dream alternatives DRA.UN-TSX

DREAM ALTERNATIVES REPORTS FIRST QUARTER RESULTS

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

TORONTO, May 8, 2019, DREAM HARD ASSET ALTERNATIVES TRUST (TSX: DRA.UN) ("Dream Alternatives", "we" or the "Trust") today reported its financial results for the three months ended March 31, 2019.

For the three months ended March 31, 2019, the Trust reported net income of $0.7 million down from $5.8 million in the same period in the prior year. The variance was primarily due to $3.7 million in fair value gains and dividend income recognized in the prior period related to the Trust's investment in marketable securities that were sold mid-2018. In addition, during the three months ended March 31, 2019, the Trust recorded deferred compensation expense of $0.7 million as a result of a 15% increase in the Trust unit price since December 31, 2018, an increase of $0.5 million compared to the same period in the prior year.

"During and subsequent to the first quarter, we made important contributions towards our existing development projects as well as provided significant updates to our strategic plan to narrow the gap between the Trust's current trading price and NAV, while committing to maintain our current distribution level" said Michael Cooper, Portfolio Manager. "We are pleased with the progress to date both with respect to the underlying value of the business and the trading price of the units."

Updates of Strategic Plan to Enhance Unitholder Value

As announced in February 2019, management of the Trust committed to a strategic plan to enhance unitholder value. On April 23, 2019, the Trust announced further details with respect to its strategic plan which included an update on the Trust's commitment to its unit buyback program which will comprise three separate offers to unitholders in accordance with applicable securities laws. The first of which is anticipated to be made on or about July 2019, with two subsequent offers to be made in 2020 for a total buyback of $100 million of units at prices of $8.00 for the first bid, increasing to at least $8.50 by the last bid. The exact number of units that the Trust offers to purchase, and the timing of such purchases will be determined by the Trust at the time of launching such offers, subject to the receipt of the expected proceeds from capital recycling and the trustees' obligation to act in the best interests of unitholders. Additionally, in order to provide support for the existing cash distribution policy, the Trust announced an agreement to satisfy the management fees payable to Dream Asset Management Corporation ("DAM") in units of the Trust, valued at $8.74 per unit, until December 2020. For further details please see the April 23, 2019 press release here.

The Trust is currently investigating the potential sale of its renewable power segment and certain other non-core assets. During the first quarter of 2019, the Trust commenced formal marketing on its United Kingdom renewable power portfolio. Subsequent to the three months ended March 31, 2019, the Trust began marketing of its economic interest in the Canadian renewable power portfolio. Proceeds raised from renewable and non-core asset sales are expected to fund the Trust's unit buyback program pursuant to the strategic plan.

Results Highlights

During the three months ended March 31, 2019, in line with its expectations, the Trust invested $8.5 million of capital into its development projects. Of this capital invested, approximately $4.4 million related to opportunities that arose over the course of the quarter allowing the Trust to increase its ownership interest in existing development projects. In the three months ended March 31, 2019, the Trust, along with DAM, invested $2.9 million for an increased interest in its 100 Steeles Ave. West development ("100 Steeles"). 100 Steeles is currently a 62,000 square foot income producing retail property that is 89% leased, located north of Toronto, steps away from the proposed Yonge-North subway extension. The Trust, along with DAM, have a 50% ownership in the project, split on a 75/25% basis. 100 Steeles is planned for much higher density beyond current zoning that would include over 1 million square feet of residential and mixed-use development with targeted returns in line with the Trust's objectives.

During the three months ended March 31, 2019, the Hard Rock/Virgin Hotel Las Vegas ("Hard Rock") investment announced a partnership, through 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. The Hard Rock re-conceptualization and revitalization is expected to start February 2020, following the Super Bowl with a grand re-opening as the Virgin Hotel Las Vegas slated for November 2020. In the meantime, the Hard Rock continues to operate as an income producing property.

In the three months ended March 31, 2019, Zibi, our 34-acre waterfront development along the Ottawa River in Gatineau, Quebec and Ottawa, Ontario continued to progress with land servicing on both Ontario and Quebec lands. In addition, construction is underway on the project’s next residential building, Kanaal, comprising 71 units, which are currently 87% pre-sold as well as the project's first commercial spaces comprising over 85,000 square feet of office and retail gross floor area. Our 8-storey, multi-purpose sales centre and event space, “Zibi House”, opened to the public on May 1, 2019 and provides birds-eye views of our development, Chaudière Falls and Parliament Hill.

In 2019, management expects to invest an additional $40 to $50 million of capital towards existing development projects in Toronto and Ottawa. The Trust expects to fund its current development portfolio capital requirements from 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 and development costs as well as other planned future payments. These aggregate fundings forecasted for 2019 include 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 March 31, 2019, the Trust had a cash balance of $33.5 million and funds available under its revolving credit facility of $36.8 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 internal rate of return (“IRR”) of at least 15-20% on new equity investments in residential and mixed-use development projects.

Unitholders' Equity

As at March 31, 2019, total unitholders' equity of $8.04 per unit decreased compared with $8.13 per unit as at December 31, 2018. The decrease in total unitholders' equity was primarily due to distributions paid and payable exceeding the Trust's net income during the period, which was expected as many of the Trust's projects are in the development and pre-development phase. Also impacting the decrease in unitholders equity was a $0.8 million unrealized foreign currency loss; $0.7 million of deferred compensation expense and $1.7 million of depreciation in renewable power, all non-cash items.

