TORONTO, June 22, 2017, DREAM OFFICE REAL ESTATE INVESTMENT TRUST (D.UN-TSX) (“Dream Office REIT”, the “Trust” or “our”) today announced the acceleration of its strategic plan (the “Strategic Plan”) with the execution of agreements to sell (i) the Trust’s 50% interest in Scotia Plaza to its existing co-owners, KingSett Capital (“KingSett”), on behalf of its KingSett Canadian Real Estate Income Fund LP, and the Alberta Investment Management Corporation (“AIMCo”), on behalf of certain of its clients, and (ii) a portfolio of other assets to KingSett, on behalf of its KingSett Real Estate Growth LP No. 6, for an aggregate gross disposition price of approximately $1.4 billion. In addition, the Trust has $0.3 billion of properties under contract for disposition with separate purchasers. The Trust also announced its intention to commence a $440 million substantial issuer bid and the revision of the Trust’s distribution from $1.50 per unit to $1.00 per unit, on an annualized basis, effective with the July 2017 distribution, payable on August 15, 2017.

Overview of Announcement & Strategic Rationale

In February of 2016, we announced the Strategic Plan to sell $1.2 billion of our Private Market assets over three years and to focus our efforts on increasing the quality of our portfolio and our net asset value (“NAV”). In February of 2017, we expanded our goals to include the sale of our Value Add Assets and concentrate our business on our Core Assets which had better opportunities to increase value through redevelopment and intensification.

Today, we announced that we have accelerated the execution of our Strategic Plan with $1.7 billion of asset dispositions under contract, including approximately $740 million of Private Market and Value Add assets, our 50% interest in Scotia Plaza, and certain assets which we previously classified as Core Assets but which offered limited future value intensification opportunities.

Consistent with our strategy, our Board has authorized the commencement of a substantial issuer bid to acquire up to $440 million of our outstanding units. Using our repatriated capital to reduce the number of outstanding units results in future NAV increases having a more dramatic effect on a per unit basis. We are also reducing our annual distributions from $1.50 to $1.00 per unit to provide the Trust with additional incremental cash flow to reinvest in our business. We believe that this more conservative payout ratio is more aligned with our strategy of owning a focused portfolio of higher quality properties.

Prior to today’s announcement, the Trust had completed the sale of $1.5 billion of assets since the launch of our Strategic Plan in February 2016. With the additional $1.7 billion of sales announced today, we will have sold or have under contract $3.2 billion of assets. These dispositions reduce
the total IFRS value of our income properties portfolio from $6.1 billion at the beginning of our Strategic Plan (net of IFRS write downs primarily in Alberta) to approximately $2.9 billion. We have been able to take advantage of a strong real estate investment market to execute our plan faster than originally anticipated at pricing that has met or exceeded our expectations.

Of the $2.9 billion of income properties that the Trust will own, assuming all sales are completed, approximately $2.4 billion are Core Assets, of which $1.5 billion are in downtown Toronto, $200 million are in Mississauga and North York, $300 million are in Calgary, and $350 million are in Montreal and Ottawa. We believe the assets in downtown Toronto have the most opportunity for redevelopment or intensification.

Once the sales announced today and our substantial issuer bid are completed, we believe we will have, in addition to a focused, high-quality portfolio, both a conservative payout ratio and one of the lower leverage ratios in the Canadian REIT universe. Our estimated debt-to-gross book value will be approximately 43% upon the repayment of our credit facility. In addition, we estimate we will have over $300 million of cash to continue to execute on value-add initiatives for our business and unitholders.

We originally anticipated that it would take three years to sell $1.2 billion of assets. However, we now expect that we will be able to sell $3.2 billion in 18 months. With the accelerated execution of our Strategic Plan, we have met or exceeded our expected pricing and are able to begin the value-add process much earlier than originally anticipated.

Provided all of the sales are completed, our portfolio will comprise 49 high-quality assets, reduced from the 166 properties we owned 18 months ago. Our strategy now is to be a nimble, value-add real estate operator who can take advantage of the enhanced potential in our Core Assets. With the reduction in the number of properties and greater concentration in highly sought after real estate, we will organize our people to maximize the value of the real estate and provide a better experience and increase in value for our tenants.

**Disposition of the Trust’s 50% Interest in Scotia Plaza for $750 Million**

The Trust has entered into an agreement to sell the Trust’s 50% interest in Scotia Plaza (including 100 Yonge Street) to the existing co-owner, KingSett, on behalf of its KingSett Canadian Real Estate Income Fund LP, and AIMCo, on behalf of certain of its clients. KingSett and AIMCo will be assuming the Trust’s 50% share of the existing financing on the properties. The gross disposition price for the Trust’s 50% interest in Scotia Plaza is $750 million and the Trust expects to receive net proceeds of approximately $423 million before closing costs and adjustments. The transaction is expected to close in the third quarter of 2017 and is subject to customary closing conditions.

