132) $**	**54,194**
Formula-based maximum not to exceed $10,000(2)	March 31, 2025	BA + 1.975% or prime + 0.825%	**n/a**		**10,000**	**—**	**—**	**10,000**
Formula-based maximum not to exceed $20,000(3)	Due on demand	BA + 2.00% or prime + 0.50%	**n/a**		**9,200**	**—**	**—**	**9,200**
Canada Infrastructure Bank credit facility	March 31, 2027(4)	2.15%	**2.15%**		**112,870**	**(20,509)**	**—**	**92,361**
Non-revolving term loan facility(5)	November 30, 2028	6.75%	**6.75%**		**8,200**	**—**	**—**	**8,200**
			5.75%	**$**	**475,462 $**	**(301,375) $**	**(132) $**	**173,955**

(1) The $375,000 revolving credit facility is secured by five investment properties and 11,916,572 Dream Industrial LP Class B limited partnership units.

(2) The $10,000 revolving credit facility is secured by 1,430,000 Dream Industrial LP Class B limited partnership units.

(3) The $20,000 demand revolving credit facility is secured by one investment property.

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

(5) The non-revolving term loan facility is restricted for use towards meeting a tenant's construction allowance requirements in connection with a lease negotiated with a commercial banking tenant.

(6) Face interest rate includes the effect of applicable interest rate swaps.

n/a – not applicable

			December 31, 2022				
Facility	Maturity date	Interest rates on drawings	Face interest rate		Borrowing capacity	Drawings	Amount available
Formula-based maximum not to exceed $375,000(1)	September 30, 2025	BA + 1.70% or prime + 0.70%	5.89%	$	350,368 $	(310,191) $	40,177
Formula-based maximum not to exceed $20,000(2)	March 31, 2025	Prime + 0.85%	7.30%		20,000	(1,592)	18,408
Canada Infrastructure Bank credit facility	March 31, 2027(3)	2.15%	2.15%		112,870	(7,913)	104,957
			5.80%	$	483,238 $	(319,696) $	163,542

(1) The $375,000 revolving credit facility was secured by five investment properties, 13,751,268 Dream Industrial LP Class B limited partnership units and 1,337,176 Dream Industrial REIT units.

(2) The $20,000 revolving credit facility was 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.

Debt weighted average effective interest rates and maturities

	Weighted average effective interest rates(2)			Debt amount	
	December 31, 2023	December 31, 2022	Maturity dates(3)	**December 31, 2023**	December 31, 2022
Fixed rate(1)					
Mortgages	**4.34%**	3.84%	2024–2030	**$ 1,038,993**	$ 943,426
Credit facilities	**5.05%**	5.21%	2025–2047	**210,380**	157,914
Total fixed rate debt	**4.46%**	4.03%		**1,249,373**	1,101,340
Variable rate					
Mortgages	**—**	6.51%	—	**—**	110,572
Credit facilities	**7.48%**	6.59%	2025	**90,088**	160,871
Total variable rate debt	**7.48%**	6.56%		**90,088**	271,443
Total debt	**4.66%**	4.53%		**$ 1,339,461**	$ 1,372,783

(1) Fixed rate debt comprises debt with contractually fixed interest rates and debt with economically effective swaps.

(2) The effective interest rate method includes the impact of financing costs and fair value adjustments on assumed debt. The fixed rate on credit facilities includes the Canada Infrastructure Bank credit facility rate for which the non-revolving availability period matures in 2027. Subsequent to the availability period, this non-revolving credit facility will convert to a 20-year amortizing term credit facility.

(3) As at December 31, 2023.

The following table summarizes the aggregate of the Trust's obligations for debt:

	Mortgage balances due at maturity	Scheduled principal repayments on mortgages	Total principal obligation for mortgages	Credit facilities	Contractual interest payments	Total debt service requirements
2024	$ 73,369	$ 13,315	$ 86,684	$ —	$ 59,043	$ 145,727
2025	336,104	7,485	343,589	280,864	43,500	667,953
2026	81,006	5,874	86,880	—	24,224	111,104
2027	171,185	1,572	172,757	—	20,479	193,236
2028	—	—	—	—	16,449	16,449
2029–2030	352,200	—	352,200	—	19,284	371,484
2047	—	—	—	20,511	—	20,511
	$ 1,013,864	$ 28,246	$ 1,042,110	$ 301,375	$ 182,979	$ 1,526,464
Less: Contractual interest payments			—	—	(182,979)	(182,979)
Plus: Unamortized financing costs			(3,117)	(907)	—	(4,024)
Total debt			$ 1,038,993	$ 300,468	$ —	$ 1,339,461

Note 10

SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

		Year ended December 31, 2023		Year ended December 31, 2022	
	Note	**Number of units issued and outstanding**	**Amount**	Number of units issued and outstanding	Amount
Balance, beginning of year		**5,233,823**	**$ 78,193**	5,233,823	$ 128,909
Remeasurement of carrying value of subsidiary redeemable units	20	**—**	**(23,343)**	—	(50,716)
Balance, end of year		**5,233,823**	**$ 54,850**	5,233,823	$ 78,193

During the year ended December 31, 2023, the Trust incurred $5,234 (December 31, 2022 – $5,234) in distributions on the subsidiary redeemable units, which have been included as interest expense in the consolidated statements of comprehensive income.

Dream Office LP, a subsidiary of Dream Office REIT, is authorized to issue an unlimited number of LP Class B limited partnership units. These units have been issued in two series: LP Class B Units, Series 1 (subsidiary redeemable units) and LP Class B Units, Series 2. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to REIT A Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on REIT Units, Series B, or if no such distribution is declared, on REIT Units, Series A. Subsidiary redeemable units may be surrendered or indirectly exchanged on a one-for-one basis at the option of the holder, generally at any time subject to certain restrictions, for REIT Units, Series B.

Holders of the LP Class B Units, Series 2 are entitled to vote at meetings of the limited partners of Dream Office LP and each unit entitles the holder to a distribution equal to distributions on the subsidiary redeemable units. As at December 31, 2023 and December 31, 2022, all issued and outstanding LP Class B Units, Series 2 are owned indirectly by the Trust and have been eliminated in the consolidated balance sheets.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled on surrender or exchange of such subsidiary redeemable units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained on the surrender or exchange of the subsidiary redeemable units to which they relate.

