Dream Office REIT

Q2 Report 2024

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Management's discussion and analysis

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

SECTION I

KEY PERFORMANCE INDICATORS AT A GLANCE

Performance is measured by these and other key indicators:

			As at
	June 30, 2024	March 31, 2024	June 30, 2023
Total properties[1]			
Number of active properties	**25**	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	**$ 2,318,974**	$ 2,336,685	$ 2,363,523
Total portfolio[2]			
Occupancy rate – including committed (period-end)	**84.3%**	83.5%	83.9%
Occupancy rate – in-place (period-end)	**79.2%**	79.3%	80.9%
Average in-place and committed net rent per square foot (period-end)	**$ 26.33**	$ 26.78	$ 25.33
Weighted average lease term (years)	**5.2**	5.2	5.0

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	**June 30, 2024**	June 30, 2023
Operating results				
Net loss	**$ (21,941)**	$ (49,706)	**$ (10,075)**	$ (48,328)
Funds from operations ("FFO")[3]	**14,858**	17,507	**28,964**	36,364
Net rental income	**27,301**	25,296	**52,754**	51,468
Comparative properties net operating income ("NOI")[3][4]	**27,946**	27,602	**55,534**	54,795
Per unit amounts				
Diluted FFO per unit [3][5][6]	**$ 0.76**	$ 0.70	**$ 1.49**	$ 1.43
Distribution rate per Unit[6]	**0.25**	0.50	**0.58**	1.00

		As at
	June 30, 2024	December 31, 2023
Financing		
Weighted average face rate of interest on debt (period-end)[7]	**4.69%**	4.53%
Interest coverage ratio (times)[3]	**1.8**	2.0
Total debt	**$ 1,357,850**	$ 1,339,461
Total assets	**$ 2,656,576**	$ 2,668,330
Net total debt-to-normalized adjusted EBITDAFV ratio (years)[3]	**11.8**	11.5
Level of debt (net total debt-to-net total assets)[3]	**50.9%**	50.0%
Average term to maturity on debt (years)	**2.9**	3.3
Undrawn credit facilities, available liquidity and unencumbered assets		
Undrawn credit facilities	**$ 152,014**	$ 173,955
Available liquidity[3]	**$ 166,274**	$ 187,228
Unencumbered assets[3]	**$ 2,442**	$ 17,117
Capital (period-end)		
Total number of REIT A Units and subsidiary redeemable units (in millions)[6][8]	**18.9**	18.9
Equity per condensed consolidated financial statements	**$ 1,181,020**	$ 1,200,311
Net asset value ("NAV") per unit[3][6]	**$ 64.82**	$ 66.31

(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 June 30, 2024. Properties acquired and properties under development completed subsequent to January 1, 2023, 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) On February 22, 2024, the Trust implemented the Unit Consolidation of all the issued and outstanding REIT Units, Series A, REIT Units, Series B and Special Trust Units of the REIT on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. All per unit amounts disclosed reflect the post-Unit Consolidation units for all periods presented.

(7) 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.

(8) Total number of REIT A Units and subsidiary redeemable units includes 2.6 million subsidiary redeemable 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 June 30, 2024, and the unaudited condensed consolidated financial statements of Dream Office REIT and the accompanying notes for the three months ended June 30, 2024. 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 condensed consolidated financial statements.

This management's discussion and analysis (this "MD&A") is dated August 9, 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
- "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, 2023, along with properties under development and assets held for sale, 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 June 30, 2024 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.

UNIT CONSOLIDATION

Effective February 22, 2024, the Trust completed a 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"). Upon completion of the Unit Consolidation, the number of REIT A Units as of February 22, 2024 was consolidated from 32,626,435 to 16,313,022. There were no REIT B Units outstanding.

The general partner of Dream Office LP also took 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 February 22, 2024 ("the effective date"). As a result, the subsidiary redeemable units were also consolidated on the basis of one (1) post-consolidation subsidiary redeemable unit for every two (2) pre-consolidation subsidiary redeemable units on the effective date. Upon completion of the Unit Consolidation, the number of subsidiary redeemable units as of February 22, 2024 was consolidated from 5,233,823 to 2,616,911.

All unit, per unit and unit-related amounts disclosed herein reflect the post-Unit Consolidation units for all periods presented, unless otherwise noted.

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 August 9, 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.

OPERATIONAL UPDATE

Office utilization rates in Toronto downtown have continued to improve gradually each quarter. Despite continuing challenges in the office real estate sector, 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 to distinguish our portfolio and attract high-quality tenants and committed to leasing to reduce risk in our business.

Relative to Q1 2024, our in-place occupancy declined slightly from 79.3% to 79.2% and our in-place and committed occupancy rate increased from 83.5% to 84.3%. The quarter-over-quarter decrease of 0.1% of total portfolio in-place occupancy was attributable to 19,000 square feet of negative absorption in downtown Toronto partially offset by 15,000 square feet of positive absorption in Other markets.

Year-over-year, downtown Toronto in-place occupancy declined from 83.6% to 83.0% and in-place and committed occupancy declined from 88.1% to 87.7%. Year-over-year, in-place occupancy in the Other markets region declined from 76.3% to 72.7% and in-place and committed occupancy improved from 76.8% to 78.6%. The year-over-year increase in Other markets in-place and committed occupancy was due to strong leasing in the Calgary and the Greater Toronto Area markets.

Vacancy committed for future occupancy increased by 44,000 square feet over the quarter to 257,000 square feet. In Toronto downtown, 97,000 square feet, or 3.1% of the region's total gross leasable area, are scheduled to commence over the course of 2024 at net rents 4.9% above prior net rents on the same space with a weighted average lease term of 9.8 years. In the Other markets region, 74,000 square feet, or 4.0% of the region's total gross leasable area, are scheduled to commence over the remainder of 2024 at net rents 52.4% above prior net rents on the same space with a weighted average lease term of 4.7 years. The remaining 86,000 square feet of commitments on vacant space are scheduled to commence in 2025 through 2027.

During Q2 2024, the Trust executed leases totalling approximately 194,000 square feet across our portfolio. In Toronto downtown, the Trust executed 107,000 square feet of leases at a weighted average initial net rent of $37.41 per square foot, or 25.8% higher than the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 5.3 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 87,000 square feet at a weighted average net rent of $14.73 per square foot, or 29.2% higher than the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 4.3 years. Subsequent to June 30, 2024, the Trust executed a further 21,000 square feet of leases in Toronto downtown at a weighted average initial net rent of $31.56 per square foot, flat when compared to the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 1.9 years.

In addition, the Trust has a further 149,000 square feet of leases in advanced stages of negotiation in Toronto downtown, which includes advanced negotiations for a renewal of a portion of the maturing space at 74 Victoria Street and is in discussions with various prospective tenants for the balance of the October 31, 2024 expiry at the property. The 206,000 square foot upcoming expiry at 74 Victoria Street represents 51% of the Trust's maturities in Toronto downtown for the remainder of 2024. The Trust also has 122,000 square feet of leases that are in advanced stages of negotiation in the Other markets region.

Since the beginning of the year to today's date, the Trust has executed leases totalling approximately 356,000 square feet across our portfolio. In Toronto downtown, the Trust has executed 194,000 square feet of leases at a weighted average initial net rent of $35.52 per square foot, or 16.7% higher than the weighted average prior net rent per square foot on the same space, with a weighted average lease term of 5.0 years. In the Other markets region, the Trust has executed leases totalling 162,000 square feet at a weighted average initial net rent per square foot of $15.86, or 7.6% higher than the weighted average prior net rents on the same space, with a weighted average lease term of 6.4 years.

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 $11.8 million over the course of the project, $8.3 million of which has been funded by our Canada Infrastructure Bank credit facility (the "CIB Facility"). At 67 Richmond Street West, we have spent $8.1 million on the project, $6.5 million of which has been funded by the CIB Facility. The project at 67 Richmond Street West is expected to be completed in Q4 2024. The Trust is currently in active discussions with prospective tenants for the building.

In 2023, 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. Subsequent to the quarter, the full building fixturing and fitout for the redevelopment project was completed ahead of schedule and the property is expected to be reclassified to active properties in Q3 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.

During the quarter, the lease at 366 Bay Street was recognized as the first Platinum Team Transaction in Canada by the Institute for Market Transformation and Better Buildings and was awarded "Office Lease of the Year" at the 22nd Annual REX Awards, hosted by NAIOP.

FINANCING AND LIQUIDITY UPDATE

As at June 30, 2024, the Trust had $2.7 billion of total assets, including $2.3 billion of investment properties and $1.4 billion of total debt.

During the quarter, the Trust refinanced a $26.1 million mortgage secured by a property in Calgary. The refinanced mortgage totals $26.3 million with a new maturity date of May 31, 2027, bearing fixed interest at 6.65%. The Trust is in advanced renewal discussions with its lenders on the remaining $17.2 million of mortgage maturities coming due in 2024. We are also in various stages of discussion for the $375 million revolving credit facility maturity, with drawings of $299.8 million and $366.1 million of mortgage maturities coming due in 2025, including advanced discussions with various lenders for the refinancing of the $225 million mortgage maturity for Adelaide Place.

During the quarter, the Trust amended and extended its $10 million revolving credit facility to a new maturity date of March 31, 2027. The amended facility bears interest at the unadjusted one-month term CORRA plus 2.895% or at the bank's prime rate plus 0.950%.

As at June 30, 2024, the Trust had approximately $166.3 million of available liquidity[(1)], comprising $14.3 million of cash, undrawn revolving credit facilities totalling $57.4 million, undrawn amounts on our non-revolving term loan facility pertaining to the aforementioned 366 Bay Street lease totalling $8.2 million and undrawn amounts on our CIB Facility of $86.5 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.

During Q2 2024, the Trust drew $2.3 million against the CIB Facility. In total, we have drawn $26.4 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.

On July 2, 2024, subsequent to period end, the Trust completed the sale of 234 – 1st Avenue South in Saskatoon for total gross proceeds before adjustments and transaction costs of $8.6 million. The Trust continues to consider opportunistic asset sales at prices in line with fair values to enhance long-term financial flexibility.

(1) Available liquidity is a non-GAAP financial measure. Please refer to the section "Non-GAAP Financial Measures and Ratios" for details of this measure.

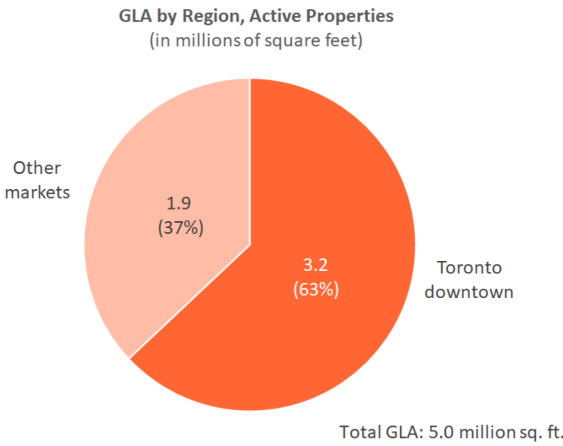
SECTION II

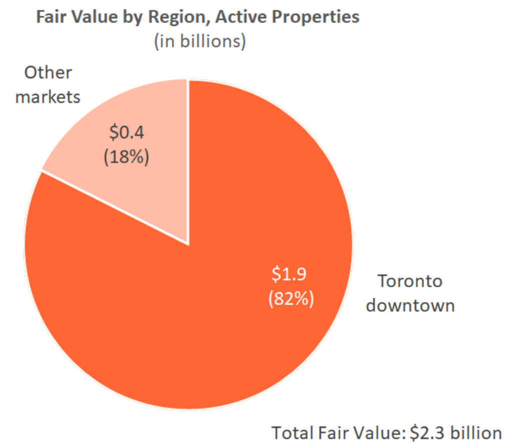
OUR PROPERTIES

At June 30, 2024, our ownership interests included 5.1 million square feet of GLA across 28 properties, which comprise 25 active office properties (5.0 million square feet), two properties under development (0.1 million square feet) and one property held for sale (10,000 square feet). In addition, we have a 50% interest in a joint venture arrangement that owns 220 King Street West, Toronto (11,000 square feet at our share). We have excluded this equity accounted joint venture from all 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, excluding a property held for sale, properties under development and investments in joint ventures that are equity accounted as at June 30, 2024.





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 under 400 tenants and an average tenant size of approximately 11,000 square feet in our portfolio, excluding a property held for sale, 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 June 30, 2024. Our top ten tenants have a weighted average lease term of 5.6 years.

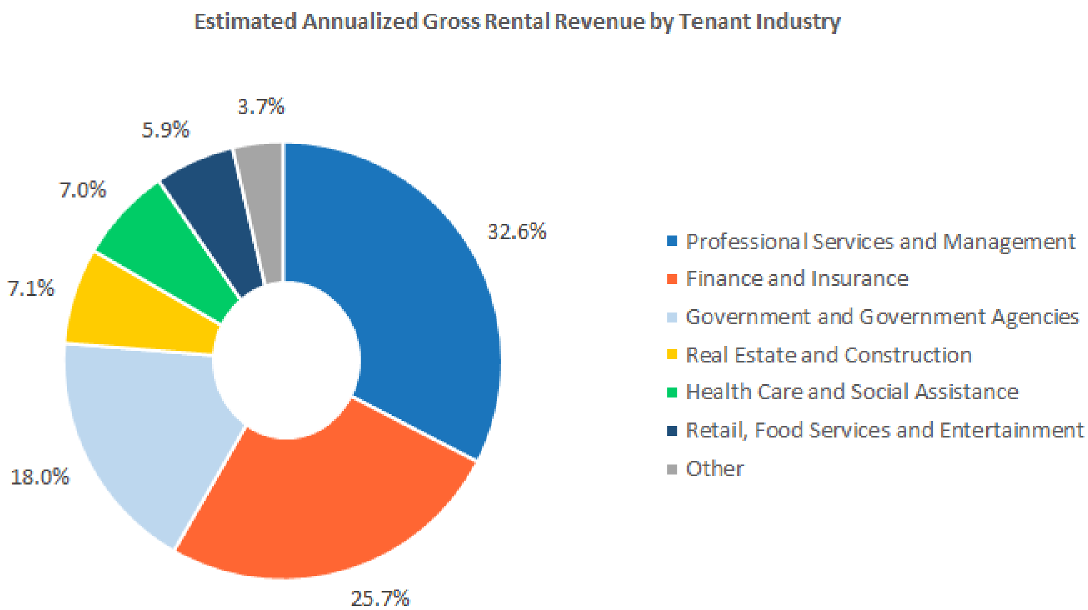
	Tenant	Gross rental revenue (%)	Owned area (thousands of sq. ft.)	Owned area (%)	Credit rating(1)
1	Government of Canada	9.9	331	6.6	AAA/A-1+
2	Government of Ontario	6.2	264	5.3	A+/A-1
3	International Financial Data Services	4.1	137	2.7	N/R
4	International Language Academy of Canada	3.5	125	2.5	N/R
5	State Street Trust Company	2.8	82	1.6	AA-/A/A-1+
6	U.S. Bank National Association	2.7	185	3.7	A+/A-1
7	Co-operators Life Insurance	2.5	119	2.4	A-
8	Medcan Health Management Inc.	2.3	69	1.4	N/R
9	WeWork	1.8	65	1.3	N/R
10	Field Law	1.3	64	1.3	N/R
	Total	37.1	1,441	28.8	

(1) As at August 9, 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.

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



OUR OPERATIONS

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

Performance indicators		**June 30, 2024**		March 31, 2024		June 30, 2023
Total portfolio[1]						
Occupancy rate – including committed (period-end)		**84.3%**		83.5%		83.9%
Occupancy rate – in-place (period-end)		**79.2%**		79.3%		80.9%
Average in-place and committed net rent per square foot (period-end)	**$**	**26.33**	$	26.78	$	25.33
Weighted average lease term (years)		**5.2**		5.2		5.0

(1) Total portfolio excludes a property 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 a property held for sale, properties under development and investments in joint ventures that are equity accounted at June 30, 2024, March 31, 2024 and June 30, 2023. Our in-place and committed occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

	In-place and committed occupancy rate			In-place occupancy rate		
Occupancy rate (percentage)	**June 30, 2024**	March 31, 2024	June 30, 2023	**June 30, 2024**	March 31, 2024	June 30, 2023
Toronto downtown	**87.7**	88.5	88.1	**83.0**	83.7	83.6
Other markets	**78.6**	75.0	76.8	**72.7**	71.8	76.3
Total portfolio[1]	**84.3**	83.5	83.9	**79.2**	79.3	80.9

(1) Total portfolio excludes a property 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 decreased by 0.1% relative to Q1 2024. In Toronto downtown, in-place occupancy decreased by 0.7% relative to Q1 2024 as 86,000 square feet of expiries and 14,000 square feet of terminations were partially offset by 33,000 square feet of renewals and 48,000 square feet of new lease commencements.

