dream office REIT

DREAM OFFICE REIT REPORTS THIRD QUARTER 2015 RESULTS AND LEASED OVER 2 MILLION SQUARE FEET OF 2016 EXPIRIES

This news 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 12, 2015, DREAM OFFICE REIT (D.UN-TSX) or (the "REIT") today announced its financial results for the three and nine months ended September 30, 2015. Senior management will host a conference call to discuss the results on November 13, 2015 at 9:00 a.m. (ET).

OVERALL HIGHLIGHTS

The third quarter was an active quarter from a leasing, financing and dispositions perspective. We continue to post strong results relative to the overall national office market occupancy in this competitive environment, capitalize on the low interest rate environment through our financing activities, and divest non-core assets to fund our unit buyback program.

HIGHLIGHTS FOR THE QUARTER

- **Leasing momentum remains strong:** We continue to make solid progress on securing future lease commitments, with approximately 102% of our Q4 2015 maturities leased, bringing our total to date to approximately 2.5 million square feet. We have commitments in place for approximately 53% of our 2016 lease maturities, amounting to approximately 2.1 million square feet, which compares favourably to the prior year same period where we had approximately 810,000 square feet, or 33%, of commitments for 2015 lease maturities.
- **Capitalizing on the low interest rate environment:** During the quarter, the REIT renewed or refinanced mortgages totalling $118.4 million, representing an interest rate reduction of approximately 125 basis points ("bps") per annum over the mortgages discharged.
- **Disposition of non-core assets:** During the quarter, the REIT completed the sale of two properties for gross proceeds (net of adjustments) of $56.7 million. Subsequent to quarter-end, the REIT completed the sale of four properties in Quebec City for gross proceeds (net of adjustments) of $95.1 million.
- **REIT A units repurchased for cancellation:** For the three months ended September 30, 2015, the REIT has purchased for cancellation 1,220,900 REIT A units under the normal course issuer bid ("NCIB") totalling approximately $27.2 million (excluding transaction costs). For the nine months ended September 30, 2015, the REIT has purchased for cancellation 3,283,100 REIT A units under the NCIB totalling approximately $82.0 million (excluding transaction costs).

"We have irreplaceable assets in downtown Toronto accounting for almost one-third of our NOI, with our downtown Toronto IFRS NAV approximating two-thirds of the current unit price," said Jane Gavan, Chief Executive officer. "Excluding our net assets in Alberta, our units still trade around a 25% discount to IFRS NAV. We remain focused on narrowing that valuation gap."

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OPERATIONAL HIGHLIGHTS

SELECTED FINANCIAL INFORMATION (unaudited) ($000's except number of properties, square footage and percentages)			As at
	September 30, 2015	June 30, 2015	September 30, 2014
Total Portfolio			
Number of properties	**174**	176	177
Investment properties value[3]	**$ 7, 023,287**	$ 7,162,263	$ 7,226,450
Gross leasable area ("GLA")[4]	**23,349**	24,129	24,219
Comparative Portfolio			
Occupancy rate – including committed (period-end)[3]	**91.6%**	92.8%	92.9%
Occupancy rate – in place (period-end)[3]	**89.8%**	90.8%	91.0%
Average in-place net rent per square foot (period-end)[3]	**$ 18.73**	$ 18.62	$ 18.55
Market rent / average in-place net rent	**5.0%**	6.0%	7.9%

Footnotes: please refer to definitions on page 6.

- **In-place and committed occupancy remain above 90%:** At Q3 2015, our comparative portfolio in-place and committed occupancy was 91.6%, compared to 92.8% in Q2 2015 and 92.9% in Q3 2014. The decline was primarily driven by Winners Merchants International in the Toronto suburban region vacating approximately 196,200 square feet, during the quarter, as previously identified by the REIT.

- **Robust leasing activity:** Leasing activity continues to be strong with approximately 1.0 million square feet of transactions completed during the quarter. We have made significant progress heading into 2016 where we have commitments in place for approximately 53% of our 2016 lease maturities, amounting to approximately 2.1 million square feet. Of the 2.1 million square feet committed for 2016 lease maturities, approximately 1.8 million square feet were renewals. For Alberta, comprised of Calgary and Edmonton, we have lease commitments in place for approximately 44% of our 2016 lease maturities, amounting to approximately 586,500 square feet.