As at December 31, 2023 and December 31, 2022, 5,233,823 Special Trust Units were issued and outstanding.

Note 11

DEFERRED UNIT INCENTIVE PLAN

The DUIP provides for the grant of deferred trust units to trustees, officers and employees as well as employees of affiliates. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once granted, each deferred trust unit and the related distribution of income deferred trust units vest immediately for the Board of Trustees and evenly over five- and three-year periods on the anniversary date of the grant for officers and the remaining participants, respectively. Subject to an election option available for certain participants to postpone receipt of REIT A Units, such units will be issued immediately on vesting. As at December 31, 2023, up to a maximum of 3,550,000 deferred trust units are issuable under the DUIP (December 31, 2022 – 3,050,000 deferred trust units).

The following tables provide a continuity of the DUIP activity for the years ended December 31, 2023 and December 31, 2022:

	Note	Year ended December 31, 2023	2022
Balance, beginning of year		**$ 15,103**	$ 23,215
Deferred compensation expense	18	**1,862**	2,688
REIT A Units issued for vested deferred trust units		**(6,388)**	(1,363)
Remeasurement of carrying value of deferred trust units	20	**(2,621)**	(9,316)
Cash settlement of deferred trust units		**(24)**	(121)
Balance, end of year		**$ 7,932**	$ 15,103

	Year ended December 31, 2023	2022
Outstanding and payable at beginning of year	**1,112,042**	984,239
Granted	**155,704**	144,248
Income deferred trust units	**77,378**	53,771
REIT A Units issued	**(470,454)**	(61,390)
REIT A Units settled in cash	**(1,610)**	(4,971)
Forfeited	**(1,520)**	(3,855)
Outstanding and payable at end of year(1)	**871,540**	1,112,042

(1) Includes 553,535 of vested but not issued deferred trust units as at December 31, 2023 (December 31, 2022 – 841,461).

The following table summarizes the deferred trust units granted for the years ended December 31, 2023 and December 31, 2022:

		December 31, 2023			December 31, 2022	
		Grant price range	**Number of units granted[(1)]**		Grant price range	Number of units granted[(1)]
Deferred trust units granted	**$**	**9.97–16.50**	**155,704**	$	14.80–28.27	144,248

(1) Includes 119,189 deferred trust units granted to key management personnel and trustees as at December 31, 2023 (December 31, 2022 – 110,598).

Note 12

INCOME TAXES

The Trust is subject to taxation in the U.S. on the taxable income earned by its investment property located in the U.S. at a combined state and federal tax rate of approximately 26.5% as at December 31, 2023 and December 31, 2022. Deferred tax assets arise from timing differences in the U.S. subsidiaries, and are recognized only to the extent that they are realizable. Deferred tax liabilities arise from the temporary differences between the carrying value and the tax basis of the net assets of the U.S. subsidiaries.

The tax effects of the temporary differences that give rise to the recognition of deferred tax assets and liabilities are presented below:

		December 31, 2023		December 31, 2022
Deferred tax assets				
Tax loss carry-forwards	**$**	**703**	$	770
		703		770
Deferred tax liabilities				
Investment property		**(2,664)**		(2,744)
Deferred tax liabilities, net	**$**	**(1,961)**	$	(1,974)

A reconciliation between the expected income taxes based upon the 2023 and 2022 statutory rates and the income tax expense recognized during the years ended December 31, 2023 and December 31, 2022 is as follows:

		December 31, 2023		December 31, 2022
Income taxes computed at the statutory rate of 0% that is applicable to the Trust	**$**	**—**	$	—
Current income taxes expense on a U.S. subsidiary		**(12)**		—
Deferred income taxes expense on a U.S. subsidiary		**(35)**		(672)
Current and deferred income taxes expense, net	**$**	**(47)**	$	(672)

Note 13

OTHER NON-CURRENT AND DERIVATIVE LIABILITIES

	Note		**December 31, 2023**		December 31, 2022
Tenant security deposits		**$**	**7,804**	$	6,928
Finance lease liabilities			**4,003**		4,057
Derivative liabilities	23		**3,313**		33
Total		**$**	**15,120**	$	11,018

Finance leases

As at December 31, 2023, subsidiaries of the Trust have long-term agreements in place at two of its investment properties, which meet the definition of a lease under IFRS 16. One of these leases is a ground lease and the other is for an outdoor area at an investment property. These lease agreements have terms expiring in 2046 and 2079, respectively. The ground lease has a 33-year extension option.

The Trust also has certain leases for low value office equipment.

The following table summarizes the movements in the Trust's finance lease liabilities for the years ended December 31, 2023 and December 31, 2022:

		December 31, 2023		December 31, 2022
Balance, beginning of year	**$**	**4,057**	$	4,108
Principal repayments on finance lease liabilities		**(54)**		(51)
Balance, end of year	**$**	**4,003**	$	4,057

During the year ended December 31, 2023, the Trust incurred $203 of interest expense on finance lease liabilities (December 31, 2022 – $206) and lease payments for low value office equipment of $nil (December 31, 2022 – $109).

The following table summarizes the undiscounted maturity of the Trust's finance lease obligations included in other non-current liabilities as at December 31, 2023:

Due within one year	$	258
Due within one to five years		1,030
Due after five years		7,815
Total undiscounted finance lease obligations		9,103
Less: Effect of discounting finance lease obligations		(5,100)
Finance lease liabilities	$	4,003

Note 14

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note		**December 31, 2023**		December 31, 2022
Trade payables		**$**	**4,113**	$	5,150
Building improvement and leasing cost accruals			**14,866**		14,558
Investment properties operating expense accruals			**19,768**		22,291
Non-operating expense and other accruals			**913**		3,953
Accrued interest			**4,749**		3,228
Rent received in advance			**1,567**		2,658
Distributions payable	15		**2,719**		3,842
Total		**$**	**48,695**	$	55,680

Note 15

EQUITY

		December 31, 2023			December 31, 2022		
	Note	**Number of REIT A Units**		**Amount**	Number of REIT A 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	16	**—**		**5,335**	—		11,933
Total		**32,626,435**	**$**	**1,200,311**	46,110,593	$	1,532,174

Dream Office REIT Units

Dream Office REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The REIT Units are divided into and issuable in two series: REIT A Units and REIT B Units. The Special Trust Units may be issued only to holders of subsidiary redeemable units (see Note 10).