In the Other markets region, in-place occupancy increased by 0.9% relative to Q1 2024 as 8,000 square feet of renewals and 15,000 square feet of new lease commencements were partially offset by 8,000 square feet of expiries. In addition, the reclassification of 234 – 1st Avenue South in Saskatoon to assets held for sale in Q2 2024 had a 0.1% positive impact on in-place occupancy relative to Q1 2024.

Total portfolio in-place occupancy on a year-over-year basis decreased from 80.9% at Q2 2023 to 79.2% this quarter, due to negative absorption of 3.6% in Other markets and negative absorption of 0.6% in Toronto downtown.

In-place and committed occupancy increased by 0.8% quarter-over-quarter and 0.4% year-over-year, primarily driven by leasing in the Other markets region quarter-over-quarter and year-over-year. The increased leasing activity in Other markets quarter-over-quarter was primarily driven by a 55,000 square feet of the Greater Toronto Area industrial logistics space commencing in Q3 2024 and negotiated at 87% higher net rents than expiring. Year-over-year, Other markets in-place and committed occupancy increased by 1.8% to 78.6% on strong leasing in the Calgary and Greater Toronto Area markets.

Vacancy committed for future occupancy increased by 44,000 square feet over the quarter to 257,000 square feet. In Toronto downtown, 97,000 square feet, or 3.1% of the region's total gross leasable area, is scheduled to commence over the course of 2024 at net rents 4.9% above prior net rents on the same space with a weighted average lease term of 9.8 years. In the Other markets region, 74,000 square feet, or 4.0% of the region's total gross leasable area, is scheduled to commence over the remainder of 2024 at net rents 52.4% above prior net rents on the same space with a weighted average lease term of 4.7 years. The remaining 86,000 square feet of commitments on vacant space are scheduled to commence in 2025 through 2027.

The following table details the change in total portfolio in-place and committed occupancy for the three and six months ended June 30, 2024:

	Three months ended June 30, 2024			Six months ended June 30, 2024		
	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)		4,191	83.5%		4,235	84.4%
Vacancy committed for future occupancy(1)		(213)	(4.2%)		(121)	(2.4%)
Total portfolio occupancy (in-place) at beginning of period(1)		3,978	79.3%		4,114	82.0%
Occupancy related to a property held for sale		(5)			(5)	
Remeasurements		(1)			(1)	
Total portfolio occupancy (in-place) at beginning of period – adjusted		3,972	79.3%		4,108	82.0%
Natural expiries and relocations	$ (29.45)	(94)	(1.9%)	$ (22.80)	(223)	(4.5%)
Early terminations and bankruptcies	(35.32)	(14)	(0.3%)	(25.92)	(67)	(1.3%)
Temporary leasing	—	8	0.2%	—	8	0.2%
New leases	30.23	55	1.1%	29.07	61	1.2%
Renewals and relocations	30.92	41	0.8%	29.94	81	1.6%
Total portfolio occupancy (in-place) at end of period(1)		3,968	79.2%		3,968	79.2%
Vacancy committed for future occupancy(1)		257	5.1%		257	5.1%
Total portfolio occupancy (in-place and committed) at end of period(1)		4,225	84.3%		4,225	84.3%

(1) Excludes a property held for sale, properties under development and investments in joint ventures that are equity accounted.

For the three months ended June 30, 2024, excluding temporary leasing, 73,000 square feet of leases commenced in Toronto downtown at net rents of $34.79 per square foot, or 10.0% higher than the previous rent on the same space with a weighted average lease term of 3.1 years. In the Other markets region, 23,000 square feet of leases commenced at $17.55 per square foot, or 3.7% higher than the previous rent on the same space with a weighted average lease term of 6.8 years.

For the six months ended June 30, 2024, excluding temporary leasing, 107,000 square feet of leases commenced in Toronto downtown at net rents of $34.02 per square foot, or 9.1% higher than the previous rent on the same space with a weighted average lease term of 2.9 years. In the Other markets region, 35,000 square feet of leases commenced at $16.12 per square foot, or 11.4% lower than previous rents on the same space as rental rates on new leases rolled down to market rates with a weighted average lease term of 5.8 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 and six months ended June 30, 2024. 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 of leases executed during the quarter for future occupancy.

	Three months ended June 30, 2024[(1)]	Six months ended June 30, 2024[(1)]
Tenant retention ratio	43.6%	36.3%
Renewal and relocation rate (per sq. ft.)	$ 30.92	$ 29.94
Expiring rate on retained tenant space (per sq. ft.)	29.88	28.87
Renewal and relocation rate to expiring rate spread (per sq. ft.)	1.04	1.07
Renewal and relocation rate to expiring rate spread	3.5%	3.7%

(1) Excludes a property held for sale, 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 June 30, 2024, March 31, 2024 and June 30, 2023.

Average in-place and committed net rents across our total portfolio was $26.33 per square foot at June 30, 2024, a decrease when compared to $26.78 per square foot at March 31, 2024 and an increase relative to $25.33 per square foot at June 30, 2023.

In the Other markets region, net rents decreased by 1.7% relative to Q1 2024. In Toronto downtown, average in-place and committed net rents decreased by 0.9% quarter-over-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 4.8% in Toronto downtown and an increase in net rents of 1.5% in Other markets. The increase in net rents in Toronto downtown was driven by higher rents on new leases, renewals, rent step-ups and higher rents on committed deals, while the increase in Other markets was primarily driven by expiries rolling off at lower rates relative to regional averages.

The following table details the average in-place and committed net rental rates in our total portfolio as at June 30, 2024, March 31, 2024 and June 30, 2023:

	Average in-place and committed net rent (per sq. ft.)[(1)]		
	June 30, 2024	March 31, 2024	June 30, 2023
Toronto downtown	**$ 31.26**	$ 31.54	$ 29.82
Other markets	**16.90**	17.20	16.65
Total portfolio[(2)]	**$ 26.33**	$ 26.78	$ 25.33

(1) Excludes percentage rents.

(2) Total portfolio excludes a property 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 spreads on estimated market rents compared to average in-place and committed net rental rates as at June 30, 2024.

The following table compares market rents in our total portfolio to the average in-place and committed net rent as at June 30, 2024.

	Market rent[1] (per sq. ft.)	Average in-place and committed net rent (per sq. ft.)[2]	As at June 30, 2024 Market rent/ average in-place and committed net rent
Toronto downtown	$ 33.39	$ 31.26	6.8%
Other markets	16.42	16.90	(2.8%)
Total portfolio[3]	$ 27.11	$ 26.33	3.0%

(1) Market rents include office and retail space.

(2) Excludes percentage rents.

(3) Total portfolio excludes a property held for sale, 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 other tenant incentives. Initial direct leasing costs and lease incentives are dependent upon asset type, location, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions.

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

For the three and six months ended June 30, 2024, our total portfolio average initial direct leasing costs and lease incentives were $16.71 per square foot per year and $13.68 per square foot per year, respectively, representing a decrease of $0.14 per square foot per year over the prior year comparative quarter and an increase of $2.48 per square foot per year over the prior year comparative period. Leasing costs for leases commencing in a given period are subject to a number of variables including the location, type of real estate, condition of space, term of lease and tenant profile. 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.

	Three months ended June 30,		Six months ended June 30,	
Performance indicators	2024[1]	2023[1]	2024[1]	2023[1]
Leases that commenced during the period				
Thousands of square feet	**96**	119	**142**	239
Average lease term (years)	**4.0**	6.8	**3.6**	6.8
Initial direct leasing costs and lease incentives				
Thousands of dollars	**$ 6,417**	$ 13,636	**$ 7,031**	$ 18,276
Per square foot	**66.84**	114.59	**49.52**	76.47
Per square foot per year	**16.71**	16.85	**13.68**	11.20

(1) Current and comparative period excludes temporary leases. Total portfolio excludes a property held for sale, 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 June 30, 2024:

(in thousands of square feet)	Temporary leases	Remainder of 2024	2025	2026	2027	2028	2029+
Toronto downtown							
Expiries	(45)	(403)	(374)	(332)	(482)	(176)	(807)
Expiring net rents at maturity	$ 14.70	$ 31.88	$ 27.01	$ 30.55	$ 29.22	$ 29.20	$ 37.97
Commencements	n/a	261	261	42	41	1	55
Commencements as a percentage of expiries	n/a	65%	70%	13%	9%	1%	7%
Other markets							
Expiries	(64)	(109)	(237)	(128)	(189)	(119)	(502)
Expiring net rents at maturity	$ 14.91	$ 16.03	$ 17.11	$ 21.46	$ 16.86	$ 15.89	$ 21.03
Commencements	n/a	96	38	14	—	—	28
Commencements as a percentage of expiries	n/a	88%	16%	11%	—	—	6%
Total portfolio							
Expiries	(109)	(512)	(611)	(460)	(671)	(295)	(1,309)
Expiring net rents at maturity	$ 14.83	$ 28.51	$ 23.16	$ 28.01	$ 25.74	$ 23.83	$ 31.21
Commencements	n/a	357	299	56	41	1	83
Commencements as a percentage of expiries	n/a	70%	49%	12%	6%	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 the remainder of 2024 are $35.49 per square foot in Toronto downtown and $15.83 per square foot in Other markets. In 2025, committed net rents on commencements are $27.61 per square foot in Toronto downtown and $17.84 per square foot in Other markets.

Included in lease expiries for Toronto downtown in 2024 is the lease for substantially all of the building at 74 Victoria Street in Toronto, which expires on October 31, 2024. This 206,000 square foot lease represents 51% of the Trust's maturities in Toronto downtown for the remainder of 2024. The Trust is in advanced negotiations for a renewal of a portion of the maturing space and is in discussions for the balance of the upcoming expiry with various prospective tenants.

Net rental income

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

For a detailed discussion about investment properties revenue and expenses for the three and six months ended June 30, 2024, 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 and six months ended June 30, 2024 and June 30, 2023, the Trust excludes properties under development completed subsequent to January 1, 2023 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				
	June 30, 2024	June 30, 2023	Change Amount	Change %	Change in weighted average occupancy %	Change in in-place net rents %
Toronto downtown	**$ 21,279**	$ 20,747	$ 532	2.6	0.6	2.7
Other markets	**6,667**	6,855	(188)	(2.7)	(4.2)	4.2
Comparative properties NOI	**27,946**	27,602	344	1.2	(1.1)	3.7
Properties under development	**173**	97	76			
Property management and other service fees	**567**	444	123			
Lease termination fees and other	**480**	6	474			
Change in provisions	**(53)**	(336)	283			
Straight-line rent	**1,003**	229	774			
Amortization of lease incentives	**(2,936)**	(2,942)	6			
Property held for sale	**121**	148	(27)			
Sold properties	**—**	48	(48)			
Net rental income	**$ 27,301**	$ 25,296	$ 2,005	7.9		

		Six months ended				
	June 30, 2024	June 30, 2023	Change Amount	Change %	Change in weighted average occupancy %	Change in in-place net rents %
Toronto downtown	**$ 42,387**	$ 41,272	$ 1,115	2.7	1.4	2.2
Other markets	**13,147**	13,523	(376)	(2.8)	(4.2)	4.5
Comparative properties NOI	**55,534**	54,795	739	1.3	(0.7)	3.5
Property under development	**363**	198	165			
Property management and other service fees	**975**	896	79			
Lease termination fees and other	**483**	179	304			
Change in provisions	**(103)**	6	(109)			
Straight-line rent	**1,188**	512	676			
Amortization of lease incentives	**(5,945)**	(5,847)	(98)			
Properties held for sale	**258**	279	(21)			
Sold properties	**1**	450	(449)			
Net rental income	**$ 52,754**	$ 51,468	$ 1,286	2.5		

For the three months ended June 30, 2024, comparative properties NOI increased by 1.2%, or $0.3 million, over the prior year comparative quarter, primarily driven by higher in-place rents in Toronto downtown from rent step-ups and higher rates on new leases and renewals, partially offset by lower recoveries and higher non-recoverable expenses in the Other markets region. For the three months ended June 30, 2024, net rental income increased by 7.9%, or $2.0 million, over the prior year comparative quarter, primarily due to higher comparative properties NOI along with higher straight-line rent from short-term rent-free periods ending in July to September 2024, higher lease termination fees in the Other markets region in the current quarter and a reduction in provisions over the prior year comparative quarter.

For the three months ended June 30, 2024, comparative properties NOI in Toronto downtown increased by 2.6%, or $0.5 million, over the prior year comparative quarter, primarily due to higher in-place rents from rent step-ups, higher rates on renewals and new leases, higher recoveries and slightly higher weighted average occupancy in the region. In Other markets, comparative properties NOI decreased by 2.7%, or $0.2 million, over the prior year comparative quarter, primarily driven by lower weighted average occupancy from lease expiries primarily in the Greater Toronto Area, lower recoveries and higher non-recoverable expenses, partially offset by higher rents from a free-rent expiry in Saskatoon and rent steps-ups in the region. Driving in-place net rents up in the Greater Toronto Area over the prior year comparative quarter was a lease expiry of 55,000 square feet of industrial logistics space in January at rental rates below the regional average. The space was re-leased during the quarter with a lease commencing in Q3 2024 at 87% higher net rents than expiring.

For the six months ended June 30, 2024, comparative properties NOI increased by 1.3%, or $0.7 million, over the prior year comparative period, primarily driven by higher comparative properties NOI in Toronto downtown of 2.7%, or $1.1 million, partially offset by lower comparative properties NOI in Other markets of 2.8%, or $0.4 million, primarily driven by the same reasons noted above. For the six months ended June 30, 2024, net rental income increased by 2.5%, or $1.3 million, over the prior year comparative period, primarily due to higher comparative properties NOI along with higher straight-line rent and lease termination fees in the Other markets region in the current quarter, partially offset by lower income attributed to a sold property 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 and six months ended June 30, 2024, change in provisions was an expense of $53 thousand and $0.1 million, a net decrease over the prior year comparative quarter due to reduced provisions due to strong collections and a net increase compared to the prior year comparative period due to a reversal of prior period provisions in Q1 2023.

OUR RESULTS OF OPERATIONS

Condensed consolidated statement of comprehensive loss

	Three months ended June 30,		Six months ended June 30,	
(in thousands of Canadian dollars)	**2024**	2023	**2024**	2023
Investment properties revenue	**$ 48,683**	$ 47,019	**$ 97,178**	$ 95,228
Investment properties operating expenses	**(21,382)**	(21,723)	**(44,424)**	(43,760)
Net rental income	**27,301**	25,296	**52,754**	51,468
Other income (loss)				
Net income (loss) from investment in Dream Industrial REIT	**2,391**	(33,725)	**5,445**	(31,292)
Share of net income (loss) from investment in joint ventures	**51**	5	**(120)**	(48)
Interest and other income	**192**	1,434	**656**	1,904
	2,634	(32,286)	**5,981**	(29,436)
Other expenses				
General and administrative	**(2,913)**	(3,019)	**(5,151)**	(5,515)
Interest:				
Debt	**(16,096)**	(13,798)	**(31,518)**	(28,124)
Subsidiary redeemable units	**(654)**	(1,309)	**(1,526)**	(2,617)
Depreciation on property and equipment	**(98)**	(40)	**(120)**	(85)
	(19,761)	(18,166)	**(38,315)**	(36,341)
Fair value adjustments, leasing and net loss on transactions				
Fair value adjustments to investment properties	**(24,594)**	(38,866)	**(41,887)**	(50,934)
Fair value adjustments to financial instruments	**(7,071)**	14,707	**12,603**	17,542
Internal leasing costs and net losses on transactions	**(961)**	(506)	**(1,565)**	(950)
	(32,626)	(24,665)	**(30,849)**	(34,342)
Loss before income taxes	**(22,452)**	(49,821)	**(10,429)**	(48,651)
Current and deferred income taxes recovery, net	**511**	115	**354**	323
Net loss	**(21,941)**	(49,706)	**(10,075)**	(48,328)
Other comprehensive income (loss)	**577**	(7,773)	**(1)**	(5,709)
Comprehensive loss	**$ (21,364)**	$ (57,479)	**$ (10,076)**	$ (54,037)

Investment properties revenue

Investment properties revenue includes base rent from investment properties, recoveries of operating costs and property taxes from tenants, parking services revenue, the impact of straight-line rent adjustments, lease termination fees and other adjustments, as well as fees earned from property management and other services, including leasing and construction. Leasing, construction and lease termination fees and other adjustments are not necessarily of a recurring nature and the amounts may vary year-over-year. Investment properties revenue for the three and six months ended June 30, 2024 was $48.7 million and $97.2 million, respectively, compared to $47.0 million and $95.2 million, respectively, in the prior year comparative quarter and period.

The increase over the prior year comparative quarter and period was primarily due to higher weighted average occupancy in Toronto downtown, higher in-place net rents due to rent step-ups and higher rates on renewals and new leasing in Toronto downtown. This was partially offset by lower weighted average occupancy in Other markets.

