dream alternatives DRA.UN-TSX

DREAM HARD ASSET ALTERNATIVES TRUST REPORTS SECOND QUARTER RESULTS, SUBSTANTIAL PROGRESS ON DISPOSITION OF LEGACY ASSETS AND CONTINUED PORTFOLIO REPOSITIONING

This press release contains forward-looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained within this press release.

TORONTO, August 11, 2017, DREAM HARD ASSET ALTERNATIVES TRUST (TSX: DRA.UN) ("Dream Alternatives", "we" or the "Trust") today reported its financial results for the three and six months ended June 30, 2017.

For the three months ended June 30, 2017, the Trust's net asset value ("NAV"[1]) per unit was $8.79, up $0.10 from last quarter. The increase relative to the prior quarter was driven primarily by market value adjustments recognized on the Trust's investments in its downtown Toronto developments, which more than offset IFRS fair value losses on non core co-owned office properties and investments in the Villarboit retail income producing and development holding properties ("Villarboit investments"), pursuant to completed or pending dispositions. In the second quarter, as part of its NAV calculation, a non IFRS measure, the Trust recognized a market value adjustment of $25.2 million attributable to the following development investments: Mutual Street Development ("IVY Condominiums"), Church/Wood Residences ("Axis Condominiums") and 351-369 Lakeshore Boulevard East ("Lakeshore East Development"). Under IFRS and in the Trust's condensed consolidated financial statements these development investments are accounted and reflected at cost and considered equity investments. This favourable market value adjustment was a result of the Trust identifying market trend progress and/or the achievement of development milestones in relation to these equity investments. The Trust has included this market value adjustment in its NAV calculation to better demonstrate the value of these assets since acquisition and/or to incorporate the achievement of development or sales milestones. The Trust has made substantial progress towards investing in assets with higher growth potential, including its development investments in downtown Toronto, and expects that these development investments will be a key driver of future growth for the Trust.

"The Trust has made exceptional strides in delivering on its disposition program in 2017 ahead of its initial target which was to be executed over a period of two to three years," said Michael Cooper, Portfolio Manager. "During the second quarter, the Trust closed or entered into contracts to sell 14 income properties which are considered non-core to the long term strategy. The Trust also entered into an agreement to sell its Villarboit investments. The sale of the Villarboit investments represents the last of the Trust's under-performing legacy assets that we intended to recycle. With the completion of these sale transactions the Trust has successfully aligned itself to meet its longer term strategy to reinvest capital to generate higher value and cash flow to unitholders. On this front, the Trust has already executed on development investment opportunities in 2016 and 2017, which contributed to a $25.2 million market value increase within net asset value (or $0.35 per unit) in the second quarter, with further value creation expected to be generated in future quarters from these and other development investments. We intend to continue to grow the Trust's NAV while generating enough AFAD to cover current distributions over the next four years."

For the three months ended June 30, 2017, AFAD[(1)] of $0.09 per unit was down $0.02 per unit when compared to the same quarter in the prior year, although year over year results are not comparable due to $142.5 million of completed income property dispositions year to date, pursuant to the Trust's previously announced asset repositioning program. The Trust has substantially completed its disposition strategy announced earlier this year and continues to identify and execute on opportunities to redeploy capital into higher growth and yield investments. Over the past year, the Trust has successfully repositioned its portfolio toward development assets with significantly higher growth potential than assets disposed or expected to be disposed of, which includes its non core co-owned office properties and Villarboit investments. As a result of such repositioning activities, AFAD per unit is expected to be lower in 2017 relative to 2016. However, management believes that upon execution of its strategy, the Trust's portfolio will not only generate enough AFAD per unit cumulatively over the next four years to sustain the current distribution level, but also generate market value gains as development milestones are achieved. As the Trust's portfolio continues to shift toward owning more development assets, growth in NAV per unit is expected to be a more useful measure of value creation.

Key Highlights:

Increase in NAV over the Prior Quarter Driven by Downtown Toronto Development Sites

NAV per unit of $8.79 as at June 30, 2017 increased 1.2% from $8.69 per unit as at March 31, 2017. The increase in NAV resulted primarily from a market value adjustment of $25.2 million in equity accounted investments, an important element that the Trust has included in its NAV calculation to address the reduction in risk profile as each project progresses towards completion and/ or to reflect information from recent market transactions that indicate a change on the equity investment value (subject to internal and independent third party appraisals). Equity accounted investments are otherwise reported at cost, inconsistent with the Trust’s other directly held development investments which are reported at IFRS fair value within the Trust’s financial statements. The Trust believes that incorporating a market value adjustment is a more useful measure to value these development assets that would not ordinarily be captured within IFRS and the Trust's financial statements.

