



## DREAM GLOBAL REIT COMPLETES 600,000 SQUARE FEET OF LEASING INCLUDING A MAJOR RENEWAL WITH DEUTSCHE POST AS GERMAN OFFICE MARKET CONTINUES STRONG PERFORMANCE

**TORONTO, AUGUST 5, 2015 DREAM GLOBAL REIT (DRG.UN-TSX)** today reported its financial results for the quarter ended June 30, 2015. Dream Global REIT's management team will be holding a conference call tomorrow, August 6, 2015 at 2:00 p.m. (ET).

### Q2 2015 HIGHLIGHTS

- **Improving operating metrics**
  - **Strong leasing performance** with the completion of approximately 600,000 square feet of new leases and renewals in Q2 2015. Leasing momentum remains strong, buoyed by solid economic performance in Germany and declining vacancy rates in the Big 7 office markets;
  - **High retention ratio** of 85% in Q2 2015, including the early renewal of approximately 251,000 square feet of space with Deutsche Post;
  - **Rising in-place rents** with average in-place rents up 6.0% year-to-date to €9.39 in Q2 2015 from €8.86 at the end of 2014;
  - **Improving leasing spread** with market rents exceeding in-place rents by 3.7% as at Q2 2015;
  - **NOI in euros increased** by 3.7% in Q2 2015 compared to Q1 2015.
- **Investment highlights**
  - **\$63 million increase in the value of investment properties and investments in joint ventures** resulting from leasing activity and cap rate compression, reflecting strong investor demand for German office properties;
  - **Acquisition pipeline remains active** with approximately \$129 million of acquisitions under contract or exclusivity, subject to due diligence review, at an average cap rate of 5.8% and an expected average borrowing rate of approximately 1.9% for a 10-year term. These high quality, multi-tenant office buildings are centrally located in the German cities of Berlin, Essen and Erfurt;
  - **Continued capital recycling program during Q2** with the sale of 16 properties from the Trust's Initial Portfolio for gross proceeds of \$24 million. Including 20 additional properties currently under contract, the 2015 year-to-date dispositions total approximately \$103 million.
- **Successful lease negotiations with Deutsche Post leading to renewal of majority of space subject to 2016 termination rights**
  - **Proactive negotiations** resulting in the retention of 84% of the gross rental income ("GRI") relating to the space subject to 2016 early termination rights. Direct lease negotiations with Deutsche Postbank ("Postbank") in eight buildings, or 26,000 square feet of subleased space, could further increase GRI retention to almost 100%.

"We are very pleased with the outcome of our lease negotiations with Deutsche Post. Our focus on better understanding their space requirements and proactively addressing them, was a key factor in their decision to retain the majority of the space for which they had a termination option. Of the 393,000 square feet which could have been terminated, they will retain 14 out of 16 buildings, or 342,000 square feet, accounting for the majority of their space and GRI," said Alexander Sannikov, Vice President, Portfolio Management of Dream Global REIT.

## KEY PERFORMANCE INDICATORS

	June 30, 2015	March 31, 2015	June 30, 2014
<b>Portfolio<sup>(1)</sup></b>			
Number of properties	221	237	286
Gross leasable area ("GLA") (in square feet)	13,393,180	13,863,404	15,679,545
Occupancy rate – including committed (period-end)	86.1%	86.0%	87.9%
Occupancy rate – in-place (period-end)	85.8%	85.6%	87.0%
Average in-place net rent per square foot (period-end)	€ 9.39	€ 9.26	€ 8.74
Market rents above in-place net rents	3.7%	3.3%	1.8%
<b>Operating results – in €</b>			
Net operating income ("NOI")			
Total portfolio	€ 28,469	€ 27,441	€ 31,480
Initial Properties	9,573	8,829	13,862
Acquisition Properties	18,896	18,612	17,618
<b>Operating results – in \$<sup>(2)</sup></b>			
Net operating income ("NOI")			
Total portfolio	\$ 38,748	\$ 38,298	\$ 47,079
Initial Properties	13,040	12,321	20,732
Acquisition Properties	25,708	25,977	26,347
Funds from operations ("FFO") <sup>(3)</sup>	22,079	21,244	26,079
Adjusted funds from operations ("AFFO") <sup>(3)</sup>	20,397	19,862	24,199
<b>Distributions</b>			
Declared distributions	\$ 22,426	\$ 22,353	\$ 22,098
DRIP participation ratio (for the period)	14%	15%	16%
<b>Per unit amounts<sup>(4)</sup></b>			
Distribution	\$ 0.20	\$ 0.20	\$ 0.20
<b>Basic:</b>			
FFO	0.20	0.19	0.24
AFFO	0.18	0.18	0.22
<b>Diluted:</b>			
FFO	0.20	0.19	0.23
<b>Financing</b>			
Weighted average face rate of interest on debt (period-end) <sup>(1)(6)</sup>	3.06%	3.10%	3.33%
Interest coverage ratio <sup>(1)(3)</sup>	3.06 times	3.02 times	3.39 times
Level of debt (net debt-to-gross book value, net of cash) <sup>1)(3)</sup>	51%	52%	56%
Debt – average term to maturity (years) <sup>(1)(3)(5)</sup>	4.4	4.6	4.2
Unsecured convertible debentures	\$ 153,441	\$ 152,898	\$ 151,327

