dream impact trust

MPCT.UN-TSX

DREAM IMPACT TRUST REPORTS FIRST QUARTER 2024 RESULTS

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

TORONTO, May 6, 2024, DREAM IMPACT TRUST (TSX: MPCT.UN) ("Dream Impact", "we", "our" or the "Trust") today reported its financial results for the three months ended March 31, 2024 ("first quarter").

In the first quarter, the Trust launched a sales process for two commercial properties located in downtown Toronto. Subsequent to quarter end, the Trust entered into an agreement to sell 10 Lower Spadina and are in advanced discussions for the disposition of 349 Carlaw. Through these asset sales, the Trust is reducing its commercial asset class exposure by 95,000 square feet ("sf") and is expected to generate gross proceeds in excess of $30.0 million upon close that would support the Trust's ongoing liquidity needs.

In the period, the Trust disposed of a passive investment in a non-core development project to Dream Asset Management Corporation ("DAM") the Trust's asset manager, and a subsidiary of Dream, for gross proceeds of $3.7 million, generating a gain on sale of $2.8 million. In a further effort to preserve liquidity, over the first quarter the Trust and DAM negotiated an extension to the existing amendment to the management agreement. Under the renewed arrangement, which is subject to unitholder approval at the upcoming annual meeting on June 12, 2024, the base management fees and acquisition fees payable for the 2024 fiscal year would be satisfied by the issuance of 550,000 units to DAM. The Trust has the right to request an extension of the arrangement for the 2025 and 2026 fiscal years pursuant to which the base management fees and acquisition fees payable for the 2025 and 2026 fiscal year would be satisfied by the issuance of 600,000 units and 650,000 units, respectively, if validly exercised. Aggregate cash savings of $38.5 million[1] are expected to be realized by the Trust under the new arrangement over the full three-year term. Since July 2019, DAM has agreed to accept units of the Trust in lieu of cash to support the Trust's liquidity needs, demonstrating strong alignment with the Trust's overall strategic objectives. As at May 6, 2024, DAM has a 35.3% interest in the Trust.

"We are pleased with the Trust's productive start to the year as we prioritized liquidity across the business," said Michael Cooper, Portfolio Manager. "Despite very difficult conditions to work through our developments, we are working with governments at every level to achieve financing that make it feasible. We are pleased with the progress on Dream LeBreton and continue to pursue the ability to start further buildings in 2024 and 2025. We are seeing good pricing on office dispositions in a market with limited transactions and continuing to lease-up new apartment buildings, both of which helps generate liquidity and shift the Trust towards our desired multi-family asset allocation. While the unit price continues to be challenged, Dream is demonstrating its ongoing support for the vehicle by taking its management fee in units, which provides immediate cash savings to the Trust. We will continue to pursue various avenues for additional liquidity preservation, while balancing our capital needs as we move through our development pipeline."

Selected financial and operating metrics for the three months ended March 31, 2024 are summarized below:

	Three months ended March 31,	
(in thousands of dollars, except per Unit amounts)	**2024**	2023
Condensed consolidated results of operations		
Net loss	**$ (5,422)**	$ (3,357)
Net income (loss) per unit[2]	**(0.31)**	(0.20)
Units outstanding – end of period	**17,784,395**	16,946,335
Units outstanding – weighted average	**17,722,214**	16,894,351

As at	**March 31, 2024**	December 31, 2023
Condensed consolidated financial position		
Total assets	**$ 707,063**	$ 707,426
Total liabilities	**280,353**	278,769
Total unitholders' equity	**426,710**	428,657
Total unitholders' equity per unit[2]	**23.99**	24.39

During the first quarter, the Trust reported a net loss of $5.4 million compared to $3.4 million in the prior year. The movement year over year was primarily driven by a fluctuation in fair value adjustments throughout the portfolio. This includes fair value losses on certain commercial/retail properties. Partially offsetting this were net fair value gains on the Trust's multi-family rental assets driven by rental growth and lease up activity, as well as a gain on sale of a non-core investment in the period. Further details by segment are outlined below.

Liquidity Update

As at March 31, 2024, the Trust had total liquidity(2) of $20.0 million, comprised of cash-on-hand and funds available under the Trust's credit facility. As at March 31, 2024, the Trust's debt-to-asset value(3) was 39.1%, an increase from 38.6% as at December 31, 2023 driven by drawings on the credit facility and net fair value adjustments, partially offset by a disposition in the period. For further details refer to the "Capital Resources and Liquidity" section of the Trust's management's discussion and analysis ("MD&A") for the three months ended March 31, 2024.

The Trust anticipates that $105.7 million of the Trust's proportionate share of debt from equity accounted investments, will come due in 2024. Of this amount, over 50% is expected to be repaid with proceeds from condominium unit closings at Ivy Condos next quarter and an additional $15 million is in the process of being extended until 2026. The remaining debt due relates to the Trust's third-party managed investments which we believe carry limited refinancing risk due to the low leverage at the respective investment levels.

