dream alternatives DRA.UN-TSX

DREAM ALTERNATIVES REPORTS FOURTH QUARTER AND YEAR END RESULTS AND ANNOUNCES STRATEGIC PLAN TO ENHANCE UNITHOLDER VALUE

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, February 20, 2019, DREAM HARD ASSET ALTERNATIVES TRUST (TSX: DRA.UN) ("Dream Alternatives", "we" or the "Trust") today reported its financial results for the three months and year ended December 31, 2018.

The completion of 2018 marked a successful year of operations for the Trust, as we continued to advance capital towards significant development investments in Toronto. For the year ended December 31, 2018, the Trust reported net income of $13.9 million compared with a net loss of $9.5 million in the prior year. The year over year financial results benefited from the transformational growth the Trust has achieved, with the prior year impacted by losses associated with the disposal of approximately $338.5 million of the Trust's non-core legacy assets throughout 2017.

"We are pleased with the Trust's results in 2018 which represented our first financial year operating substantially with our new portfolio" said Michael Cooper, Portfolio Manager. "During the year the Trust was successful in acquiring additional highly valuable real estate development opportunities in Toronto, as well as continuing to invest in its existing development portfolio. We are excited with the steady progress on the Trust's development projects, alongside our high calibre partners with exceptional track records. All of these achievements within our development portfolio are key steps towards achieving increased value for our unitholders."

Announcement of Strategic Plan to Enhance Unitholder Value

Since taking over management of the Trust's legacy assets in 2014, we have successfully repatriated equity capital from the original portfolio in the amount of approximately $450 million. We have re-invested this capital into irreplaceable, world-class development assets alongside exceptional partners such as Westdale, Kilmer, Great Gulf, Fengate, Tricon Capital Group, FRAM + Slokker, Diamond Corp, Fieldgate and CentreCourt, among others. Some of these developments include:

- a 5.3 acre Lakeshore East site in downtown Toronto located adjacent to a planned investment by Sidewalk Labs, a sister company of Google;
- a 72 acre waterfront property in Port Credit planned to be developed into a large master planned residential/mixed use community;
- 34 acres of lands located in Ottawa and Gatineau planned to be developed into a mixed-use master-planned community, with over 3 million square feet of density comprising over 2,000 residential units and over one million square feet of commercial space;
- 10 Lower Spadina Avenue and 49 Ontario Street, both located in downtown Toronto, with considerable redevelopment potential;
- the West Don Lands rental apartment community in downtown Toronto, which will be built in stages and is expected to include approximately 1,500 residential units as well as retail and office space; and
- the iconic Frank Gehry designed Mirvish-King West development, located at the intersection of King Street West and Duncan Street in downtown Toronto, which is slated to be re-developed to include two landmark residential towers, each in excess of 80 storeys.

We have also re-invested capital into higher returning income producing assets such as real estate, real estate loans and renewable power. These assets have supported the cash flow objectives of the Trust, including maintaining our distribution since going public in 2014. Our new investments in developments, real estate and renewable power assets have also contributed to increases in net asset value ("NAV") per unit[3], partially mitigating $119 million of losses (16% of the Trust's original equity) on the Trust's non-core legacy assets, which were incurred since we acquired the assets in July 2014 and largely sold by the end of 2017. Successfully disposing of the legacy assets was a key turning point for the Trust as these assets were not in line with our target portfolio quality or long-term strategy. To maximize the value of the legacy assets, the Trust strategically sold certain office assets as part of larger portfolio transactions with our co-owner Dream Office REIT (TSX: D.UN) to achieve the highest possible price and worked with borrowers and development partners to unwind certain legacy investments at good value to the Trust, notwithstanding the inferior rights within inherited agreements. Following the sale of substantially all of these non-core legacy assets, we successfully repatriated the capital to higher quality, core assets that offer stronger future long-term growth and opportunity to increase both our cash flow and NAV per unit.

