



## DREAM GLOBAL REIT AND GERMAN OFFICE MARKET EXCEPTIONALLY WELL POSITIONED TO DELIVER STRONG RESULTS IN 2017

TORONTO, FEBRUARY 22, 2017 DREAM GLOBAL REIT (TSX:DRG.UN, FRA:DRG) today reported its financial results for the quarter and year ended December 31, 2016. Dream Global REIT's management team will be holding a conference call tomorrow, February 23, 2017 at 3:30 p.m. (ET).

### HIGHLIGHTS

- **Continued strong leasing performance supported by robust German fundamentals**
  - **Occupancy reaches 90%** at the end of 2016, the eighth consecutive quarter of occupancy growth and the highest occupancy level in the Trust's history;
  - **Tenant retention of 81%** with over 334,000 square feet of new leases and renewals completed during Q4 2016;
  - **Year-over-year rental rate growth of 7% across the entire portfolio** to €10.29 per square foot at the end of 2016;
  - **New record- low in Germany's office vacancy rate** with vacancy rates in the seven largest office markets declining by 90 basis points year-over-year to 5.5% at the end of 2016;
  - **Low unemployment of 3.5%** as Germany's economy continues to gather momentum in a strengthening economy.
- **Investment highlights**
  - **Completed two office property acquisitions for \$150.8 million in Q4**, including the Trust's 359,000 square foot office property in Bremen, Germany, increasing 2016 acquisitions to \$215.5 million;
  - **Continued capital recycling program in Q4** with the sale of 16 properties from the Trust's Initial Portfolio for gross proceeds of \$57.0 million, increasing the 2016 dispositions to \$103.0 million.
- **Corporate initiatives**
  - **Obtained listing on the Frankfurt Stock Exchange** on November 15, 2016 with Dream Global REIT's units trading under the ticker symbol DRG;
  - **Received Moody's investment grade issuer rating of Baa3 stable**, providing the REIT with greater financial flexibility, including the ability to source unsecured debt capital;
  - **Offering of currency conversion option** to unitholders wishing to receive their monthly distributions in Euros starting with the February 2017 distribution;
  - **Added to development pipeline** with the acquisition of Siemens land parcel.
- **Improved capital structure**
  - **Refinanced 14 mortgages** between August 26, 2016 – December 27, 2016, resulting in the reduction of the weighted average face interest rate on these mortgages to 1.29%, compared to the original average interest rate of 2.43%, for an average term of 8.4 years and additional net proceeds of \$101.2 million;
  - **Secured two new mortgages in Q4** with an average interest rate of 1.28% and an average term of 7.5 years;
  - **Lowered weighted average face interest rate of Trust's overall debt to 1.85%** at the end of 2016 from 2.49% at the end of 2015.

"The combination of strong market fundamentals, attractive financing rates, our successful capital recycling program and the REIT's recent corporate initiatives, positions us very well heading into 2017 and beyond." said Jane Gavan, CEO of Dream Global REIT.

## KEY PERFORMANCE INDICATORS

Year-over-year, the business of the Trust has been transformed through an active capital recycling program. Some of the operating metrics, including net operating income, are therefore not directly comparable year-over-year.

	December 31, 2016	September 30, 2016	December 31, 2015
<b>Portfolio</b>			
Number of properties <sup>(1)</sup>	173	181	208
Gross leasable area ("GLA") (in square feet) <sup>(1)</sup>	13,025,346	12,580,821	13,428,169
Occupancy rate – including committed (period-end) <sup>(1)</sup>	90.0%	89.1%	87.5%
Occupancy rate – in-place (period-end) <sup>(1)</sup>	88.6%	86.7%	86.8%
Average in-place net rent per square foot (period-end) <sup>(1)</sup>	€ 10.29	€ 10.26	€ 9.61
Market rents above in-place net rents <sup>(1)</sup>	3.3%	3.8%	6.1%
Total annualized Deutsche Post gross rental income ("GRI") as % of total GRI	18.9%	20.5%	22.4%
<b>Operating results – in € <sup>(2)(7)</sup></b>			
Net operating income ("NOI") <sup>(3)</sup>	€ 26,925	€ 27,240	€ 25,780
<b>Operating results – in \$ <sup>(2)(7)</sup></b>			
Net operating income ("NOI") <sup>(3)</sup>	\$ 38,769	\$ 39,649	\$ 37,692
Funds from operations ("FFO") <sup>(3)</sup>	\$ 25,463	24,205	21,338
Adjusted funds from operations ("AFFO") <sup>(3)</sup>	\$ 22,820	22,969	20,548
Average exchange rate (Canadian dollars to one euro)	1.438	1.456	1.461
<b>Distributions</b>			
Declared distributions	\$ 25,068	\$ 24,267	\$ 22,578
DRIP participation ratio (for the period)	13%	13%	14%
<b>Per unit amounts<sup>(4)</sup></b>			
Distribution	\$ 0.20	\$ 0.20	\$ 0.20
Cash Distribution (net of DRIP)	0.17	0.17	0.17
Basic FFO	0.20	0.20	0.19
Basic AFFO	0.18	0.19	0.18
Diluted FFO	0.20	0.20	0.19
<b>Financing</b>			
Weighted average face rate of interest on debt (period-end) <sup>(1)</sup>	1.85%	1.93%	2.49%
Interest coverage ratio <sup>(1)(3)</sup>	2.95 times	2.80 times	3.08 times
Level of debt (net debt-to-gross book value, net of cash) <sup>(1)(3)</sup>	52%	50%	54%
Average level of debt (net debt-to-gross book value, net of cash) <sup>(1)(3)</sup>	53%	53%	52%
Debt – average term to maturity (years) <sup>(1)(3)(5)</sup>	5.7	5.6	5.0