Net Asset Value

NAV per unit of $8.71 as at March 31, 2019 was comparable to $8.74 as at December 31, 2018. The aforementioned non-cash items were almost fully offset by a market value gain of $3.1 million, primarily related to Axis Condominiums and changes in tax estimates related to market value adjustments based on updated development plans. The construction on Axis Condominiums is now complete with closings slated to start in May 2019 and continue through October 2019 with an expected IRR over 50%. Market value adjustments are reflected only in NAV, which is a non-IFRS measure.

The Trust relies on NAV per unit as a measure of value creation including the market value adjustments on its equity accounted investments and renewable power projects. 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 condensed 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".

Cash Generated from Operating Activities

Cash generated from operating activities for the three months ended March 31, 2019 was $5.0 million compared with $3.5 million in the same period in the prior year. The increase in cash generated from operating activities was primarily due to cash distributions of $1.2 million related to the Trust's investment in Empire Brampton.

Other Operating Highlights in Q1:

Development and Investment Holdings

For the three months ended March 31, 2019, development and investment holdings generated a net loss of $0.4 million compared to net income of $2.1 million in the same period in the prior year. During the first quarter of 2019, the Trust recorded an unrealized foreign currency loss of $0.8 million related to its investment in Hard Rock, resulting in a cumulative unrealized foreign currency gain on this investment of $1.2 million. Partially offsetting the unrealized foreign currency loss during the quarter was $0.3 million of fair value gains recorded on certain development holdings compared with a $1.9 million fair value gain recorded in the same period in the prior year.

Lending Portfolio
Net income of $3.5 million for the three months ended March 31, 2019 generated from the lending portfolio was relatively stable compared with $3.7 million in the same period in the prior year.

Income Properties
For the three months ended March 31, 2019, income properties generated net income of $1.5 million compared with $3.2 million in the same period in the prior year. The variance was attributed to $3.7 million of income recorded in the prior period related to the investment in the publicly traded units of Dream Office REIT (TSX: D.UN), which were disposed of in the second quarter of 2018. Additionally, the Trust recorded a fair value loss of $2.1 million in the same period in the prior year, related to certain income properties, compared with no fair value adjustments recorded in the current period on its income properties.

Renewable Power
Net income of $0.8 million for the three months ended March 31, 2019 generated from the renewable power portfolio remained relatively stable compared with $0.9 million in the same period in the prior year.

Other[(1)]
The Other segment realized a net loss of $4.7 million for the three months ended March 31, 2019 compared with a net loss of $4.1 million in the same period in the prior year. The variance is a result of an increase in deferred tax expense to $0.7 million from $0.2 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 May 8, 2019, the Trust has purchased for cancellation 4.8 million units for a total cost of $30.4 million, which included 0.9 million units purchased during and subsequent to the three months ended March 31, 2019. As previously mentioned above, the Trust announced its commitment towards its unit buyback program over the course of 2019 and 2020 for a total buy back of $100 million of Trust units.

Selected financial and operating metrics for the three months ended March 31, 2019 are summarized below:

For the three months ended		**March 31, 2019**		March 31, 2018
Consolidated results of operations				
Net income (loss)	**$**	**714**	$	5,784
Net income (loss) before depreciation[(2)]		**2,435**		7,296
Cash generated from (utilized in) operating activities		**5,007**		3,549
Net income (loss) per unit[(2)]		**0.01**		0.08
Net income (loss) per unit before depreciation [(2)]		**0.03**		0.10
Distributions paid and payable		**7,325**		7,309
Trust unit information				
Distributions declared and paid per unit		**0.10**		0.10
Units outstanding – end of period		**72,148,991**		72,416,062
Units outstanding – weighted average		**72,562,572**		72,358,674

The table below provides a summary of the Trust's portfolio as at March 31, 2019, including Total Unitholders' equity and NAV:

As at March 31, 2019		**Total Unitholders' Equity**		**NAV**
Development and Investment Holdings, including Equity accounted investments	$	261,699	$	302,851
Lending Portfolio		141,998		141,998
Income Properties		101,680		101,680
Renewable Power		62,413		72,802
Other, including tax[(3)]		12,501		8,326
Total Unitholders' Equity / NAV	**$**	**580,291**	**$**	**627,657**
Total Unitholders' Equity / NAV per unit	**$**	**8.04**	**$**	**8.71**

Annual General Meeting of Unitholders

Senior management will host its Annual General Meeting of Unitholders on June 17, 2019 at 9 a.m. (ET), located at the Hockey Hall of Fame, TSN Theatre (concourse level), Brookfield Place, 30 Yonge Street, Toronto, Ontario.

For further details, please visit the Trust's website at www.dreamalternatives.ca and click on the link for News and Events, then click on Calendar of Events.

About Dream Alternatives

Dream Alternatives provides investors with access to an exceptional portfolio of real estate development opportunities and alternative assets that would not be otherwise available in a public and fully transparent vehicle, managed by an experienced team with a successful track record in these areas. The objectives of 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

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Footnotes

(1) Includes other Trust amounts not specifically related to the segments

(2) 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

(3) Includes the Trust and other segment level cash and net working capital balances. As at March 31, 2019, NAV includes deferred income taxes adjustment of $4.2 million related to the market value adjustments for equity accounted investments and renewable power assets

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, 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 three months ended March 31, 2019.

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 strategic plan, our commitment to maintaining the current distribution policy, our unit buyback program (including the amounts to be deployed, the timing, price and size of any offers to unitholders), the effects of paying management fees in units on our cash flows and our ability to pay distributions, and our expectations regarding our capital recycling programs, 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 May 8, 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