D.UN-TSX

DREAM OFFICE REIT REPORTS Q2 2018 RESULTS

TORONTO, AUGUST 9, 2018, DREAM OFFICE REAL ESTATE INVESTMENT TRUST (D.UN-TSX) or ("Dream Office REIT", the "Trust" or "we") today announced its financial results for the three and six months ended June 30, 2018. Management will host a conference call to discuss the results at 3:00 p.m. (ET) today, August 9, 2018.

FINANCIAL HIGHLIGHTS

SELECTED FINANCIAL INFORMATION	Three months ended			Six months ended	
(unaudited) (In thousands of dollars except per unit amounts)	**June 30, 2018**	March 31, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Operating results					
Net income	**$ 25,386**	$ 32,521	$ 34,556	**$ 57,907**	$ 34,692
Comparative properties net operating income ("NOI")(1)	**38,933**	38,981	40,311	**77,889**	81,033
Funds from operations ("FFO")(1)	**27,912**	35,460	55,686	**63,372**	121,169
Per unit amounts(2)					
Net asset value ("NAV")(1)	**$ 23.95**	$ 23.81	$ 22.25	**$ 23.95**	$ 22.25
FFO (diluted)(1)	**0.40**	0.46	0.53	**0.86**	1.12
Distribution rate(3)	**0.25**	0.25	0.38	**0.50**	0.75

Footnotes: please refer to definitions on page 6.

	As at		
	June 30, 2018	March 31, 2018	June 30, 2017
Units			
REIT A Units (in thousands)	**60,188**	70,124	98,120
LP B Units (in thousands)	**5,234**	5,234	5,234
Total units (in thousands)(4)	**65,422**	75,358	103,354
Portfolio information			
Total number of properties(5)	**38**	41	51
Total number of properties held for redevelopment	**3**	1	-
Total gross leasable area ("GLA") (in thousands of sq. ft.)(5)	**7,382**	7,834	9,035
Total investment properties value (in thousands of dollars)(5)	**$ 2,750,839**	$ 2,837,262	$ 2,900,793
Comparative occupancy rate - including committed (period-end)(6)	**91.8%**	92.7%	93.3%

Footnotes: please refer to definitions on page 6.

"We've sold $3.3 billion of assets since the start of the disposition program, repaid $1.8 billion of debt and repurchased $1.1 billion of units," said Michael J. Cooper, Chief Executive Officer. "Dream Office REIT will continue to concentrate its portfolio on assets that are attractive to tenants where we can add value, primarily in downtown Toronto and the GTA. We will optimize our portfolio and capital structure to benefit more meaningfully from asset management, redevelopment and leasing strategies that will improve the value of the business."

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- **Net income for the quarter and year-to-date:** For the three months ended June 30, 2018, the Trust generated net income of $25.4 million, consisting of net rental income of $37.