Recurring Income

In the first quarter, the Trust's recurring income segment generated a net loss of $4.9 million compared to $0.9 million in the prior year. The decrease was largely due to fair value adjustments on certain commercial properties and higher interest expense due to the timing of financing completed in the prior year. Partially offsetting this were net fair value gains on the Trust's multi-family rental properties driven by rent growth and lease-up activity.

Multi-family rental properties

In the first quarter, Same Property NOI — multi family rental(2) was $1.4 million consistent with the prior year. The Trust currently has three properties in the lease-up phase which is expected to add meaningful income to earnings over the next 12 to 18 month period once the assets achieve stabilization. As of May 3, 2024, in-place and committed occupancy (at 100% asset level) at the following properties were as follows: Aalto II — 148 units of which 51% were leased, Common at Zibi — 188 units of which 17% were leased, and Maple House at Canary Landing — 770 units of which 57% were leased.

Construction continues to progress at Birch House and Cherry House at Canary Landing, which are expected to be completed by the end of 2024 and 2026, respectively. Combined, these two properties will add 1,093 multi-family units to downtown Toronto, of which 257 units will be designated as affordable (at 100% asset level).

Inclusive of projects under active construction, the Trust's multi-family portfolio carries debt with a weighted average term of 5.1 years at a weighted average interest rate of 2.8%.

Commercial

In the first quarter, NOI — commercial properties(2) was $2.7 million, slightly up from the prior year, as a result of leasing activity and NOI contribution from Zibi. Fair value adjustments on the Trust's commercial properties in the period related to terminal cap rate expansion across Zibi properties, write-off of lease incentives for a select Toronto property and a modest write down on 10 Lower Spadina to reflect the negotiated selling price.

Subsequent to March 31, 2024, a co-working tenant took occupancy at 68-70 Claremont. The building has been under construction since 2022 and is 100% leased.

Development

In the first quarter, the development segment reported net income of $0.3 million compared to a net loss of $0.7 million in the prior year. The increase in earnings was primarily related to the gain on sale of the Trust's non-core investment to DAM and earnings from condo occupancies at Brightwater. Partially offsetting this were net fair value losses of $3.9 million driven by cap rate expansion and timing of phases completed to date at Brightwater.

Over the first quarter, just over 40% of occupancies were achieved at Brightwater II, the second residential building in the 72-acre waterfront community in Port Credit. Remaining occupancies for the 235-unit building are anticipated in the latter half of the year. In addition, approximately 65% of the 256 units at Ivy Condos were occupied, a project in downtown Toronto initially launched in 2017. The project is anticipated to close in the second quarter which will allow for the Trust to repay $57.7 million of construction debt. The Trust has a 23.25% and 75% interest in Brightwater and Ivy Condos, respectively.

Other

In the first quarter, the other segment recognized a net loss of $0.8 million compared to $1.7 million in the prior year. The improvement in earnings was driven by the reduction in asset management fee expense based on the Trust's unit price fluctuation. As of January 1, 2024, the Trust transferred the residual lending portfolio and certain historical non-core investments previously presented within the recurring income and development segments, to the other segment.

Footnotes

(1) Based on the assumption that the extension options are exercised and the base management and acquisition fees for 2024, 2025 and 2026 are consistent with 2023, using the period end unit price.

(2) Net income (loss) per unit, total unitholders' equity per unit, total liquidity, NOI - commercial properties, and Same Property NOI -multi-family rental, are supplementary financial measures. Please refer to the cautionary statements under the heading "Specified Financial Measures and Other Measures" in this press release and the "Specified Financial Measures and Other Disclosures" section of the Trust's MD&A for the three months ended March 31, 2024.

(3) Debt-to-asset value is a non-GAAP ratio, which is calculated as total debt payable, a non-GAAP financial measure, divided by the total asset value of the Trust as at the applicable reporting date. The most directly comparable financial measure to total debt payable is total debt.

Annual Meeting of Unitholders

Senior management will host its annual meeting of unitholders on Wednesday, June 12, 2024 at 11:00 am (ET), located at the TMX Market Centre, 120 Adelaide Street West, Toronto, Ontario, M5H 1S3. The audio webcast and digital replay can be accessed here.