Notwithstanding the successes achieved, management believes that the Trust's unit price performance has not reflected the value creation within the business and that the public markets continue to value the Trust's assets and business below NAV. During the course of 2018 and early 2019, management and the Board of Trustees (the "Board") reviewed a number of potential strategic alternatives to narrow the gap between the trading price of the Trust's units and NAV, while continuing to build the underlying value of the business. To achieve these goals, the Board has approved a strategic plan that includes continuing the recycling of capital from the disposition of select non-core assets into the Trust's real estate developments. In addition, given current market conditions, management and the Board believe the units of the Trust are an attractive investment opportunity and are prepared to deploy up to $100 million towards our unit buyback program (representing approximately 21% of current market capitalization) over the next three years. The actual number of units that may be purchased and the timing of such purchases will be determined by the Trust. Decisions regarding purchases will be based on market conditions, unit prices, expected proceeds from capital recycling and best use of available cash and other factors.

The Trust is currently in the process of marketing certain renewable power assets and intends to investigate the potential sale of our entire renewable power segment at full value. We believe it is an opportune time to explore a sale as there are limited opportunities to grow our current portfolio in Canada due to recent changes in the regulatory environment and government policy, but at the same time there is good demand from many institutions and investors to acquire long duration renewable power assets with predictable, contracted cash flows that are fully operational. The Trust currently funds its normal course issuer bid ("NCIB") primarily using cash on hand. The Trust expects that it will require proceeds from asset sales and/or future loan repayments for larger repurchases, in line with its strategic plan, which may be effected through one or more substantial issuer bids. The Trust also announced today the suspension of its distribution reinvestment and unit purchase plan (the "DRIP") (currently at 35.5% participation ratio) until further notice, in order to eliminate dilution and to preserve value. The Board intends to review the distribution policy of the Trust over time as management executes on the strategic plan to increase NAV of the Trust, which includes the sale of yield assets and a focus on longer-term development assets, to ensure the distribution policy is reflective of the Trust's business and asset profile.

"Our strategic goal over the next three years is to achieve a balance between reducing the number of units outstanding and maintaining a strong balance sheet to meet and exceed our covenants supporting our ongoing capital requirements for development activities. This balance will allow us to build a high-quality real estate business and maximize value for our unitholders" said Michael Cooper. "Since 2014, we have transformed the Trust's portfolio to substantially increase the quality of the assets and the underlying value of the business. We remain committed to continuing to improve the value of the Trust's business for the benefit of unitholders."

Results Highlights:

During the year ended December 31, 2018, the Trust invested approximately $93.1 million of capital, including transaction costs, into its development investments either through successful acquisitions or funding towards its existing projects. Over the course of the year, the development projects have progressed steadily towards various milestones and/or completion. In addition to investing into its existing development portfolios, the Trust entered into significant development and re-development opportunities, including acquiring a 10% interest in the 1,500 room Hard Rock Hotel / Virgin Hotel Las Vegas ("Hard Rock") and a 25% interest in the West Don Lands purpose-built rental development, comprising of 1,500 units, which is adjacent to the Canary and Distillery Districts in downtown Toronto.

For the three months ended December 31, 2018, the Trust reported net income of $7.0 million, down from $16.4 million in the same period in the prior year. The year over year variance was primarily due to the Trust recording net fair value gains in income properties of $0.5 million during the fourth quarter of 2018 compared with $11.0 million in the same period in the prior year. As well, there were no fair value gains related to marketable securities recorded in the fourth quarter of 2018 compared with $2.8 million in the same period in the prior year due to the disposal of the Trust's investment in the publicly traded units of Dream Office REIT (TSX: D.UN) earlier in 2018. During the year ended December 31, 2018, the Trust recorded a fair value gain of $3.7 million related to this investment. Including distributions received, the Trust generated a total return of $8.8 million or 16.8% on its gross investment of the Dream Office REIT units.

In the three months ended December 31, 2018, Zibi, the 34-acre mixed-use development located in Ottawa and Gatineau, progressed with the commencement of occupancy at the project's first condominium building, "O", comprising of 70 units which are 83% sold. In addition to O, land servicing on both the Ontario and Quebec lands is well underway, and construction has started on the project's next residential building, Kanaal, comprising of 71 units along with 105,000 square feet of commercial space.