REIT A Units and REIT B Units represent an undivided beneficial interest in Dream Office REIT and in distributions made by Dream Office REIT. No REIT A Unit or REIT B Unit has preference or priority over any other. Each REIT A Unit and REIT B Unit entitles the holder to one vote at all meetings of unitholders.

Substantial issuer bid (“SIB”)

On May 4, 2023, the Trust announced the offer to purchase for cancellation up to 12,500,000 of its outstanding REIT A Units at a purchase price of $15.50 per REIT A Unit.

On June 22, 2023, the Trust took up and paid for 12,500,000 REIT A Units at a price of $15.50 per REIT A Unit for an aggregate cost of $193,750, excluding fees and expenses relating to the SIB. The Trust incurred transaction costs of $529 in connection with the SIB.

Special Distribution of REIT A Units and consolidation of REIT A Units

On May 16, 2023, the Trust declared a special distribution (the “Special Distribution”) of $4.55 per REIT A Unit, payable on June 16, 2023 to unitholders of record on June 16, 2023. The Special Distribution was paid and substantially satisfied by issuance of additional REIT A Units and was made to distribute to unitholders all or a portion of the capital gain realized by the Trust from certain transactions completed during the fiscal year.

On June 16, 2023, 13,701,610 REIT A Units were issued at a price of $14.98 per REIT A Unit, for an aggregate value of $205,250. Immediately following the issuance of these REIT A Units, the REIT A Units were consolidated such that each unitholder held the same number of REIT A Units after the consolidation of the REIT A Units as each unitholder held prior to the Special Distribution.

Normal course issuer bid (“NCIB”)

On August 17, 2023, the TSX accepted a notice filed by the Trust to renew its prior NCIB for a one-year period. Under the bid, the Trust will have the ability to purchase for cancellation up to a maximum of 2,538,524 of its REIT A Units (representing 10% of the Trust’s public float of 25,385,245 REIT A Units as of August 4, 2023) through the facilities of the TSX. The renewed bid commenced on August 21, 2023 and will remain in effect until the earlier of August 20, 2024 or the date on which the Trust has purchased the maximum number of REIT A Units permitted under the bid. Daily repurchases are limited to 40,440 REIT A Units, which equals 25% of the average daily trading volume during the prior six calendar months (being 161,762 REIT A Units per day), other than purchases pursuant to applicable block purchase exceptions.

In connection with the NCIB renewal, the Trust entered into an automatic securities repurchase plan (the “Plan”) with its designated broker in order to facilitate purchases of its REIT A Units under the NCIB. The Plan allows for purchases by Dream Office REIT of REIT A Units at any time including, without limitation, when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust’s broker based upon the parameters prescribed by the TSX and the terms of the parties’ written agreement. Outside of such restricted or blackout periods, the REIT A Units may also be purchased in accordance with management’s discretion. The Plan will terminate on August 20, 2024.

For the year ended December 31, 2023, the Trust purchased for cancellation 1,454,612 REIT A Units under the NCIB at a cost of $22,216 (for the year ended December 31, 2022 – 1,985,551 REIT A Units cancelled for $42,986). There have been no REIT A Units purchased for cancellation under the NCIB program since April 18, 2023.

Distributions

Dream Office REIT’s Declaration of Trust, as amended and restated, provides the Board of Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. The Trust determines the distribution rate by, among other considerations, its assessment of cash flows generated from (utilized in) operating activities net of interest paid on debt. Cash flows generated from (utilized in) operating activities net of interest paid on debt may differ from distributions declared, primarily due to fluctuations in non-cash working capital and the impact of leasing costs, which fluctuate with lease maturities, renewal terms, the type of asset being leased and when tenants fulfill the terms of their respective lease agreements. These seasonal fluctuations or the unpredictability of when leasing costs are incurred are funded with our cash and cash equivalents on hand and, if necessary, with our existing revolving credit facilities. Monthly distribution payments to unitholders are payable on or about the 15th day of the following month.

For the year ended December 31, 2023 and December 31, 2022, the Trust declared distributions totalling $1.00 per unit.

The following table summarizes distribution payments for the years ended December 31, 2023 and December 31, 2022:

	Year ended December 31, 2023	2022
Paid in cash	**$ (39,035)**	$ (46,978)
Add: Payable at December 31, 2022 (December 31, 2021)	**3,842**	4,003
Deduct: Payable at December 31, 2023 (December 31, 2022)	**(2,719)**	(3,842)
Total distributions paid and payable	**$ (37,912)**	$ (46,817)

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

Date distribution announced	Month of distribution	Date distribution was paid or is payable	Distribution per REIT A Unit	Total distribution paid or payable
December 18, 2023	December 2023	January 15, 2024	$ 0.08333	$ 2,719
January 22, 2024	January 2024	February 15, 2024	0.08333	2,719

Note 16

ACCUMULATED OTHER COMPREHENSIVE INCOME

	Year ended December 31, 2023		
	Opening balance January 1	**Net change during the year**	**Closing balance December 31**
Unrealized loss on historical rate fixing arrangement	**$ (77)**	**$ 37**	**$ (40)**
Unrealized gain (loss) on foreign currency translation	**5,729**	**(1,157)**	**4,572**
Share of other comprehensive income (loss) from investment in Dream Industrial REIT	**7,755**	**(5,050)**	**2,705**
Share of other comprehensive loss from investment in joint ventures	**(1,474)**	**(428)**	**(1,902)**
Accumulated other comprehensive income	**$ 11,933**	**$ (6,598)**	**$ 5,335**