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FINANCIAL HIGHLIGHTS

SELECTED FINANCIAL INFORMATION (unaudited)	For the three months ended		
($000's except unit and per unit amounts)	September 30, 2015	June 30, 2015	September 30, 2014
Operating results			
NOI[1]	$ 108,481	$ 111,217	$ 111,274
Comparative properties NOI[1][2]	111,738	113,085	113,451
FFO (excluding Reorganization) [1]	78,917	82,473	77,389
AFFO[1]	69,741	73,128	68,060
Distributions			
Declared distributions	$ 63,312	$ 63,368	$ 61,387
DRIP participation ratio (for the period)	38%	36%	26%
Per unit amounts[5]			
Distribution rate	$ 0.56	$ 0.56	$ 0.56
Basic:			
FFO (excluding Reorganization) [1]	0.70	0.73	0.71
AFFO[1]	0.61	0.64	0.63
Diluted:			
FFO (excluding Reorganization)[1]	0.69	0.72	0.71
Payout ratio[1] (%):			
FFO (excluding Reorganization) (basic)	80%	77%	79%
AFFO (basic)	92%	87%	89%

Footnotes: please refer to definitions on page 6.

- **Comparative properties NOI:** NOI from comparative properties for the quarter was $111.7 million when compared to $113.1 million in Q2 2015 and $113.5 million in Q3 2014. The decline in comparative properties NOI on a year-over-year and quarter-over-quarter basis was 1.5% and 1.2%, respectively, mainly due to the departure of Winners Merchants International in the Toronto suburban region, during the quarter totalling approximately 196,200 square feet.

- **Basic FFO per unit and AFFO per unit for the quarter:** Basic FFO on a per unit basis for the three months ended September 30, 2015 was $0.70, compared with $0.73 in Q2 2015 and $0.71 in Q3 2014. AFFO on a per unit basis for the three months ended September 30, 2015 was $0.61, compared with $0.64 in Q2 2015 and $0.63 in Q3 2014. The decrease in basic FFO per unit and AFFO per unit for the quarter was primarily a result of a decline in comparative properties NOI and dispositions. Offsetting this decline were interest rate savings upon refinancing of maturing debt and general and administrative expense savings as a result of the elimination of the asset management agreement with Dream Asset Management Corporation (the "Reorganization"), net of the issuance of 4.85 million units to Dream Asset Management Corporation as part of the Reorganization.

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PORTFOLIO ACTIVITY

- **Disposition of non-core asset:** During the quarter, the REIT completed the sale of two properties, totalling approximately 254,200 square feet, for gross proceeds net of adjustments of $56.7 million. Subsequent to quarter-end, the REIT completed the sale of four properties located in Quebec City, totalling approximately 634,100 square feet, for gross proceeds net of adjustments of $95.1 million.

Property	Ownership (%)	Disposed GLA (square feet)	Sales price * (in 000's)	Mortgages discharged (in 000's)	Date disposed
8100 Granville Avenue (Richmond Place), Vancouver	100%	95,298	$ 28,759	$ -	July 15, 2015
2200 & 2204 Walkley Road, Ottawa	100%	158,898	27,910	(15,279)	August 27, 2015
Total dispositions in Q3 2015		**254,196**	**$ 56,669**	**$ (15,279)**	
Quebec City portfolio **	100%	634,132	95,122	(51,354)	October 30, 2015
Total dispositions		**886,328**	**$ 151,791**	**$ (66,633)**	

* Sales price reflects gross proceeds net of adjustments and before transaction costs.
** Includes four properties in Quebec City: 900 Place D'Youville, 580 Rue Grande Allée, 200 Chemin Sainte-Foy and 141 Saint Jean Street.

CAPITAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE METRICS (unaudited)			As at
($000's except unit and per unit amounts)	**September 30, 2015**	June 30, 2015	December 31, 2014
Financing			
Weighted average face interest rate (period-end)	**4.11%**	4.13%	4.18%
Interest coverage ratio(1)	**2.9 times**	2.9 times	2.9 times
Net average debt-to-EBITDFV (years)(1)	**7.7**	7.6	7.8
Net debt-to-gross book value(1)	**48.0%**	47.9%	47.5%
Net secured debt-to-gross book value(1)	**40.9%**	40.9%	40.4%
Unencumbered assets	**$ 768,000**	$ 820,000	$ 796,000
Unsecured convertible and non-convertible debentures	**534,038**	533,980	533,860
Capital (period end)			
Total number of units (REIT A and LP B Units)	**113,014,150**	113,018,713	108,539,009

Footnotes: please refer to definitions on page 6.

- **Stable and conservative capital structure:** We have continued our commitment to maintaining a strong and flexible balance sheet. We ended the quarter with a stable net debt-to-gross book value ratio of 48.0%, net average debt-to-EBITDFV of 7.7 years, and interest coverage ratio of 2.9 times. Our weighted average face rate of interest improved to 4.11% compared to 4.13% at June 30, 2015 and 4.18% at December 31, 2014. The REIT's pool of unencumbered assets was approximately $768 million as at September 30, 2015.