As at December 31, 2018, the Axis Condominiums project had been 'topped off', signifying it has reached its ultimate height but is still under construction. The project remains on schedule with first occupancy slated for the fall of 2019, accelerated from an initial timing of 2020, and includes completion of the lobby and amenities. The project is 100% sold. Upon completion the internal rate of return ("IRR"[3]) on Axis Condominiums is expected to be well in excess of 50% on the Trust's initial investment of $5.4 million, including transaction costs.

Subsequent to December 31, 2018, the Hard Rock signed a franchise agreement with Hilton Hotels & Resorts ("Hilton") to join the Curio Collection following the redevelopment/conversion of the property to the Virgin Hotel Las Vegas in 2020, as well as participate in Hilton's award- winning guest loyalty program, Hilton Honors. Curio Collection by Hilton is an upper upscale, global portfolio of more than 65 one-of-a-kind hotels and resorts across the world. As a result of the agreement, the property will be on the Hilton booking system upon its re-opening as a Virgin Hotel and will have access to a large distribution channel through the Hilton platform, where there has historically been significant unmet room demand - estimated to be 900,000 unmet Las Vegas rooms per year.

Over the upcoming year, in line with the current projections for the progression of the Trust's various development projects, management expects to invest a further $45 to $55 million towards funding existing development projects in Toronto and Ottawa. The Trust expects 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 forecasted for the next year includes assumptions related to the following: 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 December 31, 2018, the Trust had a cash balance of $46.7 million and funds available under its revolving credit facility of $38.0 million (net of $1.4 million of letters of credit).

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 increased value for unitholders. 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[(1)]

NAV per unit of $8.74 as at December 31, 2018 increased by 0.6% compared with $8.69 as at September 30, 2018. The increase was as a result of the following: the redemption of the Trust's investment in Hotel Pur thereby receiving total distributions of $4.9 million, which included return of capital plus a 9% preferred return; a $2.0 million fair value gain on its investment in Hard Rock related to foreign exchange; and market value gains of $7.1 million related to both its Axis Condominiums and Lakeshore East developments. The market value gain on the Axis Condominiums development was attributed to the project being closer to completion. The market value gain on the Lakeshore East development was a result of continued favorable market trends and comparable market transactions, as supported by independent third-party appraisals. Fair value adjustments are reflected in the Trust's consolidated financial statements. Market value adjustments are reflected only in NAV, which is a non-IFRS measure. For further details regarding non-IFRS measures and a reconciliation, where applicable, to the consolidated financial statements, please refer to "Non-IFRS Measures" below and the Management's Discussion and Analysis ("MD&A") under the heading "Non-IFRS Measures and Other Disclosures".

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. For additional details on the Trust's equity accounted investments and renewable power projects, please refer to Equity Investments Market Value Adjustment Included in NAV - Methodology within section 2.2 and Renewable Power Market Value Adjustment Included in NAV - Methodology within section 2.5 of the MD&A, respectively.

The closest IFRS measure to NAV per unit is unitholders' equity per unit. For further details regarding non-IFRS measures and a reconciliation, where applicable, to the consolidated financial statements, please refer to "Non-IFRS Measures" below and the Management Discussion and Analysis ("MD&A") under the heading "Non-IFRS Measures and Other Disclosures".

Unitholders' Equity[(1)]

As at December 31, 2018, total unitholders' equity of $8.13 per unit has remained relatively consistent compared with $8.14 per unit as at September 30, 2018.

Cash Generated from Operating Activities
Cash generated from operating activities for the three months ended December 31, 2018 was $1.7 million compared with $7.3 million in the same period in the prior year. During the three months ended December 31, 2018, cash distributions of $1.2 million, which represented profit to the Trust and related to the Trust's investment in Hotel Pur, were received compared with $2.4 million related to Empire Brampton in the same period in the prior year. Cash generated from operating activities for the year ended December 31, 2018 was $17.3 million compared with $11.4 million for the prior year. The increase in cash generated from operating activities was primarily due to lower investment towards lease incentives and initial direct leasing costs due to the sale of the non-core income properties in the prior year, as well as changes in non-cash working capital.