Investment properties operating expenses

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

Investment properties operating expenses for the three and six months ended June 30, 2024 were $21.4 million and $44.4 million, respectively, compared to $21.7 million and $43.8 million, respectively, in the prior year comparative quarter and period. The decrease in investment properties operating expenses over the prior year comparative quarter was primarily driven by a net decrease in provisions for bad debts and lower heating, ventilation and air conditioning, cleaning and utilities expenses. The increase in investment properties operating expenses over the prior year comparative period was primarily driven by higher repair and maintenance costs and a net increase in provisions for bad debts.

Net income 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 REIT units.

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Share of income	**$ 2,680**	$ 5,181	**$ 5,816**	$ 9,171
Dilution gain (loss)	**(289)**	1,009	**(371)**	769
Loss on the sale of Dream Industrial REIT units	**—**	(43,710)	**—**	(45,027)
Transaction costs on sale of Dream Industrial REIT units	**—**	(295)	**—**	(295)
Reclassification of accumulated other comprehensive income to net income due to sale of units	**—**	4,090	**—**	4,090
Net income (loss) from investment in Dream Industrial REIT	**$ 2,391**	$ (33,725)	**$ 5,445**	$ (31,292)

Our share of income from our investment in Dream Industrial REIT before dilution adjustments and transactional losses on the sale of Dream Industrial REIT units decreased by $2.5 million and $3.4 million, respectively, over the prior year comparative quarter and period. For the three and six months ended June 30, 2024, the decrease over the prior year comparative quarter and period was primarily due to a reduction in our ownership percentage due to the sale of Dream Industrial REIT units in Q1 2023 and Q2 2023.

Share of net income (loss) from investment in joint ventures

Our investment in joint ventures includes the Trust's 50% interest in a partnership that acquired 220 King Street West in Toronto during Q3 2019, 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 in the Bay Street corridor.

For the three and six months ended June 30, 2024, the Trust's share of net income (loss) from investment in joint ventures amounted to income of $51 thousand and a loss of $0.1 million, respectively, compared to income of $5 thousand and a loss of $48 thousand, respectively, in the prior year comparative quarter and period. The increase over the prior year comparative quarter was due to higher interest income on cash balances in Alate. The decrease over the prior year comparative period was primarily due to a net loss generated from our restaurant partnership due to depreciation of fixtures, higher general and administrative ("G&A") expenses in our investment in Alate and lower net rental income at 220 King Street West. This was partially offset by lower negative fair value adjustments at 220 King Street West.

Interest and other income

Interest and other income mainly comprise 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 and six months ended June 30, 2024, interest and other income was $0.2 million and $0.7 million, respectively, compared to $1.4 million and $1.9 million, respectively, in the prior year comparative quarter and period. The decrease over the prior year comparative quarter and period was primarily due to lower interest income on cash balances and a VTB extension fee in the prior year comparative quarter.

General and administrative expenses

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Salaries and benefits	**$ (977)**	$ (1,053)	**$ (1,727)**	$ (1,998)
Deferred compensation expense	**(554)**	(707)	**(902)**	(1,198)
Professional services fees, public reporting, overhead-related costs and other	**(1,382)**	(1,259)	**(2,522)**	(2,319)
General and administrative expenses	**$ (2,913)**	$ (3,019)	**$ (5,151)**	$ (5,515)

Interest expense – debt

For the three and six months ended June 30, 2024, interest expense on debt was $16.1 million and $31.5 million, respectively, relative to $13.8 million and $28.1 million, respectively, in the prior year comparative quarter and period. The increase in interest expense on debt over the prior year comparative quarter and period was primarily due to the refinancing of maturing debt at a higher principal balance and interest rate, as well as higher credit facility drawings and interest rates on variable debt.

Interest expense – subsidiary redeemable units

The interest expense on subsidiary redeemable units represents distributions paid and payable on the 2.6 million post-Unit Consolidation subsidiary redeemable units (June 30, 2023 – 2.6 million post-Unit Consolidation subsidiary redeemable units) owned by DAM.

Interest expense on subsidiary redeemable units for the three and six months ended June 30, 2024 was $0.7 million and $1.5 million, respectively, compared to $1.3 million and $2.6 million, respectively, in the prior year comparative quarter and period. The decrease in interest expense on subsidiary redeemable units was due to lower distributions as a result of the Unit Consolidation.

Fair value adjustments to investment properties

Refer to the heading "Fair value adjustments to investment properties" in the "Investment Properties" section for a discussion of fair value adjustments to investment properties for the three and six months ended June 30, 2024.

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 unit-settled liabilities 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 is 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 and six months ended June 30, 2024, the Trust recorded fair value losses totalling $7.1 million and fair value gains of $12.6 million, respectively. Fair value losses in the current quarter consisted of $4.8 million of losses on the carrying value of subsidiary redeemable units and $0.8 million of fair value losses on the remeasurements of DTUs as a result of an increase in the Trust's unit price relative to March 31, 2024, as well as remeasurements on rate swap contracts resulting in a fair value loss of $1.5 million. Fair value gains for the period ended 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, 2023, as well as fair value gains of $4.2 million on rate swap contracts due to rising market yield curves.

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 June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Internal leasing costs	**$ (426)**	$ (492)	**$ (1,000)**	$ (887)
Recovery (costs) attributable to sale of investment properties	**(535)**	3	**(565)**	(46)
Debt settlement costs	**—**	(17)	**—**	(17)
Internal leasing costs and net losses on transactions	**$ (961)**	$ (506)	**$ (1,565)**	$ (950)

Current and deferred income taxes recovery, net

Current and deferred income taxes are not necessarily of a recurring nature and the amounts may vary from period-to-period due to changes in tax legislation and the performance of our U.S. subsidiary.

For the three and six months ended June 30, 2024, net current and deferred tax recoveries were $0.5 million and $0.4 million, respectively, 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 and share of other comprehensive loss from an investment in a joint venture.

For the three and six months ended June 30, 2024, other comprehensive income (loss) amounted to income of $0.6 million and a loss of $1.0 thousand, respectively, compared to losses of $7.8 million and $5.7 million, respectively, for the three and six months ended June 30, 2023. The change in other comprehensive income (loss) over the prior year comparative quarter and period was largely 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 in Q2 2023, as well as 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 with net income in the "Non-GAAP Financial Measures and Ratios" section under the heading "Funds from operations and diluted FFO per unit". Diluted weighted average number of units is defined in the section "Supplementary Financial Measures and Other Disclosures" under the heading "Weighted average number of units".

The following table summarizes FFO and diluted FFO per unit:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
FFO for the period	**$ 14,858**	$ 17,507	**$ 28,964**	$ 36,364
Diluted weighted average number of units(1)(2)	**19,479**	24,941	**19,439**	25,492
Diluted FFO per unit(2)	**$ 0.76**	$ 0.70	**$ 1.49**	$ 1.43

(1) Diluted weighted average number of units includes the weighted average of all REIT A Units, subsidiary redeemable 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.

(2) On February 22, 2024, the Trust implemented the Unit Consolidation of all the issued and outstanding REIT Units, Series A, REIT Units, Series B and Special Trust Units of the REIT on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. All unit and per unit amounts disclosed reflect the post-Unit Consolidation units for all periods presented.

For the three months ended June 30, 2024, diluted FFO per unit increased by $0.06 per unit to $0.76 per unit relative to $0.70 per unit in Q2 2023, 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 (+$0.10), higher straight-line rent due to short-term rent-free periods given to larger tenants in downtown Toronto ending in July to September 2024 (+$0.04), higher lease termination fees and other income (+$0.04), higher comparative properties NOI (+$0.02), lower G&A (+$0.01) and lower bad debt expense (+$0.01), partially offset by higher interest expense (-$0.10) and reduced interest and fee income (-$0.06).

For the six months ended June 30, 2024, diluted FFO per unit increased by $0.06 per unit to $1.49 per unit relative to $1.43 per unit in Q2 2023, driven 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 (+$0.16), higher comparative properties NOI (+$0.04), higher straight-line rent (+$0.03), higher lease termination fees and other income (+$0.03), higher income from properties under development (+$0.01) and lower G&A (+$0.02), partially offset by higher interest expense (-$0.14), reduced interest and fee income (-$0.06), lower net rental income from the sale of 720 Bay Street (-$0.02) and a net reversal of prior period provisions in the prior year (-$0.01).

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

Related party transactions

Related party transactions with Dream Asset Management Corporation

The following is a summary of costs processed by DAM and the Trust for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Property management services fee charged by the Trust	**$ 137**	$ 95	**$ 246**	$ 188
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)	**3,341**	3,253	**6,404**	5,900
Development fees charged by DAM	**(53)**	(539)	**(196)**	(1,077)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)	**(586)**	(483)	**(956)**	(803)
Net fees and reimbursements from DAM	**$ 2,839**	$ 2,326	**$ 5,498**	$ 4,208

For the three and six months ended June 30, 2024, total distributions and subsidiary redeemable interest paid and payable to DAM were $1.5 million and $3.4 million, respectively (for the three and six months ended June 30, 2023 – $4.0 million and $8.7 million, respectively).

Related party transactions with Dream Impact Trust

The following is a summary of the amounts that were charged to Dream Impact Trust for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Property management and construction fees related to co-owned and managed properties	**$ 274**	$ 240	**$ 494**	$ 481
Costs processed on behalf of Dream Impact Trust related to co-owned and managed properties	**403**	423	**784**	805
Amounts charged to Dream Impact Trust under the services agreement	**289**	263	**530**	475
Total cost recoveries from Dream Impact Trust	**$ 966**	$ 926	**$ 1,808**	$ 1,761

Related party transactions with Dream Industrial REIT

The following is a summary of the cost recoveries from Dream Industrial REIT for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Total cost recoveries from Dream Industrial REIT	**$ 2,411**	$ 2,441	**$ 4,428**	$ 4,243

SECTION III

INVESTMENT PROPERTIES

Investment properties continuity

Changes in the value of our investment properties by region, excluding an investment property owned through an investment in a joint venture that is equity accounted, for the three and six months ended June 30, 2024 are summarized in the following table:

						Three months ended
	April 1, 2024	Building improvements, initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments[1]	Transfers to assets held for sale	**June 30, 2024**
Toronto downtown	$ 1,862,133	$ 9,977	$ (15,497)	$ (768)	$ —	**$ 1,855,845**
Other markets	408,365	2,539	(5,078)	(1,050)	(8,600)	**396,176**
Active properties	2,270,498	12,516	(20,575)	(1,818)	(8,600)	**2,252,021**
Add:						
Properties under development	66,187	4,916	(4,019)	(131)	—	**66,953**
Total amounts included in condensed consolidated financial statements	$ 2,336,685	$ 17,432	$ (24,594)	$ (1,949)	$ (8,600)	**$ 2,318,974**
Assets held for sale	$ —	$ —	$ —	$ —	$ 8,600	**$ 8,600**

(1) Included in Other markets is a foreign currency translation adjustment totalling $424 related to a property located in the U.S. during the quarter.

						Six months ended
	January 1, 2024	Building improvements, initial direct leasing costs and lease incentives	Fair value adjustments	Amortization of lease incentives, foreign exchange and other adjustments[2]	Transfers to assets held for sale	**June 30, 2024**
Toronto downtown	$ 1,862,997	$ 18,547	$ (23,133)	$ (2,566)	$ —	**$ 1,855,845**
Other markets	415,073	3,446	(12,624)	(1,119)	(8,600)	**396,176**
Active properties	2,278,070	21,993	(35,757)	(3,685)	(8,600)	**2,252,021**
Add:						
Properties under development	64,304	8,952	(6,130)	(173)	—	**66,953**
Total amounts included in condensed consolidated financial statements	$ 2,342,374	$ 30,945	$ (41,887)	$ (3,858)	$ (8,600)	**$ 2,318,974**
Assets held for sale	$ —	$ —	$ —	$ —	$ 8,600	**$ 8,600**

(1) Included in Other markets is a foreign currency translation adjustment totalling $1,482 related to a property located in the U.S. during the period.

Properties under development

As of June 30, 2024, 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 Q4 2024. During Q3 2023, the Trust secured a commitment for a lease at 366 Bay Street for the entire building. Subsequent to the quarter, the full building fixturing and fitout for the redevelopment project was completed ahead of schedule and the property is expected to be reclassified to active properties in Q3 2024. The Trust is currently in active discussions with prospective tenants ahead of the building nearing construction completion at 67 Richmond Street West.

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the six months ended June 30, 2024 and year ended December 31, 2023 by fair values:

		June 30, 2024		December 31, 2023
Investment properties valued by qualified external valuation professionals (in millions)	$	375	$	694
Number of investment properties valued by qualified external valuation professionals		5		4
Percentage of the total investment properties valued by qualified external valuation professionals		16%		30%

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 the effects of 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 or in regional, national or international economic conditions, the fair value of investment properties may change materially.

For the three months ended June 30, 2024, the Trust recorded a fair value loss totalling $24.6 million, comprising fair value losses of $15.5 million in Toronto downtown, $5.1 million in Other markets and $4.0 million in our properties under development. Fair value losses in Toronto downtown were primarily driven by write-offs of maintenance capital spend and leasing costs, as well as expansions in cap rates and changes in market rental rates in the region. Fair value losses in Other markets were primarily driven by a fair value loss on a property valued by a qualified external valuation professional during the quarter and write-offs of maintenance capital spend. Fair value losses in our properties under development were primarily driven by revised leasing timelines.

For the six months ended June 30, 2024, the Trust recorded a fair value loss totalling $41.9 million, comprising fair value losses of $23.1 million in Toronto downtown, $12.6 million in Other markets and $6.1 million in our properties under development. Fair value losses across all regions were primarily driven by the same reasons noted above, along with a fair value loss on a property in Other markets valued by a qualified external valuation professional during Q1 2024.

Assumptions used in the valuation of investment properties

Refer to Note 3 of the condensed consolidated financial statements for details of the assumptions used in the Trust's investment property valuations, which are 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 and six months ended June 30, 2024 and June 30, 2023:

		Three months ended June 30,				Six months ended June 30,		
Building improvements		**2024**		2023		**2024**		2023
Recoverable	**$**	**987**	$	4,866	**$**	**1,757**	$	8,092
Value-add		**7,771**		324		**11,942**		2,587
Value-add additions to properties in the Bay Street corridor		**—**		488		**—**		1,131
Non-recoverable		**39**		834		**353**		1,438
Active properties		**8,797**		6,512		**14,052**		13,248
Add:								
Properties under development		**1,539**		1,564		**4,726**		3,002
Interest capitalized to properties under development		**261**		164		**493**		302
Sold property		**—**		—		**—**		150
Total	**$**	**10,597**	$	8,240	**$**	**19,271**	$	16,702
Less: Interest capitalized to properties under development		**(261)**		(164)		**(493)**		(302)
Less: Sold property		**—**		—		**—**		(150)
Total amounts included in condensed consolidated financial statements	**$**	**10,336**	$	8,076	**$**	**18,778**	$	16,250

For the three and six months ended June 30, 2024, we incurred $8.8 million and $14.1 million, respectively, in expenditures related to building improvements in our active portfolio.

Recoverable building improvements are capital expenditures on investment properties required to maintain current net rental rates for new leases that are recoverable from tenants. For the three and six months ended June 30, 2024, recoverable building improvements were $1.0 million and $1.8 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 and six months ended June 30, 2024, value-add building improvements were $7.8 million and $11.9 million, respectively.

Investment property dispositions

On July 2, 2024, subsequent to period-end, the Trust completed the sale of 234 – 1st Avenue South in Saskatoon for total gross proceeds before adjustments and transaction costs of $8.6 million.

INVESTMENT IN DREAM INDUSTRIAL REIT

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

The table below summarizes the Trust's ownership of Dream Industrial REIT:

		As at
	June 30, 2024	December 31, 2023
Dream Industrial REIT units held, end of period	**192,735**	192,735
Dream Industrial LP Class B limited partnership units held, end of period	**13,346,572**	13,346,572
Total units held, end of period	**13,539,307**	13,539,307
Total Dream Industrial REIT units (including LP B Units) outstanding, end of period	**289,018,931**	286,589,921
Ownership at period-end	**4.7%**	4.7%

OUR FINANCING

Debt summary

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

Financing and liquidity metrics		June 30, 2024		December 31, 2023
Weighted average face rate of interest on debt (period-end)(1)		**4.69%**		4.53%
Interest coverage ratio (times)(2)		**1.8**		2.0
Net total debt-to-normalized adjusted EBITDAFV ratio (years)(2)		**11.8**		11.5
Level of debt (net total debt-to-net total assets)(2)		**50.9%**		50.0%
Average term to maturity on debt (years)		**2.9**		3.3
Variable rate debt as percentage of total debt(3)		**10.2%**		6.7%
Undrawn credit facilities	**$**	**152,014**	$	173,955
Available liquidity(2)	**$**	**166,274**	$	187,228
Unencumbered assets(2)	**$**	**2,442**	$	17,117

(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 11.8 at June 30, 2024 compared to 11.5 at December 31, 2023 due to lower EBITDAFV and higher debt balances attributed to higher credit facility drawings.