	Year ended December 31, 2022		
	Opening balance January 1	Net change during the year	Closing balance December 31
Unrealized loss on historical rate fixing arrangement	$ (114)	$ 37	$ (77)
Unrealized gain on foreign currency translation	2,698	3,031	5,729
Share of other comprehensive income from investment in Dream Industrial REIT	684	7,071	7,755
Share of other comprehensive loss from investment in joint ventures	—	(1,474)	(1,474)
Accumulated other comprehensive income	$ 3,268	$ 8,665	$ 11,933

Note 17

INVESTMENT PROPERTIES REVENUE

	Year ended December 31, 2023	2022
Rental revenue	**$ 115,345**	$ 120,097
Common area maintenance and parking services revenue	**73,273**	74,193
Property management and other service fees	**1,830**	1,983
Total	**$ 190,448**	$ 196,273

Note 18
GENERAL AND ADMINISTRATIVE EXPENSES

	Note	Year ended December 31, 2023	2022
Salaries and benefits		**$ (4,021)**	$ (3,514)
Deferred compensation expense	11	**(1,862)**	(2,688)
Professional service fees, public reporting, overhead-related costs and other		**(4,809)**	(3,776)
Total		**$ (10,692)**	$ (9,978)

Note 19
INTEREST
Interest on debt

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

	Note	Year ended December 31, 2023	2022
Interest expense incurred, at contractual rate of debt		**$ (58,166)**	$ (50,749)
Amortization of financing costs		**(1,492)**	(1,520)
Capitalized interest[1]	4	**680**	433
Interest expense on debt		**$ (58,978)**	$ (51,836)
Add (deduct):			
Amortization of financing costs		**1,492**	1,520
Change in accrued interest		**1,778**	(696)
Cash interest paid		**$ (55,708)**	$ (51,012)

(1) For the year ended December 31, 2023, interest was capitalized to properties under development at a weighted average effective interest rate of 3.63% (for the year ended December 31, 2022 – 4.94%).

Note 20
FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Year ended December 31, 2023	2022
Remeasurement of carrying value of subsidiary redeemable units	**$ 23,343**	$ 50,716
Remeasurement of carrying value of deferred trust units	**2,621**	9,316
Remeasurement of derivative contracts	**(3,455)**	802
Total	**$ 22,509**	$ 60,834

Note 21
INTERNAL LEASING COSTS AND NET LOSSES ON TRANSACTIONS

	Year ended December 31, 2023	2022
Internal leasing costs	**$ (1,700)**	$ (2,005)
Recoveries (costs) attributable to sale of investment properties, net[1]	**(203)**	419
Debt settlement costs	**(17)**	(304)
Total	**$ (1,920)**	$ (1,890)

(1) Consists of commissions and other expenses incurred in relation to the disposal of investment properties.

Note 22

ASSETS HELD FOR SALE AND DISPOSITIONS

Continuity of investment properties held for sale

The table below summarizes the activity of investment properties classified as assets held for sale and the associated debt for the year ended December 31, 2023 and December 31, 2022.

	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of year	**$ 135,000**	$ —
Add (deduct):		
Building improvements	**150**	—
Investment properties classified as held for sale during the year	**—**	135,000
Investment properties disposed of during the year	**(135,000)**	—
Fair value adjustment to investment properties	**(150)**	—
Balance, end of year	**$ —**	$ 135,000

Dispositions

On January 30, 2023, the Trust completed the sale of one investment property located in Toronto downtown for total gross proceeds before adjustments and transaction costs of $135,000.

Note 23

DERIVATIVE CONTRACTS

The Trust is exposed to interest rate risk through its variable debt obligations. In order to manage the interest rate risk on certain variable rate debt, the Trust has entered into interest rate swaps. The following table outlines the interest rate swaps outstanding and included in Other non-current assets and Other non-current liabilities as at December 31, 2023:

					As at December 31,	
					2023	2022
Debt hedged	Inception date	Maturity date	Notional amount	Interest rate(1)	**Fair value of derivative assets (liabilities)**	Fair value of derivative assets (liabilities)
Mortgage	July 2022	July 2027	$ 32,435	5.31%	**$ 342**	$ 593
Mortgage	November 2022	July 2027	32,435	5.78%	**(152)**	(33)
$375,000 revolving credit facility	October 2022	October 2027	84,000	5.35%	**(146)**	136
$375,000 revolving credit facility	October 2022	October 2027	66,000	5.34%	**(135)**	106
Mortgage	March 2023	March 2028	44,264	5.03%	**320**	—
$375,000 revolving credit facility	December 2023	December 2028	40,000	5.42%	**(565)**	—
Mortgage	December 2023	December 2028	66,500	6.14%	**(2,315)**	—
Total			$ 365,634	5.50%	**$ (2,651)**	$ 802

(1) Interest rates include loan-specific borrowing spreads over the swapped index ranging from 1.68% to 1.95%.

The Trust measures its derivative contracts at fair value on a recurring basis. The fair value measurement of the derivative contract is calculated internally using external data provided by qualified professionals based on the present value of the future cash flows determined using observable yield curves. These measurements are classified as Level 3 in the fair value hierarchy.

Note 24

SUPPLEMENTARY CASH FLOW INFORMATION

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

		Year ended December 31,	
	Note	**2023**	2022
Amortization and write-off of lease incentives	4	**$ 12,272**	$ 11,435
Depreciation of property and equipment		**162**	430
Total amortization and depreciation		**$ 12,434**	$ 11,865

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

		Year ended December 31,	
	Note	**2023**	2022
Deferred unit compensation expense	11, 18	**$ 1,862**	$ 2,688
Amortization and write-off of straight-line rent		**(1,098)**	(856)
Deferred income taxes expense	12	**35**	672
Costs (recoveries) attributable to sale of investment properties, net	21	**203**	(419)
Share of net loss from investments in joint ventures	6	**812**	532
Debt settlement costs	21	**17**	304
Total other adjustments		**$ 1,831**	$ 2,921

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

	Year ended December 31,	
	2023	2022
Decrease (increase) in amounts receivable	**$ 5,609**	$ (2,351)
Decrease in prepaid expenses and other assets	**510**	1,213
Decrease (increase) in other non-current assets	**(40)**	46
Decrease in amounts payable and accrued liabilities	**(7,612)**	(5,332)
Increase in other non-current liabilities	**876**	61
Change in non-cash working capital	**$ (657)**	$ (6,363)

Note 25

SEGMENTED INFORMATION

For the years ended December 31, 2023 and December 31, 2022, 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, determined to be the Chief Executive Officer of the Trust, 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, 2022 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, ECLs on trade receivables, 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.

