dream alternatives

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DREAM ALTERNATIVES REPORTS THIRD QUARTER RESULTS AND CONTINUED STEADY PROGRESS ON ITS DEVELOPMENT PORTFOLIO

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, November 5, 2018, DREAM HARD ASSET ALTERNATIVES TRUST (TSX: DRA.UN) ("Dream Alternatives", "we" or the "Trust") today reported its financial results for the three and nine months ended September 30, 2018.

For the three months ended September 30, 2018, the Trust reported net income of $1.0 million compared with a nominal net loss in the same period in the prior year. The increase was primarily attributable to the lending portfolio as a result of advancing loans with a higher weighted average effective interest rate during the period.

"The Trust's third quarter results were in line with our expectations" said Michael Cooper, Portfolio Manager. "Additionally, our development projects in Toronto and Ottawa are progressing steadily through the various stages of pre-development or development and the Trust is well positioned from a capital perspective to fund its current projects. As our current development portfolio continues to advance through milestones we are confident about the Trust's ability to generate net asset value and cash flow per unit growth over the long term."

Year to date in 2018, the Trust has invested approximately $79.8 million of capital into development investments. This capital investment either represents funding towards existing development projects, allowing the projects to continue their steady progress towards various milestones, or funding towards new landmark development opportunities. During the three months ended September 30, 2018, the Trust funded approximately $11.8 million, including transaction costs, towards its existing development projects including: the 37 acre Zibi development, the Trust's flagship sustainable and complete community in Ottawa; the Port Credit development, the Trust's 72 acre master planned residential/mixed use waterfront community; and the iconic Frank Gehry designed Mirvish-King West development ("Frank Gehry development") in downtown Toronto. Over the next 12 months, in line with the current projections for the progression of its various development projects, management expects to invest a further $45 to $55 million towards funding the existing development projects in Toronto and Ottawa. The Trust expects to continue to fund its current development portfolio capital requirements from existing cash on hand, cash generated from operations, future loan repayments and to the extent needed, its credit facility. The funds are expected to be used towards pre-development costs, development costs and other planned future payments. This aggregate capital call forecast over the next 12 months includes assumptions related to: timing and amount of expected loan financings, deposit commitments, timing of sales and/or construction commencement, revenue and cost estimates and leasing activity, all of which are based on current information and are subject to change. As at September 30, 2018 , the Trust had a cash balance of $46.6 million and funds available under its revolving credit facility of $43.5 million (net of $1.4 million of letters of credit).

As at September 30, 2018, completion of Zibi's first Gatineau condominium "O" was well on track with occupancy of the 70-unit building slated to commence in Q4 2018, along with the unveiling of its public square, "Zibi Plaza", which will eventually connect the waterfront to the condominium. The occupancy of the O condominium is the initial phase towards a revitalized vibrant riverfront city. Construction on Zibi's first Ottawa residential condominium "Kanaal" has also continued to progress with occupancy of the 71-unit building scheduled for Q4 2019. Completion and occupancy of the additional residential and commercial buildings are expected to follow in the near future, including potential purpose built rental and innovative retail concepts.

During the three months ended September 30, 2018, the Axis Condominium project continued to progress steadily with construction currently on the final residential floor. As previously reported, first occupancies are expected to occur in Q3 2019, accelerated from an initial timing of 2020, with an expected internal rate of return ("IRR"[1]) in excess of 50% on the Trust's initial investment of $5.3 million, including transaction costs.

Both the Trust's Port Credit and Frank Gehry developments in Toronto are progressing through initial pre-development and development stages.

Development projects are key drivers of future growth for the Trust and are expected to generate attractive returns and future cash flows as milestones are achieved. The Trust expects its development projects will provide attractive profits to the Trust upon their respective completion dates, and will contribute to growth in our net asset value ("NAV"[1]) per unit. The Trust generally targets a pre-tax IRR of at least 15-20% on new equity investments in residential and mixed-use development projects.