The net total debt-to-net total assets ratio increased to 50.9% at June 30, 2024, primarily due to fair value losses recognized on investment properties and higher net debt balances resulting from higher drawings on the revolving credit facilities and CIB Facility.

As at June 30, 2024, our available liquidity of $166.3 million comprises $14.3 million of cash and cash equivalents on hand, undrawn revolving credit facilities totalling $57.4 million, availability on our CIB Facility totalling $86.5 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 non-revolving term loan facility totalling $8.2 million. The decrease of $21.0 million compared to December 31, 2023 is due to higher credit facility drawings.

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 June 30, 2024, our current liabilities exceeded our current assets (including assets held for sale) by $390.4 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 $279.4 million. We typically refinance maturing debt with mortgages of terms between five and ten years unless our strategy for the asset or preferential loan terms dictate otherwise, or with our undrawn revolving credit facilities. Amounts payable and accrued liabilities balances outstanding at the end of any reporting period depend primarily on the timing of leasing costs and capital expenditures incurred, as well as the impact of transaction costs incurred on acquisitions and dispositions, if any.

In order to meet ongoing operational and interest requirements, the Trust relies on cash flows generated from operations. Where, due to the timing of leasing cost payments, cash flows generated from operations are insufficient to cover immediate operational and leasing cost requirements, the Trust makes use of its revolving credit facilities. As of June 30, 2024, the Trust has $166.3 million of available liquidity, comprising $14.3 million of cash and cash equivalents on hand, undrawn revolving credit facilities totalling $57.4 million, availability on our CIB Facility totalling $86.5 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 non-revolving term facility for restricted use to meet tenant obligations totalling $8.2 million. In addition, the Trust has unencumbered assets totalling $2.4 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.

Mortgage refinancing

On May 31, 2024, the Trust refinanced a $26.1 million mortgage secured by a property in Calgary with an annual fixed interest rate of 3.50%. The refinanced mortgage totals $26.3 million with a new maturity date of May 31, 2027, bearing fixed interest at 6.65%.

Credit facilities

On April 30, 2024, the Trust amended and extended its $10 million revolving credit facility to a new maturity date of March 31, 2027. The amended facility bears interest at the unadjusted one-month term CORRA plus 2.895% or at the bank's prime rate plus 0.950%.

The amounts available and drawn under the credit facilities as at June 30, 2024 are summarized in the table below:

			June 30, 2024				
Facility	Maturity date	Interest rates on drawings[6]	Face interest rate[7]	Borrowing capacity	Drawings	Letters of credit	Amount available
Formula-based maximum not to exceed $375,000[1]	September 30, 2025	CORRA + 1.945% or prime + 0.650%	5.84%	$ 336,120	$ (299,763)	$ (1,232)	$ 35,125
Formula-based maximum not to exceed $10,000[2]	March 31, 2027	CORRA + 2.895% or prime + 0.950%	n/a	8,773	—	—	8,773
Formula-based maximum not to exceed $20,000[3]	Due on demand	Prime + 0.50%	n/a	13,466	—	—	13,466
Canada Infrastructure Bank credit facility	March 31, 2027[4]	2.15%	2.15%	112,870	(26,420)	—	86,450
Non-revolving term loan facility[5]	November 30, 2028	6.75%	6.75%	8,200	—	—	8,200
Total			5.54%	$ 479,429	$ (326,183)	$ (1,232)	$ 152,014

(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) The maturity date of the CIB Facility represents the non-revolving availability period. Subsequent to the availability period, this non-revolving credit facility will convert to a 20-year amortizing term credit facility. The CIB Facility may be used solely for the purpose of commercial property retrofits to achieve certain energy efficiency savings and GHG emission reductions.

(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) CORRA borrowing pricing is based on the unadjusted one-month term CORRA tenor.

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

n/a – not applicable

As at June 30, 2024, 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.

Discontinuation of CDOR

On June 28 2024, the Canadian Dollar Offered Rate ("CDOR"), the index used to price bankers acceptances, was discontinued. The Canadian Overnight Repo Rate Average ("CORRA") has been introduced to replace the prior index to enhance the reliability and transparency of borrowing rates. Consequently, substantially all of the Trust's financial instruments which previously referenced CDOR have been amended to reference CORRA. In addition, the Trust's CDOR-indexed interest rate swaps have been amended from CDOR to CORRA. As CORRA is a risk-free rate, CORRA reference rates are lower than historical BA averages, and so the pricing spreads over the reference rate have increased in order to maintain parity with pricing of the borrowings under CDOR.

Debt maturity profile

The following table summarizes our debt maturity profile, excluding debt in joint ventures that are equity accounted, as at June 30, 2024:

	Mortgages		Credit facilities		Total	
Debt maturities	Outstanding balance due at maturity	Weighted average interest rate	Outstanding balance due at maturity	Weighted average interest rate	Outstanding balance due at maturity	Weighted average interest rate
Remainder of 2024	$ 17,205	4.16%	$ —	—	$ 17,205	4.16%
2025	366,104	4.56%	299,763	5.84%	665,865	5.14%
2026	81,006	3.10%	—	—	81,006	3.10%
2027	196,125	4.45%	—	—	196,125	4.45%
2029–2030	352,200	4.66%	—	—	352,200	4.66%
2047	—	—	26,420	2.15%	26,422	2.15%
Subtotal before undernoted items	$ 1,012,640	4.45%	$ 326,183	5.54%	$ 1,338,823	4.71%
Scheduled principal repayments on non-matured debt (2024–2027)	22,689	—	—	—	22,689	—
Subtotal before undernoted items	$ 1,035,329	4.43%	$ 326,183	5.54%	$ 1,361,512	4.69%
Unamortized financing costs	(2,988)		(674)		(3,662)	
Debt per condensed consolidated financial statements	$ 1,032,341	4.57%	$ 325,509	5.66%	$ 1,357,850	4.83%

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 and adverse effect on the condensed consolidated financial statements of the Trust as at June 30, 2024.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $47.3 million (December 31, 2023 – $48.2 million) with a term to maturity of 2.1 years (December 31, 2023 – 2.6 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 $16.4 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 condensed consolidated financial statements as at June 30, 2024 relating to these reassessments.

At June 30, 2024, Dream Office REIT's future minimum commitments are as follows:

	Minimum payments due			
	Within 1 year	1–5 years	> 5 years	Total
Operating commitments	$ 3,675	$ 4,284	$ —	$ 7,959
Fixed price contracts	222	888	1,134	2,244
Total	$ 3,897	$ 5,172	$ 1,134	$ 10,203

Since 2018, the Trust has invested US$7.8 million (December 31, 2023 – US$7.8 million) towards real estate technologies through a joint venture. As at June 30, 2024, 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 $45.1 million to the development project.

In the event that 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 July 10, 2024, with an option to extend to April 10, 2025, and are secured by the property. As at June 30, 2024, the Trust had funded $11.0 million (December 31, 2023 – $10.5 million) under the loan facility.

OUR EQUITY

Total equity

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

						Unitholders' equity
			June 30, 2024			December 31, 2023
	Number of units(1)		**Amount**	Number of units(1)		Amount
Unitholders' equity	**16,332,563**	**$**	**1,837,445**	16,313,022	$	1,837,138
Deficit	**—**		**(661,759)**	—		(642,162)
Accumulated other comprehensive income	**—**		**5,334**	—		5,335
Equity per condensed consolidated financial statements	**16,332,563**		**1,181,020**	16,313,022		1,200,311
Add: Subsidiary redeemable units	**2,616,911**		**47,339**	2,616,911		54,850
Total equity (including subsidiary redeemable units)(2)	**18,949,474**	**$**	**1,228,359**	18,929,933	$	1,255,161
NAV per unit(1)(3)		**$**	**64.82**		$	66.31

(1) On February 22, 2024, the Trust implemented the Unit Consolidation of all the issued and outstanding REIT Units, Series A, REIT Units, Series B and Special Trust Units of the REIT on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. All unit and per unit amounts disclosed reflect the post-Unit Consolidation units for all periods presented.

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

(3) 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 subsidiary redeemable units, are not transferable separately from these units and are used to provide voting rights with respect to Dream Office REIT to persons holding subsidiary redeemable units. The subsidiary redeemable 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 subsidiary redeemable 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 subsidiary redeemable 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 June 30, 2024, DAM held 3,314,226 REIT A Units and 2,616,911 subsidiary redeemable units for a total ownership interest of approximately 31.3%.

NAV per unit

NAV per unit is calculated as total equity (including subsidiary redeemable units) (a non-GAAP financial measure) divided by the total number of REIT A Units and subsidiary redeemable 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 June 30, 2024, our NAV per unit decreased to $64.82 compared to $66.31 at December 31, 2023. The decrease in NAV per unit relative to December 31, 2023 is driven by fair value losses on investment properties due to adjustments in market parameters at certain properties in Toronto downtown and fair value losses in Other markets primarily due to a property valued by a qualified external valuation professional during the quarter, along with write-offs of maintenance capital and leasing costs in both regions, partially offset by cash flow retention (FFO net of distributions) and fair value gains on the remeasurements of DTUs and interest rate swap contracts. As at June 30, 2024, equity per the condensed consolidated financial statements was $1.2 billion.

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

	Total	Per unit	GLA (in millions of sq. ft.)	Occupancy – in-place and committed	Weighted average lease term (years)
Investment properties					
Toronto downtown	$ 1,855,845	$ 97.94	3.2	87.7%	5.2
Other markets	396,176	20.91	1.9	78.6%	5.2
Active investment properties	2,252,021	118.85	5.0	84.3%	5.2
Mortgages secured by active investment properties	(1,014,312)	(53.53)			
Active investment properties, net of mortgages	1,237,709	65.32			
Properties under development, net of mortgages	48,924	2.58			
Investment in Dream Industrial REIT	226,552	11.96			
Property held for sale	8,600	0.45			
Investments in joint ventures	27,354	1.44			
Cash and cash equivalents	14,260	0.75			
Credit facilities	(325,509)	(17.18)			
Other items	(9,531)	(0.50)			
Net asset value	$ 1,228,359	$ 64.82			
Less: Subsidiary redeemable units	(47,339)				
Total equity per condensed consolidated financial statements	$ 1,181,020				

Outstanding equity

The following table summarizes the changes in our outstanding equity:

For the three months ended June 30, 2024	REIT A Units	Subsidiary redeemable units	Total
Total units issued and outstanding at April 1, 2024	16,329,647	2,616,911	18,946,558
REIT A Units issued pursuant to Deferred Unit Incentive Plan (“DUIP”)	2,916	—	2,916
Total units issued and outstanding at June 30, 2024	16,332,563	2,616,911	18,949,474
Percentage of all units	86.2%	13.8%	100.0%

For the six months ended June 30, 2024 and subsequent to the quarter	REIT A Units(1)	Subsidiary redeemable units(1)	Total(1)
Total units issued and outstanding at January 1, 2024	16,313,022	2,616,911	18,929,933
REIT A Units issued pursuant to Deferred Unit Incentive Plan (“DUIP”)	19,541	—	19,541
Total units issued and outstanding at June 30, 2024	16,332,563	2,616,911	18,949,474
Percentage of all units	86.2%	13.8%	100.0%
REIT A Units issued pursuant to Deferred Unit Incentive Plan	3,000	—	3,000
Total units issued and outstanding at August 9, 2024	16,335,563	2,616,911	18,952,474
Percentage of all units	86.2%	13.8%	100.0%

(1) On February 22, 2024, the Trust implemented the Unit Consolidation of all the issued and outstanding REIT Units, Series A, REIT Units, Series B and Special Trust Units of the REIT on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. All unit amounts disclosed reflect the post-Unit Consolidation units for all periods presented.

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 June 30, 2024, there were 537,010 DTUs and income DTUs outstanding (December 31, 2023 – 435,734) under the DUIP.

Normal course issuer bid

For the three and six months ended June 30, 2024, there were no REIT A Units purchased for cancellation under the NCIB program (for the year ended December 31, 2023 – 727,306 REIT A Units were purchased for cancellation at a cost of $22.2 million).

Weighted average number of units

The following table outlines the basic and diluted weighted average number of units for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
Weighted average number of units(1) (in thousands)	**2024**	2023(2)	**2024**	2023
Basic	**19,281**	24,790	**19,254**	25,346
Diluted	**19,479**	24,941	**19,439**	25,492

(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".

(2) On February 22, 2024, the Trust implemented the Unit Consolidation of all the issued and outstanding REIT Units, Series A, REIT Units, Series B and Special Trust Units of the REIT on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. All unit amounts disclosed reflect the post-Unit Consolidation units for all periods presented.

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 ended June 30, 2024 and June 30, 2023, the Trust declared monthly distributions totalling $0.25 per unit and $0.50 per unit ($0.25 per pre-Unit Consolidation unit), respectively. For the six months ended June 30, 2024 and June 30, 2023, the Trust declared distributions totalling $0.58 per unit and $1.00 per unit (or $0.50 per pre-Unit Consolidation unit), respectively. Following the Unit Consolidation on February 22, 2024, the monthly distributions of the Trust were not proportionately increased and adjusted. As a result, based on the change in unit count, the Trust has reduced its distributions paid and payable on the REIT A Units and subsidiary redeemable units by 50%. The reduction in distributions paid and payable as a result of the Unit Consolidation took effect commencing with the February 2024 distribution paid on March 15, 2024.

Based on the change in unit count, the reduction in distributions paid and payable 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.

The following table summarizes our total distributions paid and payable (a non-GAAP financial measure) for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Total distributions paid and payable on REIT A Units	**$ 4,083**	$ 10,202	**$ 9,522**	$ 21,600
Add: Interest on subsidiary redeemable units	**654**	1,309	**1,526**	2,617
Total distributions paid and payable(1)	**$ 4,737**	$ 11,511	**$ 11,048**	$ 24,217

(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 and six months ended June 30, 2024 was due to the cancellation of REIT A Units under the SIB and NCIB programs in the prior year and the effective reduction in distributions as a result of the Unit Consolidation in the current period.

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 Unit	Total distributions paid or payable on REIT A Units	Interest on subsidiary redeemable units	Total distributions paid or payable
June 17, 2024	June 2024	July 15, 2024	$ 0.08333	$ 1,361	$ 218	$ 1,579
July 22, 2024	July 2024	August 15, 2024	$ 0.08333	$ 1,361	$ 218	$ 1,579

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.

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 and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Net loss for the period	**$ (21,941)**	$ (49,706)	**$ (10,075)**	$ (48,328)
Cash flows generated from operating activities	**17,631**	18,961	**39,030**	34,065
Cash interest paid on debt	**(15,486)**	(13,641)	**(31,024)**	(27,775)
Total distributions paid and payable[(1)] for the period	**(4,737)**	(11,511)	**(11,048)**	(24,217)

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

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Shortfall of net income over total distributions paid and payable [(1)(2)]	**$ (26,678)**	$ (61,217)	**$ (21,123)**	$ (72,545)
Shortfall of cash flows generated from (utilized in) operating activities less cash interest paid on debt over total distributions paid and payable[(2)(3)]	**(2,592)**	(6,191)	**(3,042)**	(17,927)

(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 and six months ended June 30, 2024, total distributions paid and payable exceed net income by $26.7 million and $21.1 million, respectively (for the three and six months ended June 30, 2023 – $61.2 million and $72.5 million, respectively), primarily due to the effect of fair value losses on investment properties that are non-cash in nature.

For the three and six months ended June 30, 2024, total distributions paid and payable exceeded cash flows generated from (utilized in) operating activities less cash interest paid on debt by $2.6 million and $3.0 million, respectively (for the three and six months ended June 30, 2023 – $6.2 million and $17.9 million, respectively) 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 condensed consolidated financial statements, management is of the view that such distributions are operating in nature and could be used to mitigate any shortfalls of cash flows generated from (utilized in) operating activities less interest paid on debt over total distributions paid and payable. For the three and six months ended June 30, 2024, the Trust received distributions from Dream Industrial REIT totalling $2.4 million and $4.7 million, respectively (for the three and six months ended June 30, 2023 – $3.8 million and $8.5 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 our ongoing obligations and future commitments.

The table below reconciles available liquidity to undrawn credit facilities (the most directly comparable financial measure) as at June 30, 2024 and December 31, 2023:

	As at	
	June 30, 2024	December 31, 2023
Cash and cash equivalents	**$ 14,260**	$ 13,273
Undrawn revolving credit facilities	**57,364**	73,394
Undrawn CIB Facility	**86,450**	92,361
Undrawn non-revolving term loan facility	**8,200**	8,200
Available liquidity	**$ 166,274**	$ 187,228

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 subsidiary redeemable units)

One of the components used to determine the Trust's NAV per unit (a non-GAAP ratio) is total equity (including subsidiary redeemable units), a non-GAAP financial measure. Total equity (including subsidiary redeemable units) is calculated as the sum of the equity amount per condensed consolidated financial statements and the subsidiary redeemable units amount. Management believes it is important to include the subsidiary redeemable 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.