Year ended December 31, 2023	**Toronto downtown**	**Other markets**	**Segment total**	**Not segmented**[(1)]	**Total**
Operations					
Investment properties revenue	**$ 145,211**	**$ 52,303**	**$ 197,514**	**$ (7,066)**	**$ 190,448**
Investment properties operating expenses	**(62,675)**	**(24,523)**	**(87,198)**	**(915)**	**(88,113)**
Net rental income (segment income)	**$ 82,536**	**$ 27,780**	**$ 110,316**	**$ (7,981)**	**$ 102,335**

(1) Includes revenue and expenses 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, ECLs on trade receivables, straight-line rent adjustments and amortization of lease incentives during the year.

Year ended December 31, 2022		Toronto downtown		Other markets		Segment total		Not segmented[1]	Total
Operations									
Investment properties revenue	$	139,024	$	51,834	$	190,858	$	5,415 $	196,273
Investment properties operating expenses		(59,288)		(24,098)		(83,386)		(6,763)	(90,149)
Net rental income (segment income)	$	79,736	$	27,736	$	107,472	$	(1,348) $	106,124

(1) Includes revenue and expenses 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, ECLs on trade receivables, straight-line rent adjustments and amortization of lease incentives during the year.

Year ended December 31, 2023		**Toronto downtown**		**Other markets**		**Segment total**		**Not segmented[1]**		**Total**
Capital expenditures[2]	**$**	**50,890**	**$**	**5,834**	**$**	**56,724**	**$**	**11,410**	**$**	**68,134**
Fair value adjustments to investment properties		**(75,544)**		**(8,971)**		**(84,515)**		**(11,891)**		**(96,406)**
Investment properties		**1,862,997**		**415,073**		**2,278,070**		**64,304**		**2,342,374**

(1) Includes activity of properties under development and sold properties.

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

Year ended December 31, 2022		Toronto downtown		Other markets		Segment total		Not segmented[1]		Total
Capital expenditures[2]	$	43,101	$	10,516	$	53,617	$	12,061	$	65,678
Fair value adjustments to investment properties		(80,393)		(33,310)		(113,703)		18,532		(95,171)
Investment properties		1,893,376		424,698		2,318,074		64,809		2,382,883

(1) Includes activity of properties under development, assets held for sale and sold properties, based on current period presentation.

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

Note 26

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dream Office REIT and its subsidiaries enter into transactions with related parties that are generally conducted on a cost recovery basis or under normal commercial terms.

The Trust and DAM, a subsidiary of Dream Unlimited Corp., are parties to a Shared Services Agreement. Under the Shared Services Agreement, the Trust acts as the property manager for DAM's investment properties in Canada and DAM acts as the development manager for the Trust's properties with redevelopment potential. In order to take advantage of economies of scale, the Shared Services Agreement includes certain resource-sharing arrangements between the Trust and DAM, such as information technology, human resources, office services and insurance, among other services as requested, on a cost allocation basis.

Under the Shared Services Agreement, in connection with each development project, DAM earns a development fee equal to 3.75% of the total net revenues of the development project or, for rental properties, 3.75% of the fair value upon completion, without any promote or other incentive fees. In connection with the property management services provided by the Trust to DAM, the Trust generally earns a fee equal to 3.5% of gross revenue of the managed income properties.

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

The following table summarizes expenditures processed by DAM and the Trust for the years ended December 31, 2023 and December 31, 2022:

	Year ended December 31,			
		2023		2022
Property management services fee charged by the Trust	**$**	**426**	$	409
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)		**12,055**		11,407
Development fees charged by DAM		**(1,795)**		(2,367)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)		**(1,867)**		(1,626)
Net fees and reimbursements from DAM	**$**	**8,819**	$	7,823

The following table summarizes the amounts due from (to) DAM as at December 31, 2023 and December 31, 2022:

		December 31, 2023		December 31, 2022
Amounts due from DAM	**$**	**1,307**	$	1,365
Amounts due to DAM		**(897)**		(1,012)
Net amounts due from DAM	**$**	**410**	$	353

Related party transactions with Dream Impact Trust

Dream Office Management Corp. ("DOMC") provides property management services to an investment property co-owned with Dream Impact Trust, which is accounted for as a joint operation (see Note 6).

DOMC and Dream Impact Trust are parties to a services agreement, pursuant to which the Trust provides certain services to Dream Impact Trust on a cost recovery basis.

The following table summarizes the cost recoveries from Dream Impact Trust for the years ended December 31, 2023 and December 31, 2022:

	Year ended December 31,			
		2023		2022
Property management and construction fees related to co-owned and managed properties	**$**	**925**	$	970
Costs processed on behalf of Dream Impact Trust related to co-owned and managed properties		**1,626**		1,615
Amounts charged to Dream Impact Trust under the services agreement		**939**		1,032
Total cost recoveries from Dream Impact Trust	**$**	**3,490**	$	3,617

Amounts due from Dream Impact Trust as of December 31, 2023 were $6 (December 31, 2022 – $213).

Related party transactions with Dream Industrial REIT

DOMC and Dream Industrial REIT are parties to a services agreement, pursuant to which the Trust provides certain services to Dream Industrial REIT on a cost recovery basis.

The following table summarizes the cost recoveries from Dream Industrial REIT for the years ended December 31, 2023 and December 31, 2022:

	Year ended December 31,			
		2023		2022
Total cost recoveries from Dream Industrial REIT	**$**	**8,238**	$	7,799

Amounts due from Dream Industrial REIT as of December 31, 2023 were $873 (December 31, 2022 – $811).