“Since the announcement of our Scotia Plaza revitalization plan in 2014, we have achieved success on our leasing program while shepherding the asset through significant capital initiatives such as the lobby upgrade, LEED lighting retrofit and elevator modernization,” said Jane Gavan, CEO of Dream Office REIT. “We feel now is the opportune time for us to sell our interest in a much improved Scotia Plaza at a profit and move on to concentrate our efforts on other assets where we can use our expertise to increase value. We appreciate that our partner in the asset has recognized the work done on Scotia Plaza and the value that was created.”
Accelerated Execution of our Strategic Plan

Since the announcement in February, 2016 of our Strategic Plan, the Trust has completed the sale of approximately 8.1 million square feet of assets totalling approximately $1.5 billion. Including the sales announced today, the Trust has sold or has under contract approximately $3.2 billion of assets totalling approximately 15 million square feet. After the completion of this transaction, our portfolio will be comprised of 8.6 million square feet, of which 6.2 million square feet are Core Assets with an IFRS value of approximately $2.4 billion, and approximately $0.5 billion of non-Core Assets remaining.

In addition to the sale of the 50% interest in Scotia Plaza, the Trust announced today that it has entered into agreements to sell approximately $1 billion of additional assets, which includes approximately $740 million of properties previously identified as Private Market Assets or Value-Add Assets. Approximately $100 million of these sales are firm and approximately $880 million of additional properties are under contract for disposition. The total amount of firm dispositions and properties under contract exceed the IFRS value for these properties as at Q1 2017.

Included in the aforementioned $880 million of additional properties under contract for disposition is an agreement, conditional on satisfactory completion of due diligence, to sell approximately $650 million of assets to KingSett Capital, on behalf of its KingSett Real Estate Growth LP No. 6 fund, which includes $516 million of Private Market Assets and Value-Add Assets, as well as the Trust’s interests in 8, 10 and 18 King Street East and 83 Yonge Street in downtown Toronto. The Trust has also accepted an unsolicited offer from a separate buyer for its interest in Station Tower in Surrey, BC. While the assets in downtown Toronto and Surrey, BC were previously defined and identified as Core Assets, we believe the pricing on these assets is attractive for the Trust and we intend to focus our effort and resources on the remaining Core Assets.

TD Securities Inc. and CBRE Limited are acting as financial advisors to Dream Office REIT on the dispositions.

If all of the properties under contract are sold, which cannot be assured, the Trust expects to receive net proceeds of approximately $970 million during the third and fourth quarters of this year, which includes the net proceeds of the sale of the 50% interest in Scotia Plaza, before closing costs and adjustments. The Trust’s remaining portfolio would be comprised of our Core Assets representing IFRS value of approximately $2.4 billion located in downtown Toronto, downtown Calgary, 700 De La Gauchetière St. W. in downtown Montreal, 5001 Yonge St. in North York, 50 & 90 Burnhamthorpe Rd. W. (Sussex Centre) in Mississauga and 150 Metcalfe St. in Ottawa. This would leave our non-Core properties primarily in Saskatchewan, the United States and London City Centre in Ontario to complete the target sales program contemplated by our Strategic Plan.

Learn more about our Core Assets at this link.

The non-Core Assets sold to date and those under contract have been and are higher yielding, lower quality assets while our retained Core Assets are of higher quality and that are highly desirable to our tenants which we believe in some cases offer valuable opportunities for intensification or redevelopment. On the basis that the REIT will complete the $1.7 billion of dispositions over the third and fourth quarters of 2017, the REIT will own a portfolio of 49 properties totalling 8.6 million square feet of total GLA.
Today’s announcement of the acceleration of the Strategic Plan will also expedite our planning for intensification and redevelopment of some of our assets,” said Michael Cooper, Chairman of Dream Office REIT. “With the transformation of our business substantially complete, we believe we can produce free cash flow from our portfolio at a higher rate than our existing portfolio, with a debt level which is lower and with significantly less capital requirements. We will have high occupancy and own assets that tenants want to call home. We’re pleased that the Trust is now safer and more valuable than when we began our Strategic Plan.”

With the execution of our strategy substantially complete, our business is becoming more focused on NAV growth over yield. In order to provide our unitholders with appropriate liquidity for their units during this period of strategic change, we are commencing a substantial issuer bid to return a greater portion of the proceeds of sale of these assets than we have been able to accomplish using our normal course issuer bid. In addition, by reducing the number of units outstanding, we will have higher FFO per unit for our unitholders and we will have higher cash liquidity from reducing our total annual distributions. We believe that future growth in total NAV will also have a greater positive impact on a per unit basis.

Following the completion of a successful substantial issuer bid, we expect to use the net proceeds from sales of these assets to reduce indebtedness, invest in building capital and, subject to regulatory approval of a renewed normal course issuer bid, further purchases of our units. The result is a REIT that owns a high-quality portfolio of properties with a low payout ratio and lower debt.