On February 22, 2024, the Trust implemented a Unit Consolidation of all the issued and outstanding REIT A Units, REIT B Units and Special Trust Units of the REIT on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. As such, effective January 1, 2024, the Trust has restated its total equity (including subsidiary redeemable units) for comparative periods to conform to the current period presentation.

The table within the section "Our Equity" under the heading "Total equity" reconciles total equity (including subsidiary redeemable 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 subsidiary redeemable units per condensed consolidated financial statements. Because management considers the subsidiary redeemable units to be a component of the Trust's equity, management considers the interest paid on the subsidiary redeemable units to be a component of total distributions paid to unitholders.

The table within the section "Our Equity" under the heading "Distribution policy" reconciles total distributions paid and payable to total distributions paid and payable on REIT A Units (the most directly comparable financial measure) for the three and six months ended June 30, 2024 and June 30, 2023.

NAV per unit

NAV per unit is a non-GAAP ratio calculated as total equity (including subsidiary redeemable units) (a non-GAAP financial measure) divided by the total number of REIT A Units and subsidiary redeemable 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.

As a result of the Unit Consolidation implemented on February 22, 2024, all the issued and outstanding REIT A Units, REIT B Units and Special Trust Units of the REIT were consolidated on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. As such, effective January 1, 2024, the Trust has restated its NAV per unit calculation for comparative periods to conform to the current period presentation.

The table within the section "Our Equity" under the heading "Total equity" reconciles NAV per unit to equity per the condensed consolidated financial statements (the most directly comparable financial measure) as at June 30, 2024 and December 31, 2023.

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 with 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.

As a result of the Unit Consolidation implemented on February 22, 2024, all the issued and outstanding REIT A Units, REIT B Units and Special Trust Units of the REIT were consolidated on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. As such, effective January 1, 2024, the Trust has restated its diluted weighted average number of units and the FFO per unit calculation for comparative periods to conform to the current period presentation.

FFO is reconciled to net income (the most directly comparable financial measure) in the table below for the three and six months ended June 30, 2024 and June 30, 2023. Diluted FFO per unit is a non-GAAP ratio calculated as FFO (a non-GAAP financial measure) divided by the weighted average number of units.

The table below summarizes the components used to calculate diluted FFO per unit for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Net loss for the period	**$ (21,941)**	$ (49,706)	**$ (10,075)**	$ (48,328)
Add (deduct):				
Net loss (income) from investment in Dream Industrial REIT	**(2,391)**	33,725	**(5,445)**	31,292
Share of FFO from investment in Dream Industrial REIT	**3,335**	4,839	**6,603**	11,366
Depreciation and amortization	**3,227**	2,972	**6,265**	5,719
Costs (recoveries) attributable to sale of investment properties	**535**	(3)	**565**	46
Interest expense on subsidiary redeemable units	**654**	1,309	**1,526**	2,617
Fair value adjustments to investment properties	**24,594**	38,866	**41,887**	50,934
Fair value adjustments to investment properties held in joint ventures	**23**	27	**12**	56
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**6,941**	(14,885)	**(12,949)**	(17,875)
Internal leasing costs	**426**	492	**1,000**	887
Principal repayments on finance lease liabilities	**(14)**	(14)	**(28)**	(27)
Deferred income taxes recovery	**(531)**	(115)	**(397)**	(323)
FFO for the period	**$ 14,858**	$ 17,507	**$ 28,964**	$ 36,364
Diluted weighted average number of units(1)	**19,479**	24,941	**19,439**	25,492
Diluted FFO per unit(1)	**$ 0.76**	$ 0.70	**$ 1.49**	$ 1.43

(1) On February 22, 2024, the Trust implemented the Unit Consolidation of all the issued and outstanding REIT Units, Series A, REIT Units, Series B and Special Trust Units of the REIT on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. All unit and per unit amounts disclosed reflect the post-Unit Consolidation units for all periods presented.

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 and six months ended June 30, 2024 and June 30, 2023, the Trust excludes investment properties acquired and properties under development completed after January 1, 2023 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 and six months ended June 30, 2024 and June 30, 2023 in the table below:

	Three months ended		Six months ended		Year ended
	June 30, 2024	June 30, 2023	**June 30, 2024**	June 30, 2023	December 31, 2023
Net loss for the period	**$ (21,941)**	$ (49,706)	**$ (10,075)**	$ (48,328)	$ (77,196)
Add (deduct):					
Interest – debt	**16,096**	13,798	**31,518**	28,124	58,978
Interest – subsidiary redeemable units	**654**	1,309	**1,526**	2,617	5,234
Current and deferred income taxes expense (recovery), net	**(511)**	(115)	**(354)**	(323)	47
Depreciation on property and equipment	**98**	40	**120**	85	162
Fair value adjustments to investment properties	**24,594**	38,866	**41,887**	50,934	96,406
Fair value adjustments to financial instruments	**7,071**	(14,707)	**(12,603)**	(17,542)	(22,509)
Net loss (income) from investment in Dream Industrial REIT	**(2,391)**	33,725	**(5,445)**	31,292	30,674
Distributions earned from Dream Industrial REIT	**2,369**	3,098	**4,738**	7,721	12,459
Share of net loss (income) from investment in joint ventures	**(51)**	(5)	**120**	48	812
Non-cash items included in investment properties revenue(1)	**1,933**	2,713	**4,757**	5,335	10,397
Change in provisions	**53**	336	**103**	(6)	858
Lease termination fees and other	**(480)**	(6)	**(483)**	(179)	(592)
Net losses on transactions and other items	**961**	506	**1,565**	950	1,920
Adjusted EBITDAFV for the period	**$ 28,455**	$ 29,852	**$ 57,374**	$ 60,728	$ 117,650

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

Trailing 12-month adjusted EBITDAFV and trailing 12-month interest expense on debt

Management believes that the trailing 12-month adjusted EBITDAFV and trailing 12-month interest expense on debt, both of which are non-GAAP measures, are important measures in identifying longer-term trends in property operating performance and the cost of the Trust's debt. These non-GAAP measurements do not have standardized meanings and may not be comparable with similar measures presented by other income trusts.

The following tables calculate adjusted EBITDAFV and interest expense on debt for the trailing 12-month period ended June 30, 2024:

	Trailing 12-month period ended June 30, 2024
Adjusted EBITDAFV for the six months ended June 30, 2024	$ 57,374
Add: Adjusted EBITDAFV for the year ended December 31, 2023	117,650
Less: Adjusted EBITDAFV for the six months ended June 30, 2023	(60,728)
Trailing 12-month adjusted EBITDAFV	$ 114,296

	Trailing 12-month period ended June 30, 2024
Interest expense on debt for the six months ended June 30, 2024	$ 31,518
Add: Interest expense on debt for the year ended December 31, 2023	58,978
Less: Interest expense on debt for the six months ended June 30, 2023	(28,124)
Trailing 12-month interest expense on debt	$ 62,372

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 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 June 30, 2024 and December 31, 2023:

	For the trailing 12-month period ended	
	June 30, 2024	December 31, 2023
Trailing 12-month adjusted EBITDAFV	**$ 114,296**	$ 117,650
Trailing 12-month interest expense on debt	**$ 62,372**	$ 58,978
Interest coverage ratio (times)	**1.8**	2.0

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

Management believes that net total debt-to-normalized adjusted EBITDAFV ratio (years), a non-GAAP ratio, is an important measure that assists 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 June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Non-current debt	**$ 1,031,636**	$ 1,254,090
Current debt	**326,214**	85,371
Total debt	**1,357,850**	1,339,461
Less: Cash on hand[(1)]	**(13,180)**	(11,908)
Net total debt	**$ 1,344,670**	$ 1,327,553
Adjusted EBITDAFV[(2)] – quarterly	**28,455**	28,747
Less: NOI of disposed properties for the quarter	**—**	2
Normalized adjusted EBITDAFV – quarterly	**$ 28,455**	$ 28,749
Normalized adjusted EBITDAFV – annualized	**$ 113,820**	$ 114,996
Net total debt-to-normalized adjusted EBITDAFV ratio (years)	**11.8**	11.5

(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 June 30, 2024 and December 31, 2023:

	Amounts included in condensed consolidated financial statements			
		June 30, 2024		December 31, 2023
Non-current debt	**$**	**1,031,636**	$	1,254,090
Current debt		**326,214**		85,371
Total debt		**1,357,850**		1,339,461
Less: Cash on hand[(1)]		**(13,180)**		(11,908)
Net total debt	**$**	**1,344,670**	$	1,327,553
Total assets		**2,656,576**		2,668,330
Less: Cash on hand[(1)]		**(13,180)**		(11,908)
Net total assets	**$**	**2,643,396**	$	2,656,422
Net total debt-to-net total assets		**50.9%**		50.0%

(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 June 30, 2024 and December 31, 2023:

	As at			
		June 30, 2024		December 31, 2023
Investment properties not pledged as security for debt	**$**	**—**	$	14,426
Fair value of unpledged Dream Industrial REIT units[(1)]		**2,442**		2,691
Unencumbered assets	**$**	**2,442**	$	17,117

(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, subsidiary redeemable 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.

As a result of the Unit Consolidation implemented on February 22, 2024, all the issued and outstanding REIT A Units, REIT B Units and Special Trust Units of the REIT were consolidated on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. As such, effective January 1, 2024, the Trust has restated its basic and diluted weighted average number of units for comparative periods to conform to the current period presentation.

QUARTERLY INFORMATION

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

Key portfolio, leasing, financing and other capital information

	2024		2023				2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Portfolio(1)								
Number of properties	**27**	28	28	28	28	28	28	29
GLA (millions of sq. ft.)	**5.1**	5.1	5.1	5.1	5.1	5.1	5.1	5.4
Leasing – total portfolio(2)								
In-place and committed occupancy	**84.3%**	83.5%	84.4%	84.3%	83.9%	84.0%	84.4%	85.7%
In-place occupancy	**79.2%**	79.3%	82.0%	80.8%	80.9%	80.2%	81.0%	81.8%
Tenant retention ratio	**43.6%**	31.0%	85.7%	56.1%	46.1%	44.0%	79.1%	65.7%
Average in-place and committed net rent per square foot (period-end)	**$26.33**	$26.78	$26.35	$25.47	$25.33	$25.13	$24.90	$23.71
Financing								
Weighted average face rate of interest on debt (period-end)(3)	**4.69%**	4.54%	4.53%	4.59%	4.40%	4.24%	4.42%	4.22%
Interest coverage ratio (times)(4)	**1.8**	1.9	2.0	2.1	2.2	2.3	2.5	2.7
Net total debt-to-normalized adjusted EBITDAFV ratio (years)(4)	**11.8**	11.6	11.5	11.6	10.9	10.3	10.4	10.6
Total debt (in billions)	**$1.4**	$1.3	$1.3	$1.3	$1.3	$1.3	$1.4	$1.3
Level of debt (net total debt-to-net total assets)(4)	**50.9%**	50.4%	50.0%	48.8%	48.3%	43.0%	44.6%	42.6%
Capital								
Total number of REIT A Units and subsidiary redeemable units (in millions)(5)(6)	**18.9**	18.9	18.9	18.9	18.9	25.1	25.7	25.8
NAV per unit(4)(6)	**$64.82**	$65.92	$66.31	$68.83	$69.43	$63.00	$62.73	$66.29

(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, properties 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 subsidiary redeemable units includes 2.6 million subsidiary redeemable units, which are classified as a liability under IFRS.

(6) On February 22, 2024, the Trust implemented the Unit Consolidation of all the issued and outstanding REIT Units, Series A, REIT Units, Series B and Special Trust Units of the REIT on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. All unit and per unit amounts disclosed reflect the post-Unit Consolidation units for all periods presented.

Results of operations

(in thousands of Canadian dollars)	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3
Investment properties revenue	**$ 48,683**	$ 48,495	$ 47,675	$ 47,545	$ 47,019	$ 48,209	$ 49,606	$ 48,896
Investment properties operating expenses	**(21,382)**	(23,042)	(21,915)	(22,438)	(21,723)	(22,037)	(22,264)	(22,158)
Net rental income	**27,301**	25,453	25,760	25,107	25,296	26,172	27,342	26,738
Other income (loss)	**2,634**	3,347	380	455	(32,286)	2,850	(1,324)	10,058
Other expenses	**(19,761)**	(18,554)	(19,715)	(19,010)	(18,166)	(18,175)	(18,743)	(17,247)
Fair value adjustments, internal leasing costs and net gains (losses) on transactions	**(32,626)**	1,777	(48,670)	7,195	(24,665)	(9,677)	(89,689)	8,845
Income (loss) before income taxes and discontinued operations	**(22,452)**	12,023	(42,245)	13,747	(49,821)	1,170	(82,414)	28,394
Current and deferred income taxes recovery (expense), net	**511**	(157)	(179)	(191)	115	208	(193)	(350)
Net income (loss) for the period	**(21,941)**	11,866	(42,424)	13,556	(49,706)	1,378	(82,607)	28,044
Other comprehensive income (loss)	**577**	(578)	(1,589)	700	(7,773)	2,064	5,622	6,118
Comprehensive income (loss) for the period	**$ (21,364)**	$ 11,288	$ (44,013)	$ 14,256	$ (57,479)	$ 3,442	$ (76,985)	$ 34,162

Our results of operations may vary significantly from period-to-period as a result of fair value adjustments to investment properties, fair value adjustments to financial instruments, net gains or losses on transactions, and other activities. The decrease in our net rental income between Q3 2022 and Q1 2024 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 of net income (loss) to funds from operations

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

	2024		2023				2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net income (loss) for the period	**$(21,941)**	$ 11,866	$(42,424)	$ 13,556	$(49,706)	$ 1,378	$(82,607)	$ 28,044
Add (deduct):								
Net loss (income) from investment in Dream Industrial REIT	**(2,391)**	(3,054)	(169)	(449)	33,725	(2,433)	1,806	(9,567)
Share of FFO from investment in Dream Industrial REIT	**3,335**	3,268	3,280	3,327	4,839	6,527	6,209	5,914
Depreciation and amortization	**3,227**	3,038	3,711	2,960	2,972	2,747	2,904	2,831
Costs (recovery) attributable to sale of investment properties(1)	**535**	30	157	—	(3)	49	(732)	325
Interest expense on subsidiary redeemable units	**654**	872	1,309	1,308	1,309	1,308	1,309	1,308
Fair value adjustments to investment properties	**24,594**	17,293	28,823	16,649	38,866	12,068	99,142	9,588
Fair value adjustments to investment properties held in joint ventures	**23**	(11)	355	84	27	29	3	33
Fair value adjustments to financial instruments and DUIP included in G&A expenses	**6,941**	(19,890)	18,985	(24,452)	(14,885)	(2,990)	(9,322)	(19,786)
Debt settlement costs due to disposals of investment properties, net	**—**	—	—	—	—	—	—	304
Internal leasing costs	**426**	574	408	405	492	395	383	578
Principal repayments on finance lease liabilities	**(14)**	(14)	(14)	(13)	(14)	(13)	(13)	(13)
Deferred income taxes expense (recovery)	**(531)**	134	167	191	(115)	(208)	228	350
FFO for the period(2)	**$ 14,858**	$ 14,106	$ 14,588	$ 13,566	$ 17,507	$ 18,857	$ 19,310	$ 19,909
Diluted weighted average number of units(3)(4)	**19,479**	19,410	19,359	19,347	24,941	26,091	26,228	26,621
Diluted FFO per unit(4)(5)	**$ 0.76**	$ 0.73	$ 0.75	$ 0.70	$ 0.70	$ 0.72	$ 0.74	$ 0.75

(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) On February 22, 2024, the Trust implemented the Unit Consolidation of all the issued and outstanding REIT Units, Series A, REIT Units, Series B and Special Trust Units of the REIT on the basis of one (1) post-consolidation Unit for every two (2) pre-consolidation Units. All unit and per unit amounts disclosed reflect the post-Unit Consolidation units for all periods presented.

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

SECTION V

DISCLOSURE CONTROLS AND PROCEDURES

As at and for the period ended June 30, 2024, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Trust, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Dream Office REIT is made known to the CEO and CFO in a timely manner and information required to be disclosed by Dream Office REIT is recorded, processed, summarized and reported within the time periods specified in securities legislation, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the condensed consolidated financial statements in accordance with IFRS.

During the six months ended June 30, 2024, there were no changes that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

RISKS AND OUR STRATEGY TO MANAGE

In addition to the specific risks discussed in this MD&A, we are exposed to various risks and uncertainties, many of which are beyond our control and could have an impact on our business, financial condition, operating results and prospects. Unitholders should consider these risks and uncertainties when assessing our outlook in terms of investment potential. For a further discussion of the risks and uncertainties identified by Dream Office REIT, please refer to our 2023 Annual Report and latest 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.