The market value adjustment was attributable to the following equity investments: IVY Condominiums, Axis Condominiums and the Lakeshore East Development. In calculating the market value adjustment on the equity accounted development investments, on a going forward basis, the Trust intends to obtain independent third party appraisals annually or as significant development milestones are achieved. For those projects in active development or construction, the Trust intends to use the discounted cash flow methodology in determining the market value adjustment on a quarterly basis. The aggregate market value increase for both IVY and Axis Condominiums amounted to $10.8 million (representing a 172% increase relative to the aggregate equity accounted investment of $6.3 million at June 30, 2017) and was the result of using a discounted cash flow approach with a discount rate of 12%, similar to the methodology utilized to value the Empire high-rise condominium residential developments. Both IVY and Axis Condominium sales programs were launched in late 2016/early 2017 and are 100% sold with expected completion dates in 2020. Key assumptions in valuing both projects include but are not limited to: the risk and timing of expected cash flows; and the successful completion of the projects on time and on budget. The projects are expected to continue to generate market value increases on a quarterly basis, as they continue to advance closer to their completion dates. IVY Condominiums is currently being co-developed by Dream Asset Management Corp., the Trust’s asset manager. Axis Condominiums is currently being developed by Centre Court Developments, a well-established Toronto developer with eight high-rise residential projects in various stages of development, representing over 5,000 homes and $1.5 billion of development value.

The Lakeshore East Development, a 5.3 acre waterfront property in downtown Toronto had a market value increase of $14.4 million (representing a 121% increase relative to the equity accounted investment of $11.9 million at June 30, 2017) based on favourable market trends and comparative market transactions and an independent third party appraisal at quarter end.

There were no market value adjustments recorded on the Trust’s equity investments in Port Credit West Village Partners LP ("Port Credit") or the Trust's equity ownership interest in two properties, 6035 Bathurst Street and 388 - 390 Dupont Street ("Plaza Development") as there have been no significant milestones or market transactions since the acquisition date to indicate a market value adjustment as at June 30, 2017. As development milestones are achieved and/or market trends change, the Trust also intends to fair value these investments. For additional details on the Trust’s equity accounted investments, please refer to page 19 of the MD&A.

The Trust’s development holdings (including equity accounted investments) are expected key drivers of future growth with the Trust targeting attractive returns on equity (measured by pre-tax IRR) of between 15-20% and strong future cash flows upon completion. The targeted returns on the development are within the Trust’s strategy to pursue NAV accretive opportunities over the long term.

Substantial Completion on the Disposition Strategy for Non core Dream Office Properties

Year to date completed and pending non core co-owned income property sales include 14 assets for total gross proceeds of $282.0 million. During the three months ended June 30, 2017, the Trust entered into agreements to sell its ownership interests in nine non core co-owned income properties for total gross proceeds of $139.5 million. The transaction is expected to close in the third quarter of 2017, subject to customary closing conditions, financing arrangements and consents. The Trust also closed on the sale of its ownership interests in five non core co-owned income properties as previously announced for gross proceeds of $142.5 million which included $4.8 million in the form of units of publicly traded securities of the purchaser. The net proceeds on the sale of these income properties was $44.7 million after the repayment by the Trust or assumption by the purchaser of mortgages, closing adjustments and transaction costs. If all pending dispositions are successfully completed, the expected cumulative equity repatriated in 2017, before transaction costs and closing adjustments, for both closed and pending transactions, would be approximately $132.9 million. The Trust has already identified or executed approximately $125 million of reinvestment opportunities in 2017, including development investments in Toronto and Ottawa, Ontario, and in the renewable power portfolio.

Update on Empire Residential Projects in the Greater Toronto Area

At the end of the second quarter, 87% of the units within the Empire Brampton low rise project, which are fully sold, had closed compared to 61% closed as at December 31, 2016. An important development milestone was reached during the second quarter as distributions commenced with the Trust receiving cash distributions of $10.0 million from the Empire Brampton project. The timing of the remaining $25.1 million of cash distributions remains unchanged from the first quarter with the majority of the balance expected in the third quarter of 2017 (estimated completion date for the project) and the remainder of the balance to be released over the next two years.

The Empire Lakeshore high-rise condominium development project continues to progress on schedule. The Trust has recognized a further fair value increase of $1.9 million on the Empire Lakeshore project during the second quarter of 2017 as the project continues to advance steadily to completion and payout.