Distributions and interest receivable from (payable to) related parties

		December 31, 2023		December 31, 2022
Distributions receivable from Dream Industrial REIT(1)	**$**	**790**	$	1,552
Distributions payable to DAM(2)		**(521)**		(1,103)
Subsidiary redeemable interest payable to DAM(3)		**(436)**		(436)

(1) Distributions receivable from Dream Industrial REIT are in relation to the 192,735 Dream Industrial REIT units and 13,346,572 Dream Industrial LP Class B limited partnership units held by the Trust as at December 31, 2023 (December 31, 2022 – 8,052,451 Dream Industrial REIT units and 18,551,855 Dream Industrial LP Class B limited partnership units).

(2) Distributions payable to DAM are in relation to the 6,247,453 REIT A Units held by DAM as at December 31, 2023 (December 31, 2022 – 13,240,102 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 December 31, 2023 and December 31, 2022.

For the year ended December 31, 2023, total distributions and subsidiary redeemable interest paid and payable to DAM were $14,391 (for the year ended December 31, 2022 – $18,162).

During the year ended December 31, 2023, the Trust repurchased and cancelled 7,032,649 REIT A Units from DAM under the SIB. As at December 31, 2023, DAM held 6,247,453 REIT A Units and 5,233,823 subsidiary redeemable units (December 31, 2022 – 13,240,102 REIT A Units and 5,233,823 subsidiary redeemable units), representing an ownership interest of approximately 30.3% (December 31, 2022 – 36.0%) on an as-converted basis.

Compensation of key management personnel and trustees

Compensation of key management personnel and trustees for the years ended December 31, 2023 and December 31, 2022 is as follows:

	Year ended December 31, 2023	2022
Compensation and benefits	**$ 2,648**	$ 2,000
Unit-based awards[1]	**1,842**	2,631
Total	**$ 4,490**	$ 4,631

(1) Deferred trust units granted to officers vest over a five-year period with one-fifth of the deferred trust units vesting each year. Deferred trust units granted to trustees vest immediately. Amounts are determined based on the grant date fair value of deferred trust units multiplied by the number of deferred trust units granted in the year.

Note 27

COMMITMENTS AND CONTINGENCIES

Dream Office REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business, on a mortgage by purchasers of a disposed investment property, and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements as at December 31, 2023.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $48,186 (December 31, 2022 – $49,839) with a term to maturity of 2.6 years (December 31, 2022 – 3.6 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, including interest and penalties, total $15,573. There has been no change to total current taxes payable by the Trust as no cash payment is expected to be made unless it is ultimately established that the Trust has an obligation to make one. Management does not expect any payment with respect to the reassessments will ultimately be made by the Trust or any of its subsidiaries. For this reason, no amounts have been recorded in the consolidated financial statements as at December 31, 2023 relating to these reassessments.

At December 31, 2023, Dream Office REIT's future minimum commitments are as follows:

	Minimum payments due			
	Within 1 year	1–5 years	> 5 years	Total
Operating commitments	$ 2,848	$ 4,389	$ —	$ 7,237
Fixed price contracts	222	888	1,245	2,355
Total	$ 3,070	$ 5,277	$ 1,245	$ 9,592

In the event that a contemplated property development project proceeds, the Trust has committed to contribute one of its investment properties with a fair value of $44,970 to the development project.

In the event the mixed-use development of Block 2 at 2200–2206 Eglinton Avenue East and 1020 Birchmount Road in Scarborough, Ontario proceeds, the Trust has committed up to a maximum of $80,000.

Note 28

CAPITAL MANAGEMENT

The Trust's capital consists of debt, including mortgages, credit facilities, debentures, subsidiary redeemable units and unitholders' equity. The Trust's primary objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, service debt obligations and fund leasing costs and capital expenditure requirements.

Various debt ratios and cash flow metrics are used to ensure capital adequacy and to monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross carrying value. Other significant indicators include unpledged assets, weighted average interest rate, average term to maturity of debt and variable rate debt as a portion of total debt. These indicators assist the Trust in assessing whether the debt level maintained is sufficient to provide adequate cash flows for leasing costs and building and development capital requirements, and for evaluating the need to raise funds for further expansion. Various mortgages have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These covenants include loan-to-value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership level, and all have been complied with as at December 31, 2023 and December 31, 2022. For the years ended December 31, 2023 and December 31, 2022, there were no events of default on any of the Trust's obligations under its credit facilities or mortgages.

The Trust's equity consists of REIT A Units, in which the carrying value is impacted by earnings and unitholder distributions. Amounts retained in excess of the distributions are used to service debt obligations and fund leasing costs, capital expenditures and working capital requirements. Management monitors distributions to ensure adequate resources are available by comparing total distributions (considered by the Trust to be the sum of distributions on REIT Units and interest on subsidiary redeemable units) to, among other considerations, its assessment of cash flows generated from (utilized in) operating activities.

Note 29

RISK MANAGEMENT

Risks arising from financial instruments

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risks.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, foreign currency risk and other market price risk. The Trust has exposure to interest rate risk primarily as a result of its variable rate debt. In addition, there is interest rate risk associated with the Trust's fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. The Trust is exposed to variability in market interest rates and credit spreads on maturing debt to be renewed. Variable rate debt net of the effect of interest rate swap arrangements at December 31, 2023 was 7% of the Trust's total debt (December 31, 2022 – 20%). In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and variable rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset. From time to time, the Trust may also enter into interest rate swaps to manage interest rate risk.

The following interest rate sensitivity table outlines the potential impact of a 25-bps change in the interest rate on variable rate financial assets and liabilities for the prospective 12-month period.

			Interest rate risk			
	Amounts as at		–25 bps		+25 bps	
	December 31, 2023		Income	Equity	Income	Equity
Financial assets						
Cash and cash equivalents[1]	$ 13,273		$ (33)	$ (33)	$ 33	$ 33
Financial liabilities						
Fixed rate debt due to mature in 2024 and total variable debt	$ 176,772		$ 442	$ 442	$ (442)	$ (442)

(1) Cash and cash equivalents are short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent the Trust's use for current purposes. These balances generally receive interest income at the bank's prime rate less 1.85–2.00%. Cash and cash equivalents as at December 31, 2023 are short term in nature and may not be representative of the balance during the year.