Provided all of the dispositions under contract are closed and the substantial issuer bid is successful, we expect to be able to fully repay our credit facility, reducing our debt-to-gross book value to approximately 43%. Against approximately $2.9 billion of income properties, we estimate...
we will have approximately $1.2 billion of secured debt in addition to $324 million of unsecured debentures.

Revision of our Distribution from $1.50 per unit to $1.00 per unit

We are revising our distribution from $1.50 per unit to $1.00 per unit on an annualized basis, effective with the July 2017 distribution, payable on August 15, 2017 in order to maintain a conservative payout ratio, to retain appropriate maintenance capital for capital expenditures and leasing costs and to generate investment capital to be used to improve the value of our portfolio. We believe the acceleration of the Strategic Plan and revision of our distribution will help optimize the capital and payout structure of the Trust.

Terms of Substantial Issuer Bid

Dream Office REIT will offer to purchase for cancellation up to 24,444,444 of its REIT units, Series A ("REIT A Units") for an aggregate purchase price not to exceed $440,000,000. The Offer will be conducted through a “modified Dutch auction” within a price range of not less than $18.00 per REIT A Unit and not more than $21.00 per REIT A Unit (in increments of $0.25 per REIT A Unit within that range). We intend to fund the Offer with a combination of cash on hand and available under existing credit facilities.

As at June 22, 2017, the analyst consensus net asset value per unit was $20.78 and the average analyst target price for each unit of Dream Office REIT was $19.33.¹

The “modified Dutch auction” tender process allows unitholders to individually select the price, within the specified range (and specified increments), at which they are willing to sell their REIT A Units. When the Offer expires, we will select the lowest purchase price that will allow us to purchase the maximum number of REIT A Units properly tendered to the Offer, and not properly withdrawn, having an aggregate purchase price not exceeding $440,000,000. If REIT A Units with an aggregate purchase price of more than $440,000,000 are properly tendered and not properly withdrawn, we will purchase the REIT A Units on a pro rata basis except that “odd lot” tenders (of holders beneficially owning fewer than 100 REIT A Units) will not be subject to pro-ration. The Offer will not be conditioned on any minimum number of REIT A Units being tendered to the Offer, but will be subject to other conditions customary for a transaction of this nature. The Offer will expire at 5 p.m. Eastern time on the 36th day after the mailing of the formal Offer to Purchase and Issuer Bid Circular, unless terminated or extended by the Trust.

We will mail the formal Offer to Purchase, Issuer Bid Circular and other related documents containing the terms and conditions of the Offer, instructions for tendering REIT A Units, and the factors considered by the Board of Trustees in making its decision to approve the Offer, among other things, on or about June 28, 2017. These documents will be filed with the applicable Canadian Securities Administrators and will be available free of charge on SEDAR at www.sedar.com and on the Trust’s website at www.dreamofficereit.ca. Unitholders should carefully read the Offer to Purchase, Issuer Bid Circular and other related documents prior to making a decision with respect to the Offer.

¹ Source: SNL Financial (June 22, 2017)
Our Board of Trustees has obtained an opinion from GMP Securities L.P. to the effect that, based on and subject to the assumptions and limitations stated in such opinion, there is a liquid market for our REIT A Units as of June 22, 2017 and it is reasonable to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for unitholders who do not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer. A copy of the opinion of GMP Securities L.P. will be included in the Issuer Bid Circular.

Any questions or requests for information may be directed to Computershare Trust Company of Canada, as the depositary for the Offer, at 1-800-564-6523 (Toll Free).

Our Board of Trustees has authorized the making of the Offer. However, our Board of Trustees is not making any recommendation to any Dream Office REIT unitholder as to whether to tender or refrain from tendering their REIT A Units under the Offer or as to the purchase price(s) at which such unitholders may tender REIT A Units under the Offer. Unitholders are urged to consult their own financial, tax and legal advisors and to make their own decisions whether to tender or to refrain from tendering their REIT A Units to the Offer and, if so, how many REIT A Units to tender and at what price or prices.

About Dream Office REIT

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 office properties. For more information, please visit our website at www.dreamofficereit.ca.

Forward looking information

This press release may contain forward-looking information within the meaning of applicable securities legislation, including statements regarding the timing of our dispositions, expected use of proceeds from our dispositions, anticipated repayments of debt, our Strategic Plan in general, our future redevelopment or intensification plans for our assets, anticipated cash flows from remaining investment properties, expected future debt levels and capital expenditure requirements, and anticipated occupancy rates. 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 fluctuations. 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 except as required by law. 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.

**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 such as NAV, NAV per unit, debt-to-gross book value and the stated value of the investment properties included in our Strategic Plan categories, as well as other measures discussed elsewhere in this press 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 income trusts. The Trust has presented such non-GAAP measures as Management believes they are relevant measures of the Trust’s underlying operating and financial 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” section in Dream Office REIT’s MD&A for the three months ended March 31, 2017.

For further information, please contact:

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