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 then 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 June 30, 2024, current liabilities totalled $426.2 million, exceeding current assets (including assets held for sale) of $35.8 million, resulting in a working capital deficiency of $390.4 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, some 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 $279.4 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.

SECTION VI

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.

CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 1

Effective January 1, 2024, the Trust has adopted amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), relating to the classification of liabilities as current or non-current liabilities. The Trust may be required to settle liabilities relating to subsidiary redeemable units classified as liabilities and fully vested DUIP units on demand by the holders and does not have the right to defer settlement of such liabilities for a period of more than 12 months from the reporting date. As a result, the Trust has classified these liabilities where there is no right to defer settlement as current liabilities. The amendments have been applied retrospectively for all periods presented in accordance with the transitional provisions of IAS 1.

As a result of these amendments, the following reclassifications have been made to the presentation of the current and comparative condensed consolidated balance sheets:

			June 30, 2024
	Before amendments to IAS 1	**Adjustments**	**After amendments to IAS 1**
Liabilities			
NON-CURRENT LIABILITIES			
Subsidiary redeemable units	$ 47,339	$ (47,339)	$ —
Deferred Unit Incentive Plan	7,657	(7,657)	—
Other non-current and derivative liabilities	13,297	2,826	16,123
	68,293	(52,170)	16,123
CURRENT LIABILITIES			
Subsidiary redeemable units	—	47,339	47,339
Amounts payable and accrued liabilities	47,778	4,831	52,609
	47,778	52,170	99,948
Total	$ 116,071	$ —	$ 116,071

	December 31, 2023			January 1, 2023		
	Previously reported	Adjustments	Restated	Previously reported	Adjustments	Restated
Liabilities						
NON-CURRENT LIABILITIES						
Subsidiary redeemable units	$ 54,850	$ (54,850)	$ —	$ 78,193	$ (78,193)	$ —
Deferred Unit Incentive Plan	7,932	(7,932)	—	15,103	(15,103)	—
Other non-current and derivative liabilities	15,120	2,894	18,014	11,018	3,675	14,693
	77,902	(59,888)	18,014	104,314	(89,621)	14,693
CURRENT LIABILITIES						
Subsidiary redeemable units	—	54,850	54,850	—	78,193	78,193
Amounts payable and accrued liabilities	48,695	5,038	53,733	55,680	11,428	67,108
	48,695	59,888	108,583	55,680	89,621	145,301
Total	$ 126,597	$ —	$ 126,597	$ 159,994	$ —	$ 159,994

There is no impact on the measurement or recognition of any item in the Trust's condensed consolidated financial statements, debt covenants based on the terms and definitions of the covenant calculations and debt agreements, liquidity risks, non-GAAP financial measures, non-GAAP ratios or supplementary financial measures, and there is no change to the consolidated statements of comprehensive income, condensed consolidated statements of changes in equity, and condensed consolidated statements of cash flows.

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 VII

ASSET LISTING

The following table includes supplementary information on our portfolio as at June 30, 2024:

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%	663	56	10	5.9	81.2%
30 Adelaide Street East, Toronto	100.0%	414	11	38	5.5	99.9%
438 University Avenue, Toronto	100.0%	323	14	21	5.1	93.1%
655 Bay Street, Toronto	100.0%	308	19	16	6.8	99.3%
74 Victoria Street/137 Yonge Street, Toronto	100.0%	266	6	44	1.5	100.0%
36 Toronto Street, Toronto	100.0%	214	29	5	4.2	68.8%
330 Bay Street, Toronto	100.0%	165	33	4	5.0	78.5%
20 Toronto Street/33 Victoria Street, Toronto	100.0%	159	14	11	5.9	97.9%
250 Dundas Street West, Toronto	100.0%	121	19	5	3.1	77.7%
80 Richmond Street West, Toronto	100.0%	102	25	3	4.9	65.2%
425 Bloor Street East, Toronto(1)	100.0%	83	6	13	6.8	96.2%
212 King Street West, Toronto	100.0%	73	8	8	2.3	91.5%
357 Bay Street, Toronto	100.0%	65	1	65	11.3	100.0%
360 Bay Street, Toronto	100.0%	58	8	4	3.7	59.9%
350 Bay Street, Toronto	100.0%	53	7	4	5.4	58.5%
56 Temperance Street, Toronto	100.0%	33	8	4	4.7	100.0%
6 Adelaide Street East, Toronto	100.0%	55	10	4	4.0	69.9%
Toronto downtown		**3,155**	**274**	**10**	**5.2**	**87.7%**
2200–2206 Eglinton Avenue East & 1020 Birchmount Road, Scarborough	100.0%	442	14	22	5.0	68.6%
50 & 90 Burnhamthorpe Road West, Mississauga (Sussex Centre)(2)	49.9%	327	58	9	4.7	77.8%
444 – 7th Avenue SW, Calgary	100.0%	261	10	23	3.7	89.6%
Vendasta Square, Saskatoon	100.0%	229	8	17	8.6	58.5%
Co-operators Place, Regina	100.0%	206	4	43	12.0	83.0%
12800 Foster Street, Overland Park, Kansas, U.S.	100.0%	185	1	185	1.4	100.0%
606 – 4th Building & Barclay Parkade, Calgary	100.0%	126	11	10	2.7	83.2%
Kensington House, Calgary	100.0%	77	17	4	4.0	91.7%
Other markets		**1,853**	**123**	**14**	**5.2**	**78.6%**
Total portfolio		**5,008**	**397**	**11**	**5.2**	**84.3%**
67 Richmond Street West, Toronto(3)	100.0%	51	2	6	9.1	23.7%
366 Bay Street, Toronto(4)	100.0%	40	1	40	15.0	100.0%
Total properties under development		**91**	**3**	**17**	**13.6**	**57.1%**
234 – 1st Avenue South, Saskatoon(5)	100.0%	10	2	3	1.2	53.0%
Total properties held for sale		**10**	**2**	**3**	**1.2**	**53.0%**
Total portfolio including properties under development and held for sale		**5,109**	**402**	**11**	**5.3**	**83.8%**
220 King Street West, Toronto(6)	50.0%	11	6	4	1.3	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) This property was reclassified from Other markets to properties held for sale on June 30, 2024.

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

Condensed consolidated balance sheets

(unaudited)
(in thousands of Canadian dollars)

	Note		June 30, 2024		December 31, 2023 (Note 2)		January 1, 2023 (Note 2)
Assets							
NON-CURRENT ASSETS							
Investment properties	3	**$**	**2,318,974**	$	2,342,374	$	2,382,883
Investment in Dream Industrial REIT	4		**226,552**		224,888		451,476
Investments in joint ventures			**27,354**		31,987		28,150
Other non-current and derivative assets	5		**47,904**		45,460		44,327
			2,620,784		2,644,709		2,906,836
CURRENT ASSETS							
Amounts receivable			**7,186**		5,913		12,265
Prepaid expenses and other assets			**5,746**		4,435		4,806
Cash and cash equivalents			**14,260**		13,273		8,018
			27,192		23,621		25,089
Asset held for sale	12		**8,600**		—		135,000
Total assets		**$**	**2,656,576**	$	2,668,330	$	3,066,925
Liabilities							
NON-CURRENT LIABILITIES							
Debt	6	**$**	**1,031,636**	$	1,254,090	$	1,106,816
Deferred tax liabilities, net			**1,635**		1,961		1,974
Other non-current and derivative liabilities	7		**16,123**		18,014		14,693
			1,049,394		1,274,065		1,123,483
CURRENT LIABILITIES							
Debt	6		**326,214**		85,371		265,967
Subsidiary redeemable units			**47,339**		54,850		78,193
Amounts payable and accrued liabilities	8		**52,609**		53,733		67,108
			426,162		193,954		411,268
Total liabilities			**1,475,556**		1,468,019		1,534,751
Equity							
Unitholders' equity			**1,837,445**		1,837,138		1,842,010
Deficit			**(661,759)**		(642,162)		(321,769)
Accumulated other comprehensive income			**5,334**		5,335		11,933
Total equity			**1,181,020**		1,200,311		1,532,174
Total liabilities and equity		**$**	**2,656,576**	$	2,668,330	$	3,066,925

See accompanying notes to the condensed consolidated financial statements.

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

"Qi Tang"	***"Michael J. Cooper"***
QI TANG	**MICHAEL J. COOPER**
Trustee	Trustee

Condensed consolidated statements of comprehensive loss

(unaudited)
(in thousands of Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2024**	2023	**2024**	2023
Investment properties revenue	9	**$ 48,683**	$ 47,019	**$ 97,178**	$ 95,228
Investment properties operating expenses		**(21,382)**	(21,723)	**(44,424)**	(43,760)
Net rental income		**27,301**	25,296	**52,754**	51,468
Other income (loss)					
Net income (loss) from investment in Dream Industrial REIT	4	**2,391**	(33,725)	**5,445**	(31,292)
Share of net income (loss) from investment in joint ventures		**51**	5	**(120)**	(48)
Interest and other income		**192**	1,434	**656**	1,904
		2,634	(32,286)	**5,981**	(29,436)
Other expenses					
General and administrative		**(2,913)**	(3,019)	**(5,151)**	(5,515)
Interest:					
Debt		**(16,096)**	(13,798)	**(31,518)**	(28,124)
Subsidiary redeemable units		**(654)**	(1,309)	**(1,526)**	(2,617)
Depreciation on property and equipment		**(98)**	(40)	**(120)**	(85)
		(19,761)	(18,166)	**(38,315)**	(36,341)
Fair value adjustments, leasing costs and net losses on transactions					
Fair value adjustments to investment properties		**(24,594)**	(38,866)	**(41,887)**	(50,934)
Fair value adjustments to financial instruments	10	**(7,071)**	14,707	**12,603**	17,542
Internal leasing costs and net losses on transactions	11	**(961)**	(506)	**(1,565)**	(950)
		(32,626)	(24,665)	**(30,849)**	(34,342)
Loss before income taxes		**(22,452)**	(49,821)	**(10,429)**	(48,651)
Current and deferred income taxes recovery, net		**511**	115	**354**	323
Net loss		**(21,941)**	(49,706)	**(10,075)**	(48,328)
Other comprehensive income (loss)					
Items that will be reclassified subsequently to net income (loss):					
Amortization of historical interest rate fixing arrangement		**10**	10	**19**	19
Unrealized gain (loss) on foreign currency translation		**466**	(1,029)	**1,640**	(1,062)
Other comprehensive income (loss) from investment in Dream Industrial REIT	4	**113**	(6,759)	**957**	(4,295)
Items that will not be reclassified subsequently to net income (loss):					
Share of other comprehensive income (loss) from investment in joint ventures		**(12)**	5	**(2,617)**	(371)
Other comprehensive income (loss)		**577**	(7,773)	**(1)**	(5,709)
Comprehensive loss		**$ (21,364)**	$ (57,479)	**$ (10,076)**	$ (54,037)

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of changes in equity

(unaudited)
(all dollar amounts in thousands of Canadian dollars)

			Attributable to unitholders of the Trust							
Six months ended June 30, 2024	Note	**Number of REIT A Units (Note 2)**		**Unitholders' equity**		**Deficit**		**Accumulated other comprehensive income**		**Total equity**
Balance at January 1, 2024		**16,313,022**	**$**	**1,837,138**	**$**	**(642,162)**	**$**	**5,335**	**$**	**1,200,311**
Net loss for the period		**—**		**—**		**(10,075)**		**—**		**(10,075)**
Distributions paid and payable	13	**—**		**—**		**(9,522)**		**—**		**(9,522)**
Deferred trust units exchanged for REIT A Units		**19,541**		**312**		**—**		**—**		**312**
Unit cancellation costs		**—**		**(5)**		**—**		**—**		**(5)**
Other comprehensive loss		**—**		**—**		**—**		**(1)**		**(1)**
Balance at June 30, 2024		**16,332,563**	**$**	**1,837,445**	**$**	**(661,759)**	**$**	**5,334**	**$**	**1,181,020**

			Attributable to unitholders of the Trust							
Six months ended June 30, 2023	Note	Number of REIT A Units (Note 2)		Unitholders' equity		Deficit		Accumulated other comprehensive income		Total equity
Balance at January 1, 2023		23,055,101	$	1,842,010	$	(321,769)	$	11,933	$	1,532,174
Net loss for the period		—		—		(48,328)		—		(48,328)
Distributions paid and payable	13	—		—		(21,600)		—		(21,600)
Deferred trust units exchanged for REIT A Units		233,613		6,354		—		—		6,354
Cancellation of REIT A Units under NCIB		(727,306)		(22,216)		—		—		(22,216)
Cancellation of REIT A Units under SIB		(6,250,000)		(193,750)		—		—		(193,750)
Unit cancellation costs		—		(479)		—		—		(479)
Special distribution		—		—		(205,285)		—		(205,285)
Issuance of REIT A Units pursuant to special distribution		6,850,805		205,250		—		—		205,250
Consolidation of REIT A Units issued pursuant to special distribution		(6,850,805)		—		—		—		—
Other comprehensive loss		—		—		—		(5,709)		(5,709)
Balance at June 30, 2023		16,311,408	$	1,837,169	$	(596,982)	$	6,224	$	1,246,411

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of cash flows

(unaudited)
(in thousands of Canadian dollars)

	Note	Three months ended June 30, **2024**	Three months ended June 30, 2023	Six months ended June 30, **2024**	Six months ended June 30, 2023
Generated from (utilized in) operating activities					
Net income (loss) for the period		**$ (21,941)**	$ (49,706)	**$ (10,075)**	$ (48,328)
Non-cash items:					
Net income (loss) from investment in Dream Industrial REIT	4	**(2,391)**	33,725	**(5,445)**	31,292
Fair value adjustments to investment properties	3	**24,594**	38,866	**41,887**	50,934
Fair value adjustments to financial instruments	10	**7,071**	(14,707)	**(12,603)**	(17,542)
Amortization and depreciation	14	**3,241**	2,983	**6,288**	5,743
Other adjustments	14	**(263)**	372	**362**	474
Interest expense on debt		**16,096**	13,798	**31,518**	28,124
Interest expense on subsidiary redeemable units		**654**	1,309	**1,526**	2,617
Change in non-cash working capital	14	**333**	3,400	**1,361**	2,094
Investment in lease incentives and initial direct leasing costs		**(9,763)**	(11,079)	**(15,789)**	(21,343)
		17,631	18,961	**39,030**	34,065
Generated from (utilized in) investing activities					
Investment in building improvements		**(7,686)**	(6,283)	**(13,292)**	(12,576)
Investment in properties under development		**(2,555)**	(1,726)	**(5,086)**	(3,758)
Contributions to joint ventures		**—**	—	**(218)**	—
Distributions from joint ventures		**2,114**	—	**2,114**	—
Distributions from investment in Dream Industrial REIT		**2,369**	3,827	**4,738**	8,483
Net cash proceeds from sale of Dream Industrial REIT units		**—**	170,105	**—**	178,405
Net proceeds from disposal of investment properties		**(7)**	3	**(64)**	134,704
Advances on loan facility		**—**	(1,096)	**(475)**	(1,096)
		(5,765)	164,830	**(12,283)**	304,162
Generated from (utilized in) financing activities					
Borrowings	6	**39,596**	139,811	**53,236**	177,542
Scheduled principal repayments	6	**(3,504)**	(4,354)	**(7,009)**	(8,678)
Lump sum repayments	6	**(27,563)**	(93,923)	**(28,200)**	(232,726)
Financing cost additions	6	**(365)**	(271)	**(365)**	(416)
Interest paid on debt		**(15,486)**	(13,641)	**(31,024)**	(27,775)
Interest paid on subsidiary redeemable units		**(654)**	(1,309)	**(1,744)**	(2,617)
Distributions paid on REIT A Units	13	**(4,083)**	(11,271)	**(10,880)**	(22,759)
Cancellation of REIT A Units under NCIB and unit transaction costs		**—**	(4,685)	**(5)**	(22,231)
Cancellation of REIT A Units under the SIB including transaction costs		**—**	(194,214)	**—**	(194,214)
Principal repayments on finance lease liabilities		**(14)**	(14)	**(28)**	(27)
		(12,073)	(183,871)	**(26,019)**	(333,901)
Change in cash and cash equivalents		**(207)**	(80)	**728**	4,326
Foreign exchange gain (loss) on cash held in foreign currency		**75**	(104)	**259**	(108)
Cash and cash equivalents, beginning of period		**14,392**	12,420	**13,273**	8,018
Cash and cash equivalents, end of period		**$ 14,260**	$ 12,236	**$ 14,260**	$ 12,236

See accompanying notes to the condensed 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 condensed 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 condensed consolidated financial statements for the three and six months ended June 30, 2024 were authorized for issuance by the Board of Trustees on August 9, 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 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The condensed consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and International Accounting Standard ("IAS") 34, "Interim financial reporting". Accordingly, certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS Accounting Standards have been omitted or condensed. The condensed consolidated financial statements should be read in conjunction with the Trust's annual consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards.