(1) Reflects owned share of joint venture properties starting in Q4 2014. Number of properties includes the joint venture properties and excludes properties classified as assets held for sale starting in Q1 2015.

(2) Operating results for the three months ended June 30, 2015, March 31, 2015 and June 30, 2014 were converted \$1.360:€1, \$1.397:€1 and \$1.496:€1, respectively.

(3) Net operating income, FFO, AFFO, interest coverage ratio and level of debt (net debt-to-gross book value, net of cash) are non-GAAP measures used by Management in evaluating operating performance. Please refer to the cautionary statements under the heading "Non-GAAP Measures" in this press release.

(4) A description of the determination of basic and diluted amounts per unit can be found in section "Non-GAAP measure and other disclosures" under the heading "Weighted average number of Units" of the MD&A.

(5) This metric excludes amounts outstanding under the revolving credit facility.

(6) Weighted average face rate of all interest bearing debt.

## CAPITAL INITIATIVES

**Acquisitions under contract** – On July 14, 2015, the Trust signed a purchase agreement for a 131,000 square foot multi-tenant office building, centrally located in Erfurt, a major regional centre and federal state capital. The property was developed in 2001, and is one of the premiere office properties in the market. The Trust will acquire the property for \$26.6 million, at a cap rate of 7.1%, using equity from its balance sheet and financing at 55% loan-to-value. We anticipate an interest rate of approximately 1.7% for ten years. This acquisition is scheduled to close in Q3 2015.



**Capital recycling** – 16 properties were disposed of during Q2 2015 at 104% of their fair value as part of the Trust's continuing capital recycling program for an aggregate sales price of \$24.0 million.

In addition, as at June 30, 2015, 20 properties were under contract, bringing the total number of properties sold or under contract during 2015 to 46 assets, and with gross proceeds from these sales of approximately \$102.5 million, representing 102% of their fair value.

**Investment Properties** – during Q2 2015, due to a combination of leasing activities and cap rate compression in Germany, the value of the investment properties increased by \$41.3 million. In addition, investment in joint ventures increased by \$21.8 million, reflecting the increase in the value of the Trust's share in the joint venture investment properties.

**Financing** – The lending environment in Germany remains favourable with mortgage rates near their lowest level in the Trust's history. Dream Global REIT continues to pursue opportunities to refinance its more expensive debt at attractive rates.

## OPERATING HIGHLIGHTS

**Occupancy** – In Q2 2015, the Trust completed over 340,000 square feet of new leases and renewals and continued disposing of non-core assets with generally lower occupancy rates. As a result of this active asset management program, the Trust's in-place and committed occupancy of the portfolio overall increased to 86.1% at the end of Q2 2015 from 86.0% at the end of Q1 2015, with in-place occupancy increasing from 85.6% at the end of Q1 to 85.8% at the end of Q2.

**Deutsche Post renewals** – Deutsche Post had the right to terminate up to approximately 393,000 square feet of space in 16 properties effective June 30, 2016. As a result of proactive negotiations with the tenant, the Trust was able retain 84% of the GRI relating to this space, as summarized in the table below.

Based on past experience, the Trust expects that Postbank will stay in most of these locations and that the overall GRI retention ratio for these properties will be close to 100%.