About Dream Impact

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

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Specified Financial Measures and Other Measures

The Trust's condensed consolidated financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). In this press release, as a complement to results provided in accordance with IFRS Accounting Standards, the Trust discloses and discusses certain specified financial measures, including total liquidity, debt-to-asset value, total debt payable, net income (loss) per unit, NOI — commercial properties, Same Property NOI - multi-family rental and debt-to-total asset value, as well as other measures discussed elsewhere in this release. These specified financial measures are not defined by or recognized measures under IFRS Accounting Standards, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. The Trust has presented such specified financial measures as management believes they are relevant measures of our underlying operating performance. Specified financial measures should not be considered as alternatives to unitholders' equity, net income, total comprehensive income or cash flows generated from operating activities, or comparable metrics determined in accordance with IFRS Accounting Standards as indicators of the Trust's performance, liquidity, cash flow and profitability. Certain additional disclosures such as the composition, usefulness and changes as applicable are expressly incorporated by reference from the Trust's MD&A for the three months ended March 31, 2024, dated May 6, 2024 in the section titled "Specified Financial Measures and Other Disclosures", subsection "Non-GAAP Ratios", heading "Debt-to-asset value", subsection "Supplementary Financial Measures and Other Measures", headings "Net income (loss) per unit", "total liquidity", "NOI — commercial properties", and "Same Property NOI - multi-family rental" and subsection "Non-GAAP Financial Measures", heading "Total debt payable", which has been filed and is available on SEDAR+ under the Trust's profile.

"Total debt payable" is defined by the Trust as the balance due at maturity for its debt instruments. Total debt payable is a non-GAAP measure and is included as part of the definition of debt-to-asset value, a non-GAAP ratio. Total debt payable is an important measure used by the Trust in evaluating the amount of debt leverage; however, it is not defined by IFRS Accounting Standards, does not have a standardized meaning and may not be comparable with similar measures presented by other issuers. Total debt payable is reconciled to total debt, the most directly comparable financial measure, below.

As at		**March 31, 2024**		December 31, 2023
Total debt	**$**	**273,370**	$	270,056
Unamortized discount on host instrument of convertible debentures		**754**		820
Conversion feature		**—**		(7)
Unamortized balance of deferred financing costs		**2,006**		2,196
Total debt payable	**$**	**276,130**	$	273,065

Forward-Looking Information

This press release may contain forward-looking information within the meaning of applicable securities legislation. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "would", "could", "expect", "intend", "estimate", "anticipate", "timeline", "potential", "strategy", "targets", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events.

Some of the specific forward-looking information in this press release may include, among other things, statements relating to the Trust's objectives and strategies to achieve those objectives; the Trust's leasing activities and the expected results thereof; our review of all our assets and capital allocation strategy and the expected results thereof; expectations regarding the Trust's disposition of commercial assets and their expected impact on the Trust's asset class exposure and liquidity, including the expected sale of 10 Lower Spadina and 349 Carlaw and anticipated gross proceeds expectations regarding the total management fees payable to DAM in future periods and the potential savings that may be achieved *by satisfying certain management fees payable under the management agreement by the issuance of units; the Trust's expectations regarding upcoming debt maturities and associated refinancing requirements; the status of the Trust's ongoing active development projects and the projected completion dates; remaining occupancies; Brightwater's construction status including units and GLA under construction; and the Trust's plans and proposals for current and future development and redevelopment projects, construction initiation, rezoning, completion and occupancy dates, number of units, square footage and planned GLA. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: adverse changes in general economic and market conditions; liquidity risk; financing and risks relating to access to capital; interest rate risks; public health risks; risks associated with unexpected or ongoing geopolitical events, including disputes between nations, terrorism or other acts of violence, and international sanctions; inflation; the disruption of free movement of goods and services across jurisdictions; the risk of adverse global market, economic and political conditions and health crises; risks inherent in the real estate industry; risks relating to investment in development projects; impact investing strategy risk; risks relating to geographic concentration; risks inherent in investments in real estate, mortgages and other loans and development and investment holdings; credit risk and counterparty risk; competition risks; environmental and climate change risks; risks relating to access to capital; interest rate risk; the risk of changes in governmental laws and regulations; tax risks; foreign exchange risk; the risk that corporate activities and reviews will not have the desired impact; acquisitions risk; and leasing risks. Our objectives and forward-looking statements are based on certain assumptions, including that the general economy remains stable; the gradual recovery and growth of the general economy continues in 2024; that no unforeseen changes in the legislative and operating framework for our business will occur; that there will be no material change to environmental regulations that may adversely impact our business; that we will meet our future objectives, priorities and growth targets; that we receive the licenses, permits or approvals necessary in connection with our projects; that we will have access to adequate capital to fund our future projects, plans and any potential acquisitions; that we are able to identify high-quality investment opportunities and find suitable partners with which to enter into joint ventures or partnerships; that we do not incur any material environmental liabilities; there will not be a material change in foreign exchange rates; that the impact of the current economic climate and global financial conditions on our operations will remain consistent with our current expectations and that inflation and interest rates will not materially increase beyond current market expectations; our expectations regarding the availability and competition for acquisitions remains consistent with the current climate.*

All forward-looking information in this press release speaks as of May 6, 2024, unless otherwise noted. The Trust does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law. Additional information about these assumptions and risks and uncertainties is disclosed in the Trust's filings with securities regulators filed on the System for Electronic Document Analysis and Retrieval+ (www.sedarplus.com), including its latest annual information form and MD&A. These filings are also available at the Trust's website at www.dreamimpacttrust.ca.