(1) Reflects owned share of joint venture properties.

(2) Operating results for the three months ended December 31, 2016, September 30, 2016 and December 31, 2015 were converted at \$1.438:€1, \$1.456:€1 and \$1.461:€1, respectively.

(3) Net operating income, FFO, AFFO, interest coverage ratio, level of debt (net debt-to-gross book value, net of cash) and average 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.

## LEASING INITIATIVES

**Leasing** — In Q4 2016, the Trust completed 334,000 square feet of new leases and renewals and continued selling non-core assets with generally lower occupancy rates. The Trust renewed approximately 191,000 square feet of expiring space during the quarter, resulting in a tenant retention rate of 81%.

**Occupancy** — As a result of the Trust's active leasing and asset management program, overall in-place and committed occupancy of the portfolio reached 90% at the end of 2016, an increase of 250 basis points from 87.5% at the end of 2015 and 90 basis points quarter-over-quarter compared to Q3 2016. This is the eighth consecutive occupancy increase, resulting in the Trust reaching an occupancy rate of 90% for the first time in its history.

**In-place rents** — In Q4, in-place rents increased to €10.29 from €10.26 in Q3 2016 and €9.61 in Q4 2015. The year-over-year increase of 7% is largely due to strong market conditions and a CPI rent adjustment of Deutsche Post's rent in March 2016.

## GROWTH INITIATIVES

**Acquisitions** — On December 21, 2016, the Trust completed the acquisition of the Europa-Center Airportstadt, a 359,000 square foot multi-tenant office property in Bremen, a major port city in northern Germany and one of Germany's largest cities outside of the Big 7. The asset is located in a strong submarket immediately adjacent to Bremen's airport and was built between 1998 and 2002. Acquired for approximately \$77.8 million (excluding transaction costs) at a going-in cap rate of 6.8%, the property is 86% occupied. The two largest tenants are the health insurance arm of Allianz, one of the world's largest insurance companies, and DMK, Germany's largest dairy company.



In Q4, 2016, the Trust acquired \$150.8 million of assets, increasing 2016 acquisitions to \$215.5 million (excluding transaction costs).

**Acquisition of land parcel subsequent to year-end** — On January 20, 2017, the Trust exercised an option to acquire an 11.2 acre land parcel adjacent to its recently acquired Siemens Office Complex in Nuremberg for approximately €6.8 million (\$9.4 million). The acquisition of these lands, which will strategically benefit the Trust for the purpose of future development, is expected to close at the end of Q2 2017.

**Capital recycling** — 16 properties were disposed of during Q4 2016 as part of the Trust's continuing capital recycling program, for an aggregate sales price of \$57.0 million, bringing total sales in 2016 to \$103.0 million. In addition, as at December 31, 2016, 11 properties were held for sale for an aggregate sales price of \$45.5 million, representing the assets' approximate fair value.

## CAPITAL INITIATIVES

**Mortgage financing and refinancing program** — During the quarter, the Trust secured two mortgages in connection with its acquisitions of Siemens Office Campus and Europa-Center Airportstadt. The weighted average face interest rate on these mortgages is approximately 1.28%, with an average term to maturity of approximately 7.5 years.

In addition, the Trust continued its refinancing initiatives. The REIT completed the refinancing of three of its existing mortgages, increasing the refinancings that took place between August 26, 2016 – December 27, 2016 to \$433.2 million, replacing \$322.0 million of existing mortgages, and adding an additional \$101.2 million of net proceeds. The Trust achieved a weighted average face interest rate on these mortgages of 1.29% (compared to the original average interest rate of 2.43%) for an average term of 8.4 years, compared to 2.7 years prior to the refinancing. Proceeds raised in the mortgage financing and refinancing initiatives were used for funding of acquisitions, the repayment of the Trust's credit facility, the redemption of the Trust's 5.5% debentures as well as general Trust purposes.