<b>Deutsche Post 2016 terminations</b>	<b>Number of assets</b>	<b>Total GLA</b>
2016 renewals (1 to 5-year lease terms)	8	250,882
No termination exercised	6	91,167
<b>Subtotal of space retained</b>	<b>14</b>	<b>342,049</b>
Termination notice exercised	2	24,526
Space subleased to Postbank		26,011
<b>Total subject to 2016 termination rights</b>	<b>16</b>	<b>392,586</b>

**In-place rents** – In Q2 2015, in-place rents further increased to €9.39 from €8.86 at the end of 2014, largely due to market conditions and an overall improvement in the quality of the Trust’s portfolio. Year-over-year, in-place rents increased by more than 7% since Q2 2014, highlighting the improved quality of the Trust’s asset base and achieving rental rate growth across the portfolio. Overall, the in-place rents in the Initial Properties portfolio remain nearly 15% below market rents, which provides for further upside on renewals and new leases.

## **FINANCIAL HIGHLIGHTS**

**Net Operating Income** – NOI in euros increased by 3.7% for the three months ended June 30, 2015, compared to the three months ended March 31, 2015. The increase largely resulted from leasing activity and the full impact of the contribution from a large acquisition in Q1, partially offset by dispositions during the quarter.

**Funds From Operations** – FFO for the three months ended June 30, 2015 was \$22.1 million compared to \$21.2 million for the three months ended March 31, 2015. On a per unit basis, basic FFO for three months ended June 30, 2015 was \$0.20/unit, compared to \$0.19/unit for the three months ended March 31, 2015. The increase quarter over quarter is a result of improved occupancy, higher in-place rental rates and the full impact of the contribution from a large acquisition in Q1, partially offset by dispositions during the quarter.

**Adjusted Funds From Operations** – AFFO for the three months ended June 30, 2015 was \$20.4 million compared to \$19.9 million for the three months ended March 31, 2015, an increase of 2.5%. On a per unit basis, basic AFFO for three months ended June 30, 2015 was \$0.18/unit, unchanged from \$0.18/unit for the three months ended March 31, 2015.

“The operating environment in Germany continues to be very favourable for owning and operating office buildings. Vacancy rates further declined in the Big 7 office markets, unemployment remains at historic lows and investor demand for German office properties is very strong,” said Jane Gavan, Chief Executive Officer of Dream Global REIT. “We believe that our portfolio will continue to become more valuable with this economic backdrop.”

## **CONFERENCE CALL DETAILS**

Dream Global REIT’s management team will be holding a conference call tomorrow, Thursday, August 6, 2015 at 2:00 p.m. (ET). To access the conference call, please dial 1-888-465-5079 in Canada and the United States or 416-216-4169 elsewhere and use passcode 8694 191#. A taped replay of the call will be available for ninety days. For access details, please go to Dream Global REIT’s website at [www.dreamglobalreit.ca](http://www.dreamglobalreit.ca) and click on the News & Events link, then click on Calendar of Events.

Information appearing in this news release is a select summary of results. The financial statements and management's discussion and analysis for the Trust are available at [www.dreamglobalreit.ca](http://www.dreamglobalreit.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Dream Global REIT is an unincorporated, open-ended real estate investment trust that provides investors with the opportunity to invest in commercial real estate exclusively outside of Canada. Dream Global REIT's portfolio currently consists of approximately 13.4 million square feet of gross leasable area of office, industrial and mixed use properties across Germany. For more information, please visit [www.dreamglobalreit.ca](http://www.dreamglobalreit.ca).

#### **Non-GAAP 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-GAAP financial measures, including investment properties revenue, net operating income, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), interest coverage ratio and level of debt (net debt-to-gross book value, net of cash), debt - average term to maturity as well as other measures discussed elsewhere in this release. These non-GAAP 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-GAAP measures as Management believes they are relevant measures of the Trust's underlying operating performance and debt management. Non-GAAP measures should not be considered as alternatives to net income, cash generated from (utilized in) 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-GAAP Measures and Other Disclosures" in Dream Global REIT's Management's Discussion and Analysis for the three months ended June 30, 2015.*

#### **Forward-looking information**

*This press release may contain forward-looking information within the meaning of applicable securities legislation. Forward looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dream Global REIT's control that 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, global and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate functions. Our objectives and forward-looking statements are based on certain assumptions, including that the Canadian and German economies remain stable, interest rates remain stable, conditions within the real estate market remain consistent, competition for acquisitions remains consistent with the current climate and that the capital markets continue to provide ready access to equity and/or debt. All forward-looking information in this press release speaks as of the date of this press release. Dream Global REIT 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 contained in Dream Global REIT's filings with securities regulators, including its latest annual information form and MD&A. These filings are also available at Dream Global REIT's website at [www.dreamglobalreit.ca](http://www.dreamglobalreit.ca).*

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