Net Asset Value[(9)]

NAV per unit of $8.69 as at September 30, 2018 decreased by 0.9% compared with June 30, 2018. The decrease was due to distributions paid and payable exceeding the Trust's net income during the period, which was expected as many of the Trust's significant projects are still in the development and pre-development phases. During the three months ended September 30, 2018, the Trust generated cash from operating activities of $10.4 million primarily from generating net income, receiving a prepayment of interest income and a distribution of project level profits from Empire Brampton. As a result, the cash generated from operating activities exceeded distributions paid and payable by $3.0 million during the quarter. The Trust expects NAV, net income and cash flow to increase in future quarters primarily from the advancement of our current projects and future development and re-development opportunities. As NAV is a key metric of growth, we intend to obtain independent third party appraisals annually or as significant development milestones are achieved in order to reflect change in risk profile, taking into consideration various risk factors including the progression of each project towards completion and/or reflecting information from recent market transactions that indicate a change in investment value.

As at September 30, 2018, the development and investment holdings NAV of $281.7 million (44.8% of total NAV) or $3.89 per unit remained consistent compared to June 30, 2018.

The lending portfolio NAV of $154.9 million (24.6% of total NAV) or $2.14 per unit at September 30, 2018 decreased compared with $170.8 million or $2.36 per unit as at June 30, 2018. The decrease in NAV was primarily attributable to the repayments in the lending portfolio which were in excess of advances made during the third quarter of 2018.

As at September 30, 2018 , NAV of $101.4 million (16.1% of total NAV) or $1.40 per unit for the income properties and investments portfolio increased slightly compared with $100.4 million or $1.39 per unit as at June 30, 2018. The increase resulted from the net income contribution of the portfolio during the third quarter of 2018.

As at September 30, 2018 , NAV of $76.3 million (12.1% of total NAV) or $1.06 per unit for the renewable power portfolio decreased from $78.4 million or $1.08 when compared with June 30, 2018. The decrease in the renewable power portfolio was primarily the result of cash earned during the period that was reinvested within the other segments.

NAV per unit relating to cash, marketable securities and other Trust consolidated working capital increased to $0.20 per unit as at September 30, 2018 compared with $0.05 per unit as at June 30, 2018. The increase in NAV was primarily due to the receipt of funds from the repayments from the Trust's lending portfolio during the third quarter of 2018.

The Trust relies on growth in the NAV per unit as a measure of value creation including the market value adjustments on its equity accounted investments and renewable power projects. Please refer to page 10 and 18, respectively, of the MD&A for additional details on the Trust's equity accounted investments and renewable power projects. The closest IFRS measure to NAV per unit is unitholders' equity per unit. Please refer to page 7 of the MD&A for a reconciliation between NAV and unitholders' equity.

Unitholders' Equity[(9)]

As at September 30, 2018, total unitholders' equity per unit of $8.14 decreased compared with $8.23 per unit as at June 30, 2018. As previously mentioned the decrease was due to payments in distributions exceeding net income during the period.

Cash Generated from Operating Activities

Cash generated from operating activities for the three months ended September 30, 2018 was $10.4 million compared with cash generated from operating activities of $13.2 million for the same quarter in the prior year. The year over year decrease was primarily due to a larger cash distribution received from the Empire Brampton project to the Trust in the prior year as well as changes in non cash working capital. During the third quarter 2018, the Trust received an additional $3.1 million of cash proceeds from Empire Brampton, which represented cash profit being distributed to the Trust. As mentioned above, for the three months ended September 30, 2018, the Trust generated cash from operating activities of $10.4 million during the quarter, exceeding distributions paid and payable by $3.0 million.

Other Operating Highlights in Q3 2018:

Development and Investment Holdings

For the three months ended September 30, 2018, development and investment holdings generated a net loss of $0.2 million, which decreased compared with a $0.6 million of net loss generated in the same period in the prior year. The year over year variance primarily resulted from the sale of the investment in the Villarboit development holding and income producing retail properties which resulted in the Trust recording $0.6 million in realized losses and $0.5 million of related transaction costs in the same period in the prior year.

Lending Portfolio

For the three months ended September 30, 2018, net income of $4.2 million in the lending portfolio increased from $3.3 million when compared with the same quarter in the prior year. During the nine months ended September 30, 2018, the Trust advanced total gross proceeds of $29.5 million at a weighted average effective interest rate of 11.1% compared to $78.6 million at a weighted average effective interest rate of 9.2% in the same period in the prior year. The loan advances in the current period include loans secured by land and residential developments in Vancouver and the Greater Toronto Area ("GTA"), as well as a corporate loan with an interest rate of 17.5%.