Since the Trust’s inception, $32.3 million of cumulative fair value gains have been recognized on the Empire projects. At June 30, 2017, the aforementioned Empire projects had an IFRS fair value of $90.0 million, net of the aforementioned cash distribution that was received during the period as return of capital.

Other Operating Highlights in Q2 2017:

Income Properties

For the three months ended June 30, 2017, the income properties portfolio contributed AFAD of $0.04 per unit, down $0.02 per unit when compared to the same period last year, driven by lower net operating income ("NOI"[1]) primarily resulting from the sale of $142.5 million of non core co-owned office properties year to date. The decrease was slightly offset by the acquisition of both 10 Lower Spadina Avenue and 49 Ontario Street as the Trust increased its ownership of these two properties to 100% early in the first quarter of 2017. Once all pending sales are closed, the Trust’s core office income property portfolio will consist of: a 50.1% interest in Sussex Centre in Mississauga, Ontario; 10 Lower Spadina Avenue, 49 Ontario Street and 349 Carlaw Avenue in downtown Toronto; and six industrial properties in Regina, Saskatoon, co-owned with Dream Industrial REIT (TSX: DIR.un). At June, 30, 2017, these properties had an IFRS value of $157.3 million. In addition, the Trust will continue to own an interest in London City Centre, in London Ontario.

Renewable Power

For the three months ended June 30, 2017, AFAD of $0.03 per unit for the renewable power portfolio decreased by $0.01 when compared to the same quarter in the prior year. During the six months ended June 30, 2017, the Trust closed financing on six Ontario Ground Mount Solar projects for gross proceeds of approximately $32.7 million of 19.5 year non-recourse debt. While the additional project financing will result in decreased AFAD contribution from the segment, the net impact after considering the repatriation of equity from permanent financing proceeds, is expected to have an improved return on equity on a total portfolio basis. The Trust is targeting to achieve an 11% to 12% annual yield on expected stabilized equity of approximately $65 million. Subsequent to June 30, 2017, the Trust has acquired the remaining non-managing interest in the wind power projects located in the United Kingdom ("U.K.") increasing the Trust's ownership to 100% (from 91%) and also acquired 13 additional wind turbines for a total purchase price of approximately $4.1 million.

Lending Portfolio

AFAD of $0.04 from the lending portfolio has declined by $0.01 when compared to the same period in the prior year. The decline results from a decrease in upfront lender and loan extension fee income compared to the prior year. During the quarter, approximately $9.0 million of legacy loans were repaid, resulting in 89% of the total original loan portfolio being repatriated, compared to 80% at the beginning of the year.

Development and Investment Holdings

AFAD of $0.03 per unit for the three months ended June 30, 2017 from development and investment holdings remained relatively stable compared to the same quarter in the prior year. During the second quarter, the Trust invested a total of $3.8 million for a 40% equity ownership interest in Plaza Development comprised of two properties located in downtown Toronto at 6035 Bathurst Street and 388 - 390 Dupont Street. Subsequent to June 30, 2017, the Trust acquired a 40% ownership interest in a partnership for $5.5 million with an investment in two properties at 25 Imperial Street and 374 Dupont Street both located in downtown Toronto. These properties are all currently income producing properties and both investments are expected to have attractive redevelopment potential in future years. These investments are in line with the Trust's long term strategy to diversify its portfolio into higher growth development assets.

Trust Expenses, net

AFAD of $0.05 per unit for the three months ended June 30, 2017 from trust expense, net decreased by $0.01 compared to the same period in the prior year. The decrease resulted from lower income taxes during the period.

NCIB

Since the inception of the Trust's NCIB program in December 2014 to August 11, 2017, the Trust has purchased for cancellation 2.2 million units for a total cost of $13.0 million, which includes 0.3 million units purchased year to date in 2017 for a total cost of $1.8 million.

Selected financial and operating metrics for the three months ended June 30, 2017, year ended December 31, 2016 and three months ended June 30, 2016 are summarized below:

	June 30, 2017	December 31, 2016	June 30, 2016
Consolidated results of operations			
Total income	**$ 14,511**	$ 26,380	$ 25,043
Adjusted total income[1]	**19,183**	20,131	22,274
Net income (loss)	**(7,241)**	(15,379)	2,847
Net operating income ("NOI")[1]	**12,533**	11,809	14,160
Adjusted EBITDA[1]	**1,621**	10,815	12,969
AFAD[1]	**6,427**	7,183	8,166
Annualized AFAD return on average Trust net assets[1]	**4.2%**	4.4%	4.9%
Trust unit information			
Distributions declared and paid per unit	**0.10**	0.10	0.10
AFAD per unit (basic and fully diluted)[1]	**0.09**	0.10	0.11
Units outstanding – end of period	**72,399,018**	72,351,722	72,186,660
Units outstanding – weighted average	**72,395,388**	72,312,566	72,165,725