Effective February 22, 2024, the Trust completed a 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"). Upon completion of the Unit Consolidation, the number of REIT A Units as of February 22, 2024 was consolidated from 32,626,435 to 16,313,022. There were no REIT B Units outstanding.

The general partner of Dream Office LP also took 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 February 22, 2024 ("the effective date"). As a result, the subsidiary redeemable units were also consolidated on the basis of one (1) post-consolidation subsidiary redeemable unit for every two (2) pre-consolidation subsidiary redeemable units on the effective date. Upon completion of the Unit Consolidation, the number of subsidiary redeemable units as of February 22, 2024 was consolidated from 5,233,823 to 2,616,911.

All unit, per unit and unit-related amounts disclosed herein reflect the post-Unit Consolidation units for all periods presented, unless otherwise noted.

Accounting policies

The condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the Trust's annual consolidated financial statements for the year ended December 31, 2023 except as described below.

Amendments to IAS 1

Effective January 1, 2024, the Trust has adopted amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), relating to the classification of liabilities as current or non-current liabilities. The Trust may be required to settle liabilities relating to subsidiary redeemable units classified as liabilities and fully vested Deferred Unit Incentive Plan ("DUIP") units on demand by the holders and does not have the right to defer settlement of such liabilities for a period of more than 12 months from the reporting date. As a result, the Trust has classified these liabilities where there is no right to defer settlement as current liabilities. Deferred trust units and income deferred units are usually settled in REIT A Units. The amendments have been applied retrospectively for all periods presented in accordance with the transitional provisions of IAS 1.

As a result of these amendments, the following reclassifications have been made to the presentation of the current and comparative condensed consolidated balance sheets:

			June 30, 2024
	Before amendments to IAS 1	**Adjustments**	**After amendments to IAS 1**
Liabilities			
NON-CURRENT LIABILITIES			
Subsidiary redeemable units	**$ 47,339**	**$ (47,339)**	**$ —**
Deferred Unit Incentive Plan	**7,657**	**(7,657)**	**—**
Other non-current and derivative liabilities (Note 7)	**13,297**	**2,826**	**16,123**
	68,293	**(52,170)**	**16,123**
CURRENT LIABILITIES			
Subsidiary redeemable units	**—**	**47,339**	**47,339**
Amounts payable and accrued liabilities (Note 8)	**47,778**	**4,831**	**52,609**
	47,778	**52,170**	**99,948**
Total	**$ 116,071**	**$ —**	**$ 116,071**

			December 31, 2023			January 1, 2023
	Previously reported	Adjustments	Restated	Previously reported	Adjustments	Restated
Liabilities						
NON-CURRENT LIABILITIES						
Subsidiary redeemable units	$ 54,850	$ (54,850)	$ —	$ 78,193	$ (78,193)	$ —
Deferred Unit Incentive Plan	7,932	(7,932)	—	15,103	(15,103)	—
Other non-current and derivative liabilities (Note 7)	15,120	2,894	18,014	11,018	3,675	14,693
	77,902	(59,888)	18,014	104,314	(89,621)	14,693
CURRENT LIABILITIES						
Subsidiary redeemable units	—	54,850	54,850	—	78,193	78,193
Amounts payable and accrued liabilities (Note 8)	48,695	5,038	53,733	55,680	11,428	67,108
	48,695	59,888	108,583	55,680	89,621	145,301
Total	$ 126,597	$ —	$ 126,597	$ 159,994	$ —	$ 159,994

There is no impact on the measurement or recognition of any item in the Trust's condensed consolidated financial statements, debt covenants based on the terms and definitions of the covenant calculations and debt agreements, or liquidity risks, and there is no change to the consolidated statements of comprehensive income, condensed consolidated statements of changes in equity, and condensed consolidated statements of cash flows.

Critical accounting judgments, estimates and assumptions in applying accounting policies

Preparing the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that might require a material adjustment to the carrying amount of the affected asset or liability in the future. Management has applied the same methodologies in making critical accounting judgments, estimates and assumptions as disclosed in the Trust's annual consolidated financial statements for the year ended December 31, 2023.

Note 3

INVESTMENT PROPERTIES

		Six months ended June 30, 2024			Year ended December 31, 2023		
	Note	**Active properties**	**Properties under development**	**Investment properties**	Active properties	Properties under development	Investment properties
Balance, beginning of period		**$ 2,278,070**	**$ 64,304**	**$ 2,342,374**	$ 2,318,074	$ 64,809	$ 2,382,883
Additions:							
Building improvements		**14,052**	**4,726**	**18,778**	24,751	7,272	32,023
Lease incentives and initial direct leasing costs		**7,941**	**3,733**	**11,674**	31,973	3,308	35,281
Capitalized interest		**—**	**493**	**493**	—	680	680
Total additions to investment properties		**21,993**	**8,952**	**30,945**	56,724	11,260	67,984
Transfers, dispositions, assets classified as held for sale and other:							
Investment properties classified as held for sale during the period	12	**(8,600)**	**—**	**(8,600)**	—	—	—
Total transferred, disposed, classified as held for sale and other		**(8,600)**	**—**	**(8,600)**	—	—	—
Changes included in net income:							
Fair value adjustments to investment properties		**(35,757)**	**(6,130)**	**(41,887)**	(84,515)	(11,741)	(96,256)
Change in straight-line rent		**819**	**9**	**828**	1,111	(13)	1,098
Amortization and write-off of lease incentives		**(5,986)**	**(182)**	**(6,168)**	(12,261)	(11)	(12,272)
Total changes included in net income		**(40,924)**	**(6,303)**	**(47,227)**	(95,665)	(11,765)	(107,430)
Change included in other comprehensive income:							
Foreign currency translation		**1,482**	**—**	**1,482**	(1,063)	—	(1,063)
Total change included in other comprehensive income (loss)		**1,482**	**—**	**1,482**	(1,063)	—	(1,063)
Balance, end of period		**$ 2,252,021**	**$ 66,953**	**$ 2,318,974**	$ 2,278,070	$ 64,304	$ 2,342,374
Change in unrealized income included in net income (loss) for the period							
Unrealized change in fair value of investment properties		**$ (35,757)**	**$ (6,130)**	**$ (41,887)**	$ (84,515)	$ (11,741)	$ (96,256)

Investment properties include $14,785 (December 31, 2023 – $13,957) related to straight-line rent receivables.

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the six months ended June 30, 2024 and year ended December 31, 2023 by fair values:

	Six months ended June 30, 2024	Year ended December 31, 2023
Investment properties valued by qualified external valuation professionals	**$ 375,066**	$ 694,239
Number of investment properties valued by qualified external valuation professionals	**5**	4
Percentage of the total investment properties valued by qualified external valuation professionals	**16%**	30%

Fair value adjustments to investment properties

When performing fair value assessments for its investment properties, the Trust incorporates a number of factors, including recent market transactions, recent leasing activity, market vacancy, leasing costs and other information obtained from market research and recently completed leases. The fair value of the investment properties as at June 30, 2024 and December 31, 2023 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 if there are 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 June 30, 2024, the Trust valued 21 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, 2023 – 22 properties were valued using the cap rate method, three properties using the discounted cash flow method, two properties using the direct comparison approach and one property valued using the scenario-weighted discounted cash flow model). The Trust continues to apply 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 and 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 June 30, 2024 and December 31, 2023 are set out below:

	June 30, 2024		December 31, 2023	
	Range (%)	**Weighted average cap rates (%)**	Range (%)	Weighted average cap rates (%)
Toronto downtown	**5.25–6.25**	**5.38**	5.13–6.25	5.38
Other markets	**7.25–9.00**	**7.90**	7.25–8.75	7.83
Total portfolio	**5.25–9.00**	**5.74**	5.13–8.75	5.75

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 a property held for sale, 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 June 30, 2024:

	Impact of change to weighted average cap rates					
	+100 bps	+50 bps	+25 bps	–25 bps	–50 bps	–100 bps
Increase (decrease) in value	$ (302,060)	$ (163,490)	$ (85,240)	$ 93,300	$ 195,870	$ 435,000

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

As at June 30, 2024 and 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.

The critical valuation metrics as at June 30, 2024 and December 31, 2023 are set out below:

	June 30, 2024		December 31, 2023	
	Range	Weighted average	Range	Weighted average
Discount rates (%)	**5.75–6.50**	**6.15**	5.75–6.50	6.15
Terminal cap rates (%)	**4.25–5.50**	**4.89**	4.25–5.50	4.88
Market rental rates (in dollars per square foot)[1]	**$ 35.00–47.00**	**$ 43.22**	$ 35.00–47.00	$ 42.02

(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 June 30, 2024, leasing cost assumptions for new and renewed leasing were within the range of $4.00 to $14.00 per square foot per year (December 31, 2023 – $2.00 to $14.00 per square foot per year). The assumptions for leasing costs for renewed leasing as at June 30, 2024 exclude 366 Bay Street in Toronto as there is a committed 15-year lease at the property.

Sensitivities on assumptions

Generally, an increase in market rents will result in an increase to the fair value of an investment property. An increase in the terminal cap rate or discount rate will result in a decrease to the fair value of an investment property. The terminal cap and discount rates magnify the effect of a change in market rents, with lower rates resulting in a greater impact on the fair value of an investment property than a higher rate. An increase in leasing costs per square foot will result in a decrease in the fair value of an investment property.

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 June 30, 2024.

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	59,096	85,140	98,903	113,184	128,005	143,385	175,911
–50 bps	2,714	25,158	37,028	49,352	62,146	75,430	103,542
–25 bps	(20,397)	576	11,672	23,195	35,161	47,588	73,896
Weighted average (4.89%)	(40,893)	(21,224)	(10,814)	—	11,233	22,901	47,611
+25 bps	(59,198)	(40,692)	(30,893)	(20,711)	(10,133)	859	24,144
+50 bps	(75,647)	(58,184)	(48,934)	(39,321)	(29,329)	(18,945)	3,062
+100 bps	(104,007)	(88,342)	(80,036)	(71,400)	(62,419)	(53,081)	(33,275)

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 June 30, 2024.

	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	$ 4,287	$ (4,280)	$ (639)	$ 641

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 4

INVESTMENT IN DREAM INDUSTRIAL REIT

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

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of period	**$ 224,888**	$ 451,476
Share of income	**5,816**	11,292
Share of other comprehensive income (loss)	**957**	(960)
Dilution loss	**(371)**	(734)
Distributions earned	**(4,738)**	(12,459)
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 period	**$ 226,552**	$ 224,888
Dream Industrial REIT units held, end of period	**192,735**	192,735
Dream Industrial LP Class B limited partnership units held, end of period[(1)(2)]	**13,346,572**	13,346,572
Total units held, end of period	**13,539,307**	13,539,307
Ownership as a percentage of total units outstanding, end of period	**4.7%**	4.7%

(1) 1,430,000 Dream Industrial LP Class B limited partnership units are pledged as security for the $10,000 revolving credit facility as at June 30, 2024 and December 31, 2023.

(2) 11,916,572 Dream Industrial LP Class B limited partnership units are pledged as security for the $375,000 revolving credit facility as at June 30, 2024 and December 31, 2023.

The table below reconciles the components of net income from investment in Dream Industrial REIT for the three and six months ended June 30, 2024 and June 30, 2023.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Share of income	**$ 2,680**	$ 5,181	**$ 5,816**	$ 9,171
Dilution gain (loss)	**(289)**	1,009	**(371)**	769
Loss on the sale of Dream Industrial REIT units	**—**	(43,710)	**—**	(45,027)
Transaction costs on the sale of Dream Industrial REIT units	**—**	(295)	**—**	(295)
Reclassification of accumulated other comprehensive income to net income (loss) from sale of units	**—**	4,090	**—**	4,090
Net income (loss) from investment in Dream Industrial REIT	**$ 2,391**	$ (33,725)	**$ 5,445**	$ (31,292)

The fair value of the Trust's interest in Dream Industrial REIT of $171,543 (December 31, 2023 – $189,009) was determined using the Dream Industrial REIT closing unit price of $12.67 per unit (December 31, 2023 – $13.96 per unit) at period-end multiplied by the number of units held by the Trust as at June 30, 2024.

Note 5

OTHER NON-CURRENT AND DERIVATIVE ASSETS

	June 30, 2024	December 31, 2023	January 1, 2023
VTB mortgage receivable	**$ 45,105**	$ 44,630	$ 43,172
Derivative assets	**2,751**	662	835
Property and equipment, net of accumulated depreciation of $9,518 (December 31, 2023 – $9,397; January 1, 2023 – $9,236)	**1**	121	281
Deposits	**47**	47	39
Total	**$ 47,904**	$ 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. The VTB mortgage and loan facility bear interest at 2.5%, mature on July 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 June 30, 2024, the Trust had funded $11,005 (December 31, 2023 – $10,530) 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 6

DEBT

	June 30, 2024	December 31, 2023	January 1, 2023
Mortgages[(1)(2)]	**$ 1,032,341**	$ 1,038,993	$ 1,053,998
Credit facilities[(2)(3)(4)]	**325,509**	300,468	318,785
Total debt	**1,357,850**	1,339,461	1,372,783
Less: Current portion	**(326,214)**	(85,371)	(265,967)
Non-current debt	**$ 1,031,636**	$ 1,254,090	$ 1,106,816

(1) Net of financing costs of $2,988 (December 31, 2023 – $3,117, January 1, 2023 – $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 $674 (December 31, 2023 – $907, January 1, 2023 – $911).

Continuity of debt

The following tables provide a continuity of debt for the six months ended June 30, 2024 and year ended December 31, 2023:

	Six months ended June 30, 2024		
	Mortgages	**Credit facilities**	**Total**
Balance as at January 1, 2024	**$ 1,038,993**	**$ 300,468**	**$ 1,339,461**
Cash items:			
Borrowings	**26,325**	**26,911**	**53,236**
Scheduled principal repayments	**(7,009)**	**—**	**(7,009)**
Lump sum repayments	**(26,097)**	**(2,103)**	**(28,200)**
Financing costs additions	**(365)**	**—**	**(365)**
Non-cash items:			
Amortization of financing costs	**494**	**233**	**727**
Balance as at June 30, 2024	**$ 1,032,341**	**$ 325,509**	**$ 1,357,850**

	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

Mortgage refinancing

In Q1 2024, the Trust secured a one-year extension for a $30,000 interest-only mortgage maturing April 1, 2025, secured by a property in Toronto, Ontario, bearing variable interest at the unadjusted three-month Canadian Overnight Repo Rate Average ("CORRA") plus 2.921%.

On May 31, 2024, the Trust refinanced a $26,097 mortgage secured by a property in Calgary. The refinanced mortgage totals $26,325 with a new maturity date of May 31, 2027, bearing fixed interest at 6.65%.

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 April 30, 2024, the Trust amended and extended its $10,000 revolving credit facility to a new maturity date of March 31, 2027. The amended facility bears interest at the unadjusted one-month term CORRA plus 2.895% or at the bank's prime rate plus 0.950%.

The amounts available and drawn under the credit facilities as at June 30, 2024 and December 31, 2023 are summarized in the tables below:

							June 30, 2024
Facility	Maturity date	Interest rates on drawings(6)	**Face interest rate(7)**	**Borrowing capacity**	**Drawings**	**Letters of credit**	**Amount available**
Formula-based maximum not to exceed $375,000(1)	September 30, 2025	CORRA + 1.945% or prime + 0.650%	**5.84%**	**$ 336,120**	**$ (299,763)**	**$ (1,232)**	**$ 35,125**
Formula-based maximum not to exceed $10,000(2)	March 31, 2027	CORRA + 2.895% or prime + 0.950%	**n/a**	**8,773**	**—**	**—**	**8,773**
Formula-based maximum not to exceed $20,000(3)	Due on demand	Prime + 0.50%	**n/a**	**13,466**	**—**	**—**	**13,466**
Canada Infrastructure Bank credit facility	March 31, 2027(4)	2.15%	**2.15%**	**112,870**	**(26,420)**	**—**	**86,450**
Non-revolving term loan facility(5)	November 30, 2028	6.75%	**6.75%**	**8,200**	**—**	**—**	**8,200**
			5.54%	**$ 479,429**	**$ (326,183)**	**$ (1,232)**	**$ 152,014**

(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) The maturity date of the Canada Infrastructure Bank credit facility represents the non-revolving availability period. Subsequent to the availability period, this non-revolving credit facility will convert to a 20-year amortizing term credit facility. The Canada Infrastructure Bank credit facility may be used solely for the purpose of commercial property retrofits to achieve certain energy efficiency savings and GHG emission reductions.

(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) CORRA borrowing pricing is based on the unadjusted one-month term CORRA tenor.

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

n/a – not applicable

							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) The maturity date of the Canada Infrastructure Bank credit facility represents the non-revolving availability period. Subsequent to the availability period, this non-revolving credit facility will convert to a 20-year amortizing term credit facility. The Canada Infrastructure Bank credit facility may be used solely for the purpose of commercial property retrofits to achieve certain energy efficiency savings and GHG emission reductions.