Other Operating Highlights in Q4 and YE 2018:

Development and Investment Holdings
For the three months ended December 31, 2018, development and investment holdings net income increased to $3.8 million from $1.0 million in the same period in the prior year. The increase was primarily due to the Trust's share of income from its equity accounted investments recognized in the current period, primarily driven by occupancy at Zibi's O condominium. For the year ended December 31, 2018, development and investment holdings recorded net income of $0.9 million, compared with a net loss of $1.6 million in the prior year. The net loss in the prior year was primarily due to the sale of the Trust's non-core legacy assets within its development and investment holdings segment. During the year ended December 31, 2018, the Trust recorded fair value gains of $3.3 million related to its hospitality assets and $0.8 million of the Trust's share of income from its equity accounted investments primarily due to the occupancy at the O condominium. Offsetting the aforementioned fair value gains was $4.5 million of fair value losses recognized during the year on the Empire Lakeshore high-rise condominium development project based on updated information regarding changes in cost assumptions as the project is closer to completion.

Lending Portfolio
For the three months ended December 31, 2018, the lending portfolio generated net income of $3.6 million, an increase from $1.3 million when compared with the same quarter in the prior year. During the three months ended December 31, 2018, no provision for the lending portfolio was recorded compared to a loan provision of $2.5 million recorded in the same period in the prior year. The lending portfolio recorded net income of $15.6 million for the year ended December 31, 2018, an increase from $8.6 million when compared with the prior year. During the year ended December 31, 2018, no provision for the lending portfolio was recorded compared to a loan provision of $4.8 million recorded in the prior year. In addition, the year over year increase was attributable to a higher weighted average effective interest rate on the loan portfolio when compared to the prior year.

During the year ended December 31, 2018, the Trust advanced total gross proceeds of $35.0 million at a weighted average effective interest rate of 10.7% compared to $90.1 million at a weighted average effective interest rate of 10.1% in the prior year.

Income Properties
For the three months ended December 31, 2018, income properties generated net income of $2.1 million compared with $17.3 million in the same period in the prior year. The decrease was due to a net fair value gain of $0.5 million, recorded in the three months ended December 31, 2018, compared with a net fair value gain of $11.0 million recorded in the same period in the prior year. In addition, during the three months ended December 31, 2018, no fair value gains were recorded on the publicly traded units of Dream Office REIT compared with $2.8 million recorded in the same period in the prior year as the Trust's investment in Dream Office REIT units were disposed during the second quarter of 2018. For the year ended December 31, 2018, the income properties generated net income of $9.3 million compared with a net loss of $10.0 million in the prior year. The year over year change was primarily due to $22.9 million of net fair value losses recorded in the prior period related to the disposal of the Trust's non-core income properties.

Renewable Power
For the three months and year ended December 31, 2018, the renewable power portfolio recorded a net loss of $0.3 million and net income of $4.1 million, respectively, compared with net income of $0.4 million and $4.5 million in the same periods in the prior year. The variance was primarily attributable to weather conditions which impacted solar production and an increase in maintenance related expenses during the current periods.

Other[(2)]
The Other segment realized a net loss of $2.2 million for the three months ended December 31, 2018 compared with a net loss of $3.6 million in the same period in the prior year. This was primarily the result of the Trust recording a deferred tax recovery of $1.3 million compared with $0.7 million in the same period in the prior year. The Other segment realized a net loss of $15.9 million for the year ended December 31, 2018 compared with a net loss of $11.1 million in the prior year. This was primarily the result of the Trust recording an income tax expense of $0.7 million compared with an income tax recovery of $5.1 million in the same period in the prior year.

Normal Course Issuer Bid ("NCIB")

From the inception of the Trust's NCIB program in December 2014 to February 20, 2019, the Trust has purchased for cancellation 4.0 million units for a total cost of $24.5 million, which included 1.3 million units purchased during and subsequent to the year ended December 31, 2018.