Liquidity risk

Liquidity risk is the risk the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. As at December 31, 2023, current liabilities exceeded current assets by $110,445 (December 31, 2022 – current liabilities exceeded current assets by $161,558). The Trust's main sources of liquidity are its cash and cash equivalents on hand, revolving credit facilities and unencumbered assets. The Trust is able to use its revolving credit facilities on short notice, which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period to period depending on the timing of receipts and payments. The Trust manages maturities of fixed term debts, monitors the repayment dates and maintains adequate cash and cash equivalents on hand and availability on the revolving credit facilities to ensure sufficient capital will be available to cover obligations as they become due. The Trust also enters into interest rate swaps from time to time to enhance the predictability of cash flows.

The table in Note 9 details the Trust's total debt service requirements. In order to meet ongoing operational and interest requirements the Trust relies on cash flows from operations. Where, due to the timing of leasing costs, cash flows from operations are insufficient to cover immediate operational and leasing cost requirements, the Trust makes use of its revolving credit facilities. The Trust's credit facility availability may fluctuate from time to time due to the effect of interest rates, collateralized property performance and collateralized asset values, including units of Dream Industrial REIT pledged as collateral. Liquidity risk may be enhanced if the credit facility availability were to be significantly reduced. As of December 31, 2023, the Trust has $13,273 of cash on hand and $73,394 available on its revolving credit facilities. In addition, the Trust has additional assets which could be pledged as security for further borrowings with a fair value totalling $17,117 if required. The Trust may also consider, from time to time, opportunistic asset sales at prices in line with fair values to enhance long-term financial flexibility.

Credit risk

The Trust's assets mainly consist of investment properties. Credit risk arises from the possibility that tenants in investment properties or counterparties to financial instruments may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. As at December 31, 2023, no tenants account for more than 10% of the Trust's annual gross rental revenue. The Trust also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. The Trust manages its credit risk on VTB mortgage receivables by lending to reputable purchasers of properties, retaining security interests in the sold investment properties, monitoring compliance with repayment schedules, and evaluating the progress and estimated rates of return of financed projects. The Trust manages its credit risk on debt guarantees of assumed debt by reputable purchasers of properties through monitoring the debtors' compliance with repayment schedules and loan covenants, and obtaining indemnities from parties with strong covenants. When assessing the credit risk of outstanding trade receivables, the Trust classifies the receivables by type. The Trust's maximum credit exposure is equal to its trade receivables and the outstanding balances on the VTB mortgage receivables as at December 31, 2023 and December 31, 2022.

A deterioration in the economy may impact the ability of tenants to meet their obligations under their leases or contracts. The Trust continues to assess the effect of economic conditions on the creditworthiness of our tenants and counterparties. As part of this assessment, the Trust reviews the risk profiles of its tenant base to assess which tenants are likely to continue meeting their obligations under their leases and which tenants are at a greater risk of default. We expect that certain tenants may have difficulty meeting their obligations under their leases, resulting in an elevated risk of credit losses.

For the year ended December 31, 2023, the Trust has recorded ECL provisions totalling $858 (December 31, 2022 – ECL provisions totalling $1,683) which are included in investment properties operating expenses within the consolidated statements of comprehensive income. This provisions balance represents an estimate of potential credit losses on our trade receivables for all uncollected rent as at December 31, 2023.

As at December 31, 2023, the Trust has assessed the ECLs associated with its VTB mortgages receivable by evaluating the credit quality of the borrower, whether the counterparties are fulfilling their obligations under the terms of the agreements and the value of the collateral and loan guarantees relative to the balance of the respective receivables. No provisions were required as a result of this assessment.

Foreign currency risk

The Trust is not exposed to significant foreign currency risk.

Residual value risk

The Trust is exposed to changes in the residual value of properties at the end of current lease agreements. The residual value risk borne by the Trust is mitigated by active management of its property portfolio with the objective of optimizing tenant mix in order to achieve the longest weighted average lease term possible, minimize vacancy rates across all properties, and minimize the turnover of tenants with high-quality credit ratings.

Note 30

FAIR VALUE MEASUREMENT

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers in and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 for the years ended December 31, 2023 and December 31, 2022.

The following section summarizes the fair value measurements recognized in the consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

Investment properties

The Trust's accounting policy as indicated in Note 2 is applied in determining the fair value of investment properties by using either the income approach or the direct comparison approach. Both of these methods rely upon significant unobservable inputs and so these measurements are classified as Level 3 in the fair value hierarchy as summarized in the tables below.

		Carrying value as at	Fair value as at December 31, 2023		
	Note	**December 31, 2023**	**Level 1**	**Level 2**	**Level 3**
Investment properties	4	**$ 2,342,374**	**$ —**	**$ —**	**$ 2,342,374**

		Carrying value as at	Fair value as at December 31, 2022		
	Note	December 31, 2022	Level 1	Level 2	Level 3
Investment properties	4	$ 2,382,883	$ —	$ —	$ 2,382,883
Investment properties classified as held for sale	4	135,000	—	135,000	—

Valuations of investment properties are most sensitive to changes in discount rates and cap rates. In applying the overall cap rate method the stabilized NOI of each property is divided by an appropriate cap rate.

The critical and key assumptions in the valuation of investment properties are as follows:

Cap rate method

- Cap rates – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – normalized property operating revenues less property operating expenses.

Discounted cash flow method

- Discount and terminal cap rates – reflecting current market assessments of the return expectations.
- Market rents, leasing costs and vacancy rates – reflecting management's best estimates with reference to recent leasing activity and external market data.
- Capital expenditures – reflecting management's best estimates of costs to complete capital projects.

Investment properties are valued on a highest-and-best-use basis. One property with redevelopment potential is currently an income-producing property while its highest and best use is as a multi-use development. For the remainder of the Trust's investment properties, the current use is considered the highest and best use.

Investment properties valuation process

The Trust is responsible for determining the fair value measurements included in the consolidated financial statements. At the end of each reporting period, the Trust determines the fair value of investment properties by:

1) considering current contracted sales prices for properties that are available for sale;
2) obtaining appraisals from qualified external professionals on a rotational basis for select properties; and
3) using internally prepared valuations applying either the income approach or the comparable sales approach.