As at	**June 30, 2017**	March 31, 2017
Consolidated financial position		
NAV per unit[1]	**$ 8.79**	$ 8.69
Total contractual debt payable[1]	**188,516**	280,210
Total assets	**891,072**	1,023,160
Cash	**14,899**	17,238
Debt-to-gross asset value[1]	**25.1%**	31.5%

	June 30, 2017	June 30, 2016
AFAD per unit		
Income properties	**$ 0.04**	$ 0.06
Lending portfolio	**0.04**	0.05
Development and investment holdings	**0.03**	0.03
Renewable power	**0.03**	0.04
Trust expenses, net[2]	**(0.05)**	(0.06)
AFAD per unit	**$ 0.09**	$ 0.11

About Dream Alternatives

Dream Alternatives provides an opportunity for unitholders to invest in hard asset alternative investments, including real estate, real estate lending, real estate development and infrastructure, including renewable power, managed by an experienced team with a successful track record in these areas. The objectives of the Trust are to provide predictable and sustainable cash distributions to unitholders on a tax efficient basis, and grow and reposition the portfolio to increase both AFAD and NAV per unit over time. For more information, please visit: www.dreamalternatives.ca

For further information, please contact:

DREAM ALTERNATIVES

Michael J. Cooper	**Pauline Alimchandani**	**Kim Lefever**
Portfolio Manager	Chief Financial Officer	Investor Relations
416 365-5145	416 365-5992	416 365-6339
mcooper@dream.ca	palimchandani@dream.ca	klefever@dream.ca

Footnotes

(1) Non-IFRS measures - Please refer to cautionary statements under the heading "Non-IFRS Measures" in this press release

(2) Trust expenses represent costs not allocated to the other operating segments, such as general and administrative costs and income taxes, and are net of interest income earned on our cash balances

Non-IFRS Measures

The Trust's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In this press release, as a complement to results provided in accordance with IFRS, the Trust discloses and discusses certain non-IFRS financial measures including adjusted total income, net operating income ("NOI"), adjusted EBITDA, adjusted funds available for distribution ("AFAD"), AFAD per unit, annualized AFAD return on average Trust net assets, debt-to-gross asset value, net asset value ("NAV"), NAV per unit, total contractual debt payable, as well as other measures discussed elsewhere in this release. These non-IFRS measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. The Trust has presented such non-IFRS measures as Management believes they are relevant measures of our underlying operating performance and debt management. Non-IFRS measures should not be considered as alternatives to net income, total comprehensive income or cash flows generated from operating activities or comparable metrics determined in accordance with IFRS as indicators of the Trust's performance, liquidity, cash flow and profitability. For a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to the "Non-IFRS Measures and Other Disclosures" in the Trust's Management's Discussion and Analysis for the periods ended June 30, 2017.

Forward Looking Information

This press release may contain forward-looking information within the meaning of applicable securities legislation, including statements relating to our objectives, strategies to achieve those objectives, our beliefs, plans, estimates, projection and intentions, and similar statement concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, as well as statements regarding our plans and proposals for future development projects, including projected sizes, density and uses; the redevelopment potential of our development and investment properties; development timelines and anticipated returns on current and future development projects; our anticipated return on our development projects and expected growth in NAV of our development projects as a result of market value adjustments; proposed methodologies for valuing investments and timing of appraisals; anticipated yield and investment returns on our renewable power projects; our future AFAD or NAV performance as well as targeted returns, future distributions and future returns on equity; our disposition program for office properties and the effect of such program on our performance; expected level of equity repatriated from the disposition program; and anticipated composition of income property portfolio following execution of our disposition program. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: general and local economic and business conditions including foreign exchange rates, employment levels, mortgage and interest rates and regulations, regulatory risks, environmental risks, consumer confidence, the financial condition of tenants and borrowers, local real estate conditions, adverse weather conditions and variability in wind conditions and solar irradiation, reliance on key clients, partners and personnel, the uncertainties of acquisitions and new projects, inflation and competition. All forward looking information in this press release speaks as of August 11, 2017. The Trust does not undertake to update any such forward looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is disclosed in filings with securities regulators filed on SEDAR (www.sedar.com). These filings are also available at the Trust's website at www.dreamalternatives.ca