- **Interest cost savings:** During the quarter, the REIT renewed or refinanced mortgages totalling $118.4 million at an average fixed face rate of 2.96% per annum with an average term of 4.9 years. In addition, the REIT discharged mortgages totalling $101.9 million at an average fixed face rate of 4.21% per annum with an average term of 4.3 years during the quarter. Overall, the renewals and refinancing of mortgages completed during the quarter represented interest savings of approximately 125 bps per annum over the mortgages discharged.

The tables below summarizes the total mortgages renewed, refinanced and discharged during the three months ended September 30, 2015:

Financing activities during the quarter	Mortgages renewed or refinanced	Mortgages discharged *
Amount (in 000's)	$ 118,354	$ 101,895
New term / discharged term	4.9 years	4.3 years
Weighted average face interest rate	2.96%	4.21%

* excludes mortgages discharged due dispositions

Subsequent to quarter end, the REIT further completed financings totalling $62.9 million at a weighted average face rate of 2.89% with an average term of 6.1 years and discharged a total of $47.1 million. The net proceeds from the financing transactions were used to repay existing debt.

Financing activities subsequent to quarter	Mortgages renewed or refinanced	Mortgages discharged *
Amount (in 000's)	$ 62,874	$ 47,143
New term / discharged term	6.1 years	10.0 years
Weighted average face interest rate	2.89%	5.15%

* excludes mortgages discharged due dispositions

- **REIT A units repurchased for cancellation:** For the three months ended September 30, 2015, the REIT has purchased for cancellation 1,220,900 REIT A units under the NCIB at an average price of $22.26 per unit and a total cost of approximately $27.2 million (excluding transaction costs). For the nine months ended September 30, 2015, the REIT has purchased for cancellation 3,283,100 REIT A units under the NCIB at an average price of $24.98 per unit and a total cost of approximately $82.0 million (excluding transaction costs). Subsequent to quarter end, we purchased a further 475,000 REIT A units for cancellation under the NCIB at an average price of $21.40 per unit and a total cost of approximately $10.2 million (excluding transaction costs).

CALL

Senior management will host a conference call to discuss the results tomorrow, November 13, 2015 at 9:00 a.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 7678 875#. To access the conference call via webcast, please go to Dream Office REIT's website at www.dreamofficereit.ca and click on the link for News & Events, then click on Calendar of Events. A taped replay of the conference call and the webcast will be archived for 90 days.

Other information

Information appearing in this news release is a select summary of results. The condensed consolidated financial statements and management's discussion and analysis of the REIT are available at www.dreamofficereit.ca and on www.sedar.com.

Dream Office REIT is an unincorporated, open-ended real estate investment trust. Dream Office REIT is focused on owning, acquiring, leasing and managing well-located, high-quality central business district and suburban office properties. Its portfolio currently comprises approximately 23.3 million square feet of gross leasable area in major urban centres across Canada. Dream Office REIT's portfolio is well diversified by geographic location and tenant mix. For more information, please visit our website at www.dreamofficereit.ca.

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FOOTNOTES

(1) AFFO, FFO (excluding Reorganization), comparative properties NOI, NOI, interest coverage ratio, net average debt-to-EBITDFV, net debt-to-gross book value, and net secured debt-to-gross book value 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.
(2) Comparative properties NOI (non-GAAP measure) includes NOI of same properties owned by the REIT in the current and comparative period and excludes lease termination fees and certain one-time adjustments, property held for redevelopment, straight-line rent and amortization of lease incentives.
(3) Includes investments in joint ventures and excludes redevelopment properties and assets held for sale as at period end.
(4) In thousands of square feet and excludes redevelopment properties and assets held for sale.
(5) 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.

Non-GAAP Measures

The REIT'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 REIT discloses and discusses certain non-GAAP financial measures, including Adjusted Funds From Operations ("AFFO"), Funds From Operations (excluding Reorganization) ("FFO (excluding Reorganization)", comparative properties Net Operating Income ("NOI"), NOI, interest coverage ratio, net average debt-to-EBITDFV, net debt-to-gross book value, net secured debt-to-gross book value, and payout ratios 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 REIT has presented such non-GAAP measures as Management believes they are relevant measures of the REIT'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 REIT'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 Office REIT's Management's Discussion and Analysis for the three and nine months ended September 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 Office REIT'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; 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 general economy remains 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 Office 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 Office REIT's filings with securities regulators, including its latest annual information form and MD&A. These filings are also available at Dream Office REIT's website at www.dreamofficereit.ca.

For further information, please contact:

P. Jane Gavan
Chief Executive Officer
(416) 365-6572
jgavan@dream.ca

Rajeev Viswanathan
Chief Financial Officer
(416) 365-8959
rviswanathan@dream.ca