The fair values of these investment properties are reviewed at least quarterly by management with reference to independent property appraisals and market conditions existing at the reporting date, using generally accepted market practices. Judgment is also applied in determining the extent and frequency of obtaining independent property appraisals. At each reporting period, a select number of properties, determined on a rotational basis, are valued by independent appraisers. The independent appraisers hold recognized relevant professional qualifications and have recent experience in the locations and categories of the investment properties being appraised. For properties not subject to independent appraisals, valuations are prepared internally during each reporting period.

Elevated estimation uncertainty as a result of the current economic environment

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, including but not limited to heightened inflation, rising interest rates, general economic slowdown or significant residual effects of the COVID-19 pandemic, the fair value of investment properties may change materially.

The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Financial instruments

Financial instruments carried at amortized cost or accounted for as investments in associates where the carrying value does not approximate fair value are noted below:

		Carrying value as at	Fair value as at December 31, 2023		
	Note	**December 31, 2023**	**Level 1**	**Level 2**	**Level 3**
Investment in Dream Industrial REIT	5	**$ 224,888**	**$ 2,691**	**$ 186,318**	**$ —**
Non-current VTB mortgage receivable and loan facility	7	**44,630**	**—**	**—**	**41,374**
Mortgages	9	**1,038,993**	**—**	**—**	**1,009,395**
Revolving credit facilities	9	**279,959**	**—**	**—**	**280,996**
Non-revolving credit facilities	9	**20,509**	**—**	**—**	**18,142**

		Carrying value as at	Fair value as at December 31, 2022		
	Note	December 31, 2022	Level 1	Level 2	Level 3
Investment in Dream Industrial REIT	5	$ 451,476	$ 94,133	$ 216,871	$ —
Non-current VTB mortgage receivable and loan facility	7	43,172	—	—	38,351
Mortgages	9	1,053,998	—	—	995,449
Revolving credit facilities	9	310,872	—	—	311,782
Non-revolving credit facilities	9	7,913	—	—	7,263

Deposits, amounts receivable, cash and cash equivalents, short-term VTB mortgage receivable, tenant security deposits, and amounts payable and accrued liabilities are carried at amortized cost, which approximates fair value due to their short-term nature. Subsidiary redeemable units and the DUIP are carried at amortized cost, which approximates fair value as they are readily redeemable financial instruments. The Trust measures its derivative contract at fair value on a recurring basis. The fair value measurement of the derivative contract is calculated internally using external data provided by qualified professionals based on the present value of the future cash flows determined using observable yield curves.

The Trust uses the following techniques in determining the fair value disclosed for the following financial instruments classified as Level 1, 2 and 3.

Investment in Dream Industrial REIT

The Trust's investment in Dream Industrial REIT is accounted for as an investment in associate using the equity method. The Trust's ownership of Dream Industrial REIT is composed of its holdings of Dream Industrial REIT units and Dream Industrial LP Class B units. The Trust determines the fair value of the Dream Industrial REIT units using the units' trading price on or about December 31, 2023 and December 31, 2022, respectively. The Dream Industrial LP Class B units are economically equivalent to the Dream Industrial REIT units, but are not publicly traded. The Trust determines the fair value of the LP B units by reference to the trading price of Dream Industrial REIT units. Consequently, the fair values of the Dream Industrial REIT units and Dream Industrial LP Class B units are Level 1 and Level 2 measurements in the fair value hierarchy, respectively.

Non-current VTB mortgage receivable

The fair value of the non-current VTB mortgage receivable as at December 31, 2023 and December 31, 2022 is determined by discounting the expected cash flows of the VTB mortgage receivable using market discount rates. The discount rates are determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the counterparty's specific credit risk. In determining the adjustment for credit risk, the Trust considers market conditions and indicators of the counterparty's creditworthiness. As a result, these measurements are classified as Level 3 in the fair value hierarchy.

Mortgages

The fair value of mortgages as at December 31, 2023 and December 31, 2022 are determined by discounting the expected cash flows of each mortgage using market discount rates. The discount rates are determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the Trust's specific credit risk. In determining the adjustment for credit risk, the Trust considers market conditions, the fair value of the investment properties which secure the mortgages and other indicators of the Trust's creditworthiness. As a result, these measurements are classified as Level 3 in the fair value hierarchy.

Revolving credit facilities

The revolving credit facilities are priced at prevailing market interest rates plus a Trust-specific credit spread. Because the interest rate on the variable component of the revolving credit facilities fluctuates with changes in market rates, the fair value of the revolving credit facilities is equivalent to amounts drawn on the facilities. Because the applicable interest rate is a combination of market rates plus a Trust-specific spread, these are Level 3 measurements in the fair value hierarchy.

Non-revolving credit facilities

Non-revolving credit facilities are fixed rate debt. The fair value of the non-revolving credit facilities are determined by using market rates at the Government of Canada's benchmark bond yield for instruments of similar maturity adjusted for the Trust's specific credit risk. In determining the adjustment for credit risk, the Trust considers market conditions and other indicators of the Trust's creditworthiness. As a result, these measurements are classified as Level 3 in the fair value hierarchy.

Note 31

SUBSEQUENT EVENT

On February 15, 2024, the Trust announced its intention to consolidate its outstanding Units on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units on or about February 22, 2024 (the "Effective Date"). 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 on 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. The Trust's annual distribution will remain unchanged at $1.00 per post-consolidation unit, representing a decrease in annualized distributions and interest on subsidiary redeemable units of 50%.

Trustees

Legend:
Ind. Independent

1. Member of the Audit Committee
2. Member of the Governance, Environmental and Nominating Committee
3. Member of the Compensation, Health and Safety Committee
4. Chair of the Board of Trustees
5. Independent Lead Trustee

Management Team

Michael J. Cooper
Chairman &
Chief Executive Officer

Jay Jiang
Chief Financial Officer

Gordon Wadley
Chief Operating Officer

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STOCK EXCHANGE LISTING

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

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