(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

Discontinuation of CDOR

On June 28 2024, the Canadian Dollar Offered Rate ("CDOR"), the index used to price bankers' acceptances ("BA"), was discontinued. The Canadian Overnight Repo Rate Average ("CORRA") has been introduced to replace the prior index to enhance the reliability and transparency of borrowing rates. Consequently, substantially all of the Trust's financial instruments which previously referenced CDOR have been amended to reference CORRA. In addition, the Trust's CDOR-indexed interest rate swaps have been amended from CDOR to CORRA. As CORRA is a risk-free rate, CORRA reference rates are lower than historical BA averages, and so the pricing spreads over the reference rate have increased in order to maintain parity with pricing of the borrowings under CDOR.

Financial covenants

The Trust's debt agreements contain a number of covenants with which the Trust must comply. The Trust's $375,000 credit facility sets out three main financial covenants which are tested quarterly following each reporting date. These covenants are:

- Debt Service Coverage Ratio – the Trust is required to maintain a minimum specified ratio of EBITDA, as defined in the agreement, to total interest and principal payments required under the Trust's consolidated debt obligations.
- Tangible Net Worth – the Trust is required to maintain a minimum amount of equity, as defined in the agreement.
- Debt to Assets – the Trust is required to maintain a maximum specified ratio of its total debt obligations and its total assets, each as defined in the agreement.

The majority of the Trust's remaining debt with covenants references, or is consistent with, these corporate covenants in the respective agreements. However, certain of the Trust's mortgage debts also contain interest coverage tests which require the Trust to maintain a specified minimum ratio between property net operating income, as defined in the agreement, and the interest on the debts secured by the property. These interest coverage ratios are generally tested annually based on the results up to the reporting date prior to the covenant test.

Should the Trust fail a property-level covenant test, the Trust generally has cure mechanisms in the related debt agreements that allow the Trust to post a letter of credit or other collateral in order to bring the Trust in compliance with the covenant test. As a result, a failure to meet a covenant test would not immediately constitute an event of default.

There have been no breaches of the Trust's financial covenants.

The carrying amount of the Trust's debt subject to periodic compliance with financial covenants as at June 30, 2024 is $1,021,425.

Note 7

OTHER NON-CURRENT AND DERIVATIVE LIABILITIES

	June 30, 2024	December 31, 2023	January 1, 2023
Deferred Unit Incentive Plan	**$ 2,826**	$ 2,894	$ 3,675
Tenant security deposits	**8,148**	7,804	6,928
Finance lease liabilities	**3,974**	4,003	4,057
Derivative liabilities	**1,175**	3,313	33
Total	**$ 16,123**	$ 18,014	$ 14,693

Note 8

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note		June 30, 2024		December 31, 2023		January 1, 2023
Trade payables		**$**	**4,357**	$	4,113	$	5,150
Building improvement and leasing cost accruals			**11,644**		14,866		14,558
Investment properties operating expense accruals			**20,735**		19,768		22,291
Non-operating expense and other accruals			**946**		913		3,953
Accrued interest			**4,813**		4,749		3,228
Rent received in advance			**3,922**		1,567		2,658
Deferred Unit Incentive Plan[(1)]			**4,831**		5,038		11,428
Distributions payable	13		**1,361**		2,719		3,842
Total		**$**	**52,609**	$	53,733	$	67,108

(1) Current portion of Deferred Unit Incentive Plan comprises vested but not yet issued units under the Deferred Unit Incentive Plan.

Note 9

INVESTMENT PROPERTIES REVENUE

	Three months ended June 30,				Six months ended June 30,			
		2024		2023		**2024**		2023
Rental revenue	**$**	**30,430**	$	28,212	**$**	**59,871**	$	57,773
Common area maintenance and parking services revenue		**17,686**		18,363		**36,332**		36,559
Property management and other service fees		**567**		444		**975**		896
Total	**$**	**48,683**	$	47,019	**$**	**97,178**	$	95,228

Note 10

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Three months ended June 30,				Six months ended June 30,			
		2024		2023		**2024**		2023
Remeasurement of carrying value of subsidiary redeemable units	**$**	**(4,814)**	$	8,374	**$**	**7,511**	$	10,468
Remeasurement of carrying value of deferred trust units		**(805)**		1,263		**865**		1,395
Remeasurement of derivative contracts		**(1,452)**		5,070		**4,227**		5,679
Total	**$**	**(7,071)**	$	14,707	**$**	**12,603**	$	17,542

Note 11

INTERNAL LEASING COSTS AND NET LOSSES ON TRANSACTIONS

	Three months ended June 30,				Six months ended June 30,			
		2024		2023		**2024**		2023
Internal leasing costs	**$**	**(426)**	$	(492)	**$**	**(1,000)**	$	(887)
Costs attributable to sale of investment properties, net[(1)]		**(535)**		3		**(565)**		(46)
Debt settlement costs		**—**		(17)		**—**		(17)
Total	**$**	**(961)**	$	(506)	**$**	**(1,565)**	$	(950)

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

Note 12

ASSETS HELD FOR SALE AND DISPOSITIONS

Assets held for sale

As at June 30, 2024, the Trust classified 234 – 1st Avenue South in Saskatoon within the Other markets region as assets held for sale totalling $8,600. On July 2, 2024, subsequent to period-end, the Trust completed the sale of the property for gross proceeds before transaction costs of $8,600.

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 six months ended June 30, 2024 and year ended December 31, 2023.

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of period	**$ —**	$ 135,000
Add (deduct):		
Building improvements	**—**	150
Investment properties classified as held for sale during the period	**8,600**	—
Investment properties disposed of during the period	**—**	(135,000)
Fair value adjustment to investment properties	**—**	(150)
Balance, end of period	**$ 8,600**	$ —

Note 13

EQUITY

Unit Consolidation

On February 15, 2024, the Trust implemented the previously approved consolidation of all the issued and outstanding REIT Units on the basis of one (1) post-consolidation REIT Unit for every two (2) pre-consolidation REIT 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 took effect on February 22, 2024. Monthly distributions were not proportionately increased and adjusted following the Unit Consolidation. The Trust's annual distribution following the Unit Consolidation is $1.00 per post-consolidation unit, representing a decrease in annualized distributions of 50% on REIT A Units as a result of the change in units outstanding.

Distributions

Dream Office REIT's Declaration of Trust, as amended and restated, endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. For the six months ended June 30, 2024 and June 30, 2023, the Trust declared distributions totalling $0.58 per post-consolidation unit and $1.00 per post-consolidation unit (or $0.50 per pre-consolidation unit), respectively.

Following the Unit Consolidation on February 22, 2024, the Trust has reduced its annualized distributions paid and payable on the post-consolidation REIT A Units by 50% from $2.00 per post-consolidation unit (or $1.00 per pre-consolidation unit) to $1.00 per post-consolidation unit, on an annualized basis. The reduction in distributions paid and payable as a result of the Unit Consolidation took effect commencing with the February 2024 distribution paid on March 15, 2024.

The following table summarizes distribution payments for the six months ended June 30, 2024 and June 30, 2023:

	Six months ended June 30,	
	2024	2023
Paid in cash	**$ (10,880)**	$ (22,724)
Add: Payable at December 31, 2023 (December 31, 2022)	**2,719**	3,842
Deduct: Payable at June 30, 2024 (June 30, 2023)	**(1,361)**	(2,718)
Total distributions paid and payable	**$ (9,522)**	$ (21,600)

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

Date distribution announced	Month of distribution	Date distribution was paid or is payable	Distribution per REIT A Unit	Total distribution paid or payable
June 17, 2024	June 2024	July 15, 2024	$ 0.08333	$ 1,361
July 22, 2024	July 2024	August 15, 2024	0.08333	1,361

Note 14

SUPPLEMENTARY CASH FLOW INFORMATION

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	**2024**	2023
Amortization and write-off of lease incentives	3	**$ 3,143**	$ 2,943	**$ 6,168**	$ 5,658
Depreciation of property and equipment		**98**	40	**120**	85
Total amortization and depreciation		**$ 3,241**	$ 2,983	**$ 6,288**	$ 5,743

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	**2024**	2023
Deferred unit compensation expense		**$ 554**	$ 707	**$ 902**	$ 1,198
Amortization and write-off of straight-line rent		**(770)**	(229)	**(828)**	(512)
Deferred income taxes recovery		**(531)**	(115)	**(397)**	(323)
Costs (recoveries) attributable to sale of investment properties, net	11	**535**	(3)	**565**	46
Share of net income (loss) from investments in joint ventures		**(51)**	(5)	**120**	48
Debt settlement costs		**—**	17	**—**	17
Total other adjustments		**$ (263)**	$ 372	**$ 362**	$ 474

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Decrease (increase) in amounts receivable	**$ (1,999)**	$ 1,522	**$ (1,297)**	$ 154
Increase (decrease) in prepaid expenses and other assets	**(146)**	36	**(795)**	(941)
Increase in other non-current assets	**—**	(39)	**—**	(39)
Increase in amounts payable and accrued liabilities	**2,089**	1,634	**3,110**	2,650
Increase in other non-current liabilities	**389**	247	**343**	270
Change in non-cash working capital	**$ 333**	$ 3,400	**$ 1,361**	$ 2,094

Note 15

SEGMENTED INFORMATION

For the six months ended June 30, 2024 and June 30, 2023, 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, 2023 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.

Three months ended June 30, 2024	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Operations					
Investment properties revenue	**$ 36,647**	**$ 12,396**	**$ 49,043**	**$ (360)**	**$ 48,683**
Investment properties operating expenses	**(15,368)**	**(5,729)**	**(21,097)**	**(285)**	**(21,382)**
Net rental income (segment income)	**$ 21,279**	**$ 6,667**	**$ 27,946**	**$ (645)**	**$ 27,301**

(1) Includes revenue, expenses and fair value adjustments related to properties held for sale, properties under development and completed properties under development, acquired properties and sold properties at period-end, property management and other service fees, corporate amounts, lease termination fees, expected credit losses on trade receivables, straight-line rent adjustments and amortization of lease incentives during the period.

Three months ended June 30, 2023	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Operations					
Investment properties revenue	$ 36,283	$ 12,650	$ 48,933	$ (1,914)	$ 47,019
Investment properties operating expenses	(15,536)	(5,795)	(21,331)	(392)	(21,723)
Net rental income (segment income)	$ 20,747	$ 6,855	$ 27,602	$ (2,306)	$ 25,296

Six months ended June 30, 2024	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Operations					
Investment properties revenue	**$ 74,241**	**$ 25,160**	**$ 99,401**	**$ (2,223)**	**$ 97,178**
Investment properties operating expenses	**(31,854)**	**(12,013)**	**(43,867)**	**(557)**	**(44,424)**
Net rental income (segment income)	**$ 42,387**	**$ 13,147**	**$ 55,534**	**$ (2,780)**	**$ 52,754**

(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 period.

Six months ended June 30, 2023	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Operations					
Investment properties revenue	$ 72,485	$ 25,508	$ 97,993	$ (2,765)	$ 95,228
Investment properties operating expenses	(31,213)	(11,985)	(43,198)	(562)	(43,760)
Net rental income (segment income)	$ 41,272	$ 13,523	$ 54,795	$ (3,327)	$ 51,468

(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 period.

Six months ended June 30, 2024	Toronto downtown	Other markets	Segment total	Not segmented[1]	Total
Capital expenditures[2]	**$ 18,547**	**$ 3,446**	**$ 21,993**	**$ 8,952**	**$ 30,945**
Fair value adjustments to investment properties	**(23,133)**	**(12,624)**	**(35,757)**	**(6,130)**	**(41,887)**
Investment properties	**1,855,845**	**396,176**	**2,252,021**	**66,953**	**2,318,974**

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

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

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	400,647	2,263,644	78,730	2,342,374

(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 period.

Note 16

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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

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

The following table summarizes expenditures processed by DAM and the Trust for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Property management services fee charged by the Trust	**$ 137**	$ 95	**$ 246**	$ 188
Expenditures processed by the Trust on behalf of DAM (on a cost recovery basis)	**3,341**	3,253	**6,404**	5,900
Development fees charged by DAM	**(53)**	(539)	**(196)**	(1,077)
Expenditures processed by DAM on behalf of the Trust (on a cost recovery basis)	**(586)**	(483)	**(956)**	(803)
Net fees and reimbursements from DAM	**$ 2,839**	$ 2,326	**$ 5,498**	$ 4,208

The following table summarizes the amounts due from (to) DAM as at June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Amounts due from DAM	**$ 900**	$ 1,307
Amounts due to DAM	**(638)**	(897)
Net amounts due from DAM	**$ 262**	$ 410

Related party transactions with Dream Impact Trust

The following table summarizes the cost recoveries from Dream Impact Trust for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Property management and construction fees related to co-owned and managed properties	**$ 274**	$ 240	**$ 494**	$ 481
Costs processed on behalf of Dream Impact Trust related to co-owned and managed properties	**403**	423	**784**	805
Amounts charged to Dream Impact Trust under the services agreement	**289**	263	**530**	475
Total cost recoveries from Dream Impact Trust	**$ 966**	$ 926	**$ 1,808**	$ 1,761

Amounts due from Dream Impact Trust as of June 30, 2024 were $173 (December 31, 2023 – $6).

Related party transactions with Dream Industrial REIT

The following table summarizes the cost recoveries from Dream Industrial REIT for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Total cost recoveries from Dream Industrial REIT	**$ 2,411**	$ 2,441	**$ 4,428**	$ 4,243

Amounts due from Dream Industrial REIT as of June 30, 2024 were $803 (December 31, 2023 – $873).

Distributions and interest receivable from (payable to) related parties

		June 30, 2024		December 31, 2023
Distributions receivable from Dream Industrial REIT[(1)]	**$**	**790**	$	790
Distributions payable to DAM[(2)]		**(276)**		(521)
Subsidiary redeemable interest payable to DAM[(3)]		**(218)**		(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 June 30, 2024 and December 31, 2023.

(2) Distributions payable to DAM are in relation to the 3,314,226 REIT A Units held by DAM as at June 30, 2024 (December 31, 2023 – 3,123,726 post-consolidation REIT A Units).

(3) Subsidiary redeemable interest payable to DAM is in relation to the 2,616,911 post-consolidation subsidiary redeemable units held by DAM as at June 30, 2024 (December 31, 2023 – 2,616,911 post-consolidation subsidiary redeemable units).

For the three and six months ended June 30, 2024, total distributions and subsidiary redeemable interest paid and payable to DAM were $1,483 and $3,396, respectively (for the three and six months ended June 30, 2023 – $4,034 and $8,653, respectively).

As at June 30, 2024, DAM held 3,314,226 REIT A Units and 2,616,911 subsidiary redeemable units (December 31, 2023 – 3,123,726 post-consolidation REIT A Units and 2,616,911 post-consolidation subsidiary redeemable units), representing an ownership interest of approximately 31.3% (December 31, 2023 – 30.3%).

Note 17

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 and adverse effect on the condensed consolidated financial statements as at June 30, 2024.

The Trust is contingently liable under a guarantee that was issued on debt assumed by a purchaser of an investment property totalling $47,341 (December 31, 2023 – $48,186) with a term to maturity of 2.1 years (December 31, 2023 – 2.6 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 $16,353. 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 condensed consolidated financial statements as at June 30, 2024 relating to these reassessments.

At June 30, 2024, Dream Office REIT's future minimum commitments are as follows:

	Minimum payments due							
		Within 1 year		1–5 years		> 5 years		Total
Operating commitments	$	3,675	$	4,284	$	—	$	7,959
Fixed price contracts		222		888		1,134		2,244
Total	$	3,897	$	5,172	$	1,134	$	10,203

Since 2018, the Trust has invested US$7,842 (December 31, 2023 – US$7,842) towards investments in real estate technologies through a joint venture. As at June 30, 2024, the Trust has a remaining commitment of US$3,762 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 $45,058 to the development project.

In the event that 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 18

FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

Financial instruments 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 June 30, 2024		
	Note	June 30, 2024	Level 1	Level 2	Level 3
Investment in Dream Industrial REIT	4	**$ 226,552**	**$ 2,442**	**$ 169,101**	**$ —**
Non-current VTB mortgage receivable and loan facility	5	**45,105**	**—**	**—**	**43,006**
Mortgages	6	**1,032,341**	**—**	**—**	**1,002,302**
Revolving credit facilities	6	**299,087**	**—**	**—**	**300,993**
Non-revolving credit facilities	6	**26,422**	**—**	**—**	**23,659**

		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	4	$ 224,888	$ 2,691	$ 186,318	$ —
Non-current VTB mortgage receivable and loan facility	5	44,630	—	—	41,374
Mortgages	6	1,038,993	—	—	1,009,395
Revolving credit facilities	6	279,959	—	—	280,996
Non-revolving credit facilities	6	20,509	—	—	18,142

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 June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023 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 June 30, 2024 and December 31, 2023 is 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 that 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 is 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.

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