The Trust's 2016 financing and refinancing initiatives are reflected in the reduction of the average face interest rate to 1.85% at the end of 2016, from 2.49% a year ago, and an average debt term of 5.7 at the end of 2016 compared to 5.0 year at December 31, 2015.

## CORPORATE INITIATIVES

**Listing on Frankfurt Stock Exchange** — On November 15, 2016, Dream Global REIT started trading in the General Standard segment of the EU regulated market on the Frankfurt Stock Exchange under the ticker symbol DRG.

**Offering of currency conversion option** — In conjunction with the listing of the REIT's units on the Frankfurt Stock Exchange, the REIT has now made available a currency conversion option to its registered unitholders, allowing them to receive their monthly distributions in Euros. The currency conversion option is available starting with the February 2017 distribution payable on March 15, 2016. The Euro equivalent of the monthly distribution declared in Canadian dollars will be based on the Bank of Canada noon exchange rate (or equivalent) on the record date. For further details, please visit Dream Global REIT's website at [www.dream.ca/global/investors](http://www.dream.ca/global/investors).

**Credit rating** — In November 2016, Dream Global received Moody's investment grade issuer rating of Baa3 stable. This rating enables Dream Global to access the unsecured debenture market and provides the REIT with greater financial flexibility, including the ability to source unsecured debt capital in Europe at attractive rates.

"Our newly acquired credit rating, recent financing initiatives and extending the term to maturity have further improved our risk profile and our financial flexibility," said Tamara Lawson, CFO of Dream Global REIT. "We will benefit from having many secured and unsecured financing options going forward to complement the REIT's strategic objectives."

**Expanded EPRA metrics disclosure** — In Q4 2016, the REIT further expanded its disclosure of European Public Real Estate Association ("EPRA") metrics to make its reporting more comparable with its German peers. This information is available on Dream Global REIT's website under [www.dream.ca/global/investors](http://www.dream.ca/global/investors).

## OUTLOOK

The German economy continues to benefit from a very robust labour market, fueled by domestic demand and government spending. Germany's unemployment rate reached a new record low of 3.5% at the end of 2016, further dropping from 3.9% a month earlier and 4.5% at the end of 2015. German GDP grew by 1.9% in 2016, ahead of expectations.

The fundamentals in the office sector are strong, with office vacancy rates continuing to decline across the major office markets. In the Big 7 German office markets, vacancy rates declined to a record low of 5.5% at the end of 2016, a 90 basis point decline since the end of 2015. Fueled by strong market fundamentals, in-place and committed occupancy in the Trust's portfolio rose to 90% for the first time in Dream Global REIT's history. Q4 2016 also marked the Trust's eighth consecutive quarter of occupancy growth.

Throughout the fourth quarter of 2016 and the beginning of 2017, management of the REIT has continued its discussions with Deutsche Post with respect to the tenant's 2018 lease expiries. Drawing on past experience and preliminary feedback from the tenant to date, the Trust expects to retain a significant portion of the expiring GRI and will continue

its strategy with respect to this expiry. This includes our ongoing asset recycling plan, active leasing and pursuing redevelopment opportunities in addition to proactive retention discussions with Deutsche Post.

Dream Global REIT reached a number of significant milestones in 2016, including: the refinancing of \$332.0 million of mortgages at lower rates and with a longer term; the early redemption of the Trust's \$161.0 million convertible debenture to achieve interest rate savings; a dual listing for Dream Global REIT's units on the Frankfurt Stock Exchange under the trading symbol DRG; and obtaining an investment grade credit rating from Moody's, recognizing record low vacancy rates, low unemployment and moderate new supply of office space, the quality of our assets, our track record in Europe, strong German economic fundamentals as well as a solid balance sheet.

With the momentum created in 2016 through a number of key strategic initiatives, supported by solid economic conditions and strong real estate fundamentals in our target markets, we are well positioned to strengthen the stability of our cash flow in 2017 and beyond.

Management will provide further details on the Trust's performance and outlook on its conference call tomorrow.

### **CONFERENCE CALL DETAILS**

Dream Global REIT's management team will be holding a conference call tomorrow, February 23, 2017 at 3:30 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 6640 466#. 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.dream.ca/global](http://www.dream.ca/global) 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 13.0 million square feet of gross leasable area of office, industrial and mixed-use properties across Germany and Austria. For more information, please visit [www.dream.ca/global](http://www.dream.ca/global).

**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 net operating income, funds from operations, adjusted funds from operations, interest coverage ratio, level of debt (net debt-to-gross book value, net of cash), and average level of debt (net debt-to-gross book value, net of cash) 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 and twelve months ended December 31, 2016.

**Forward-looking information**

This press release may contain forward-looking information within the meaning of applicable securities legislation, including statements regarding expected interest expense savings. 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 European 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 except as required by law. 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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