Selected financial and operating metrics for the three months and year ended December 31, 2018 are summarized below:

	Three months ended		Year-ended	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
Consolidated results of operations				
Net income (loss)	**$ 6,995**	$ 16,377	**$ 13,902**	$ (9,472)
Net income (loss) before depreciation[3]	**8,528**	17,906	**20,005**	(3,614)
Cash generated from (utilized in) operating activities	**1,669**	7,285	**17,251**	11,350
Net income (loss) per unit[3]	**0.10**	0.23	**0.19**	(0.13)
Net income (loss) per unit before depreciation [3]	**0.12**	0.25	**0.28**	(0.05)
Distributions paid and payable	**7,343**	7,918	**29,300**	29,155
Trust unit information				
Distributions declared and paid per unit	**0.10**	0.10	**0.40**	0.40
Units outstanding – end of period	**72,592,822**	72,417,786	**72,592,822**	72,417,786
Units outstanding – weighted average	**72,437,648**	72,583,347	**72,361,187**	72,434,391

The table below provides a summary of the Trust's portfolio as at December 31, 2018, including Total Unitholders' equity and NAV:

As at December 31, 2018	**Assets**	**Debt**	**Total Unitholders' Equity**	**NAV**	**NAV per unit**
Development and Investment Holdings, including Equity accounted investments	$ 251,137	N/A	$ 254,804	$ 294,674	$ 4.06
Lending Portfolio	144,095	N/A	142,220	142,220	1.96
Income Properties	224,310	$ 122,214	101,962	101,962	1.40
Renewable Power	130,615	73,278	64,184	74,711	1.03
Other, including tax[4]			27,088	21,083	0.29
Total Unitholders' Equity / NAV			**$ 590,258**	**$ 634,650**	
Total Unitholders' Equity / NAV per unit			**$ 8.13**		**$ 8.74**

We continue to leverage our relationships and expertise to attract world-class partners and investment opportunities. As a result of our partners and relationships, the Trust has access to unparalleled investment opportunities across North America. The table below provides an overview of some of the Trust's key partners within its development/re-development investments:

Project	**Partners**	**Partner Since**
Empire Lakeshore & Brampton	Empire Communities	2014
Axis Condominiums	CentreCourt Developments	2016
Lakeshore East development	Dream Unlimited, Great Gulf Residential	2016
Port Credit development	Dream Unlimited, Kilmer Van Nostrand Co. Ltd, Diamond Corp., FRAM + Slokker	2017
Zibi development	Dream Unlimited, Theia Partners[5]	2017
Frank Gehry development	Dream Unlimited, Great Gulf Residential, Westdale Construction Co Ltd	2017
Seaton development	Fieldgate Homes, Mattamy Homes, Paradise Developments, TACC Construction Ltd	2018
Hard Rock/Virgin Hotels Las Vegas	Juniper Capital Partners, Fengate Real Asset Investments, Virgin Hotels	2018
100 Steeles	Dream Unlimited, Westdale Construction Co. Ltd	2018
West Don Lands	Dream Unlimited, Kilmer van Nostrand Co. Ltd, Tricon Capital Group	2018

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

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Footnotes

(1) The Trust has revised certain comparative figures, refer to Note 2 - Basis of presentation and statement of compliance, in the consolidated financial statements
(2) Includes other Trust amounts not specifically related to the segments
(3) Net income (loss) per unit, net income (loss) before depreciation, net income (loss) per unit before depreciation, IRR, market value, NAV and NAV per Unit are non-IFRS measures. Please refer to cautionary statements under the heading "Non-IFRS Measures" in this press release
(4) Includes the Trust and other segment level cash and net working capital balances. As at December 31, 2018, NAV includes deferred income taxes adjustment of $6.0 million related to the market value adjustments for equity accounted investments and renewable power assets
(5) Formerly known as Windmill Development

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 net income (loss) before depreciation, net income (loss) per unit before depreciation, IRR, market 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 year ended December 31, 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 and expected manner of funding thereof; 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 and targeted pre-tax IRR 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 February 20, 2019. 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