Income Properties and Investments

For the three months ended September 30, 2018, income properties and investments generated net income of $1.4 million up from $1.1 million in the same period in the prior year. The year over year variance was primarily due to the sale of the non core co-owned income properties in the same period in the prior year which resulted in the Trust recording a net fair value loss of $0.8 million and transaction costs of $0.6 million. During the three months ended September 30, 2018, the Trust recorded a fair value loss of $0.5 million attributable to the Trust's co-owned industrial properties due to changes in leasing assumptions.

Renewable Power

Net income of $1.5 million for the three months ended September 30, 2018 from the renewable power portfolio remained relatively stable compared to the same period in the prior year.

Other (2)

Net loss of $5.9 million for the three months ended September 30, 2018 within the Other segment increased slightly compared with a net loss of $5.2 million in the same period in the prior year. The Trust recorded $0.4 million related to a fair value gain from marketable securities in the same period in the prior year and no such fair value gain was recorded in the current period. In addition, in the third quarter of 2017, the Trust settled on certain non-recurring transaction costs which were $0.3 million lower than anticipated and recorded as income during the period.

Normal Course Issuer Bid ("NCIB")

From the inception of the Trust's NCIB program in December 2014 to November 5, 2018, the Trust purchased for cancellation 3,923,454 units for a total cost of $24.2 million, which included 1,259,178 units purchased during and subsequent to the nine months ended September 30, 2018.

Selected financial and operating metrics for the three months ended September 30, 2018 are summarized below:

	September 30, 2018	September 30, 2017
Consolidated results of operations		
Net income (loss)	**$ 1,008**	$ (36)
Net income (loss) before depreciation(1)	**2,552**	1,467
Net operating income ("NOI")(1)	**11,290**	11,153
Cash generated from (utilized in) operating activities	**10,352**	13,206
Net income (loss) per unit(1)	**0.01**	—
Net income (loss) per unit before depreciation (1)	**0.04**	0.02
Distributions paid and payable	**7,329**	7,039
Trust unit information		
Distributions declared and paid per unit	**0.10**	0.10
Units outstanding – end of period	**72,349,201**	72,612,262
Units outstanding – weighted average	**72,305,841**	72,454,130

With the Trust's focus on development investments that will generate higher growth and cash flow over a period of time, growth in NAV per unit is considered to be a useful metric of value creation and unitholders return. The determination of NAV incorporates a market value[1] adjustment to equity accounted investments and the renewable power portfolio to take into consideration the change in risk profile as a result of various factors including progression to completion or becoming operational. For additional details on NAV per unit, please refer to page 29 of the MD&A. The table below provides a summary of the Trust's portfolio as at September 30, 2018, including Unitholders' equity, NAV and date of last appraisal:

	Location	Accounting Treatment[3]	Economic Interest[8] %	Asset Value	Debt	Total Unitholders' Equity[5]	NAV	NAV per unit	Year acquired/ Last External Appraisal
Development & Investment Holdings									
Empire Lakeshore	Toronto & GTA	Fair value	80.0%	$ 61,724	N/A	$ 65,053	$ 65,053	$ 0.90	N/A
Hard Rock/Virgin Hotels Las Vegas	United States	Fair value	10.0%	37,969	N/A	37,969	37,969	0.52	Acquired 2018
Zibi development	Other Ontario	Equity accounted	40.0%	33,686	N/A	33,686	33,742	0.47	Acquired 2017
Port Credit development	Toronto & GTA	Equity accounted	23.3%	31,880	N/A	31,880	36,155	0.50	Q4 2017
Frank Gehry development	Toronto & GTA	Equity accounted	18.8%	21,863	N/A	21,863	21,863	0.30	Acquired 2017
Bayfield LP	Other Western Canada	Fair value	11.9% - 13.2%	14,799	N/A	14,799	14,799	0.20	Q4 2017
Lakeshore East development	Toronto & GTA	Equity accounted	37.5%	12,753	N/A	12,753	27,251	0.38	Q4 2017
Plaza Bathurst and Plaza Imperial development	Toronto & GTA	Equity accounted	40.0%	8,317	N/A	8,317	8,317	0.11	Acquired 2017
Empire Brampton	Toronto & GTA	Fair value	78.8%	3,304	N/A	3,304	3,304	0.05	N/A
100 Steeles	Toronto & GTA	Equity accounted	25.0%	6,202	N/A	6,202	6,202	0.09	Acquired 2018
Seaton development[7]	Toronto & GTA	Equity accounted	7.0%	4,183	N/A	4,183	4,183	0.06	Acquired 2018
Hotel Pur	Eastern Canada	Fair value	50.0%	3,452	N/A	3,452	3,452	0.05	N/A
IVY Condominiums	Toronto & GTA	Equity accounted	50.0%	2,414	N/A	2,414	4,305	0.06	Q4 2017
Axis Condominiums	Toronto & GTA	Equity accounted	28.0%	1,926	N/A	1,926	14,001	0.18	Q4 2017
West Don Lands	Toronto & GTA	Equity accounted	25.0%	1,098	N/A	1,098	1,098	0.02	Acquired 2018
				$ 245,570		**$ 248,899**	**$ 281,694**	**$ 3.89**	
Lending Portfolio									
Toronto development	Toronto & GTA	Amortized Cost[4]	N/A	$ 104,898	N/A	$ 101,809	$ 101,809	$ 1.41	N/A
Vancouver development	British Columbia	Amortized cost	N/A	38,509	N/A	38,509	38,509	0.53	N/A
Other	Saskatchewan	Amortized cost	N/A	14,600	N/A	14,600	14,600	0.20	N/A
				$ 158,007		**$ 154,918**	**$ 154,918**	**$ 2.14**	
Income Properties and Investments									
Toronto and GTA	Toronto & GTA	Fair value	50.1% - 100%	$ 172,102	$ 89,949	$ 83,049	$ 83,049	$ 1.15	Q4 2017
Other	Other Ontario	Fair value	60.0%	41,987	26,894	15,161	15,161	0.21	Q3 2017
Industrial Portfolio	Saskatchewan	Fair value	50.0%	8,644	5,586	3,233	3,233	0.04	Q4 2017
				$ 222,733	**$ 122,429**	**$ 101,443**	**$ 101,443**	**$ 1.40**	
Renewable Power									
Canadian Solar	Toronto & GTA	Amortized cost	100.0%	$ 81,092	$ 49,165	$ 38,073	$ 42,792	$ 0.59	Q4 2017
Canadian Wind	Eastern Canada	Amortized cost	80.0%	31,096	25,644	7,147	10,026	0.14	Q4 2017
United Kingdom Wind	United Kingdom	Amortized cost	100.0%	19,373	—	19,798	23,531	0.33	Q4 2017
				$ 131,561	**$ 74,809**	**$ 65,018**	**$ 76,349**	**$ 1.06**	
Cash, Working capital and Other									
Cash and other consolidated working capital[6], including tax						$ 18,433	$ 14,187	$ 0.20	
						$ 18,433	**$ 14,187**	**$ 0.20**	
Total Unitholders' Equity / NAV						**$ 588,711**	**$ 628,591**		
Total Unitholders' Equity / NAV per unit						**$ 8.14**		**$ 8.69**	

About Dream Alternatives

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

For further information, please contact:

DREAM ALTERNATIVES

Pauline Alimchandani
Chief Financial Officer
416 365-5992
palimchandani@dream.ca

Kim Lefever
Investor Relations
416 365-6339
klefever@dream.ca

Footnotes

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

(2) Other segment represents 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

(3) Equity accounted investments are recognized initially at cost and subsequently adjusted for the Trust's share of the profit or loss

(4) Includes a loan of $16.0 million as at September 30, 2018 classified as fair value through profit and loss

(5) Included in Total Unitholders' equity is working capital that is presented separately from its asset in the condensed consolidated statements of financial position

(6) Cash and other consolidated working capital includes Trust and other segment level cash and net working capital balances

(7) Seaton development total initial investment is $9.1 million, split between loan investments and equity investment under IFRS

(8) Includes debt and equity interests in the underlying projects

(9) The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the condensed consolidated financial statements

Non-IFRS Measures

The Trust's condensed 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 net income (loss) before depreciation, net income (loss) per unit before depreciation, IRR, net operating income ("NOI"), market value, net asset value ("NAV"), NAV per unit, 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 unitholders' equity, 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 three and nine months ended September 30, 2018.

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 statements 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; our expected ownership levels of proposed investments; the growth potential of our development investments; anticipated equity requirements for our development projects; 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; unitholders equity and NAV performance as well as targeted returns, future distributions and future returns on equity. 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, the uncertainties around the timing and amount of future financings, 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 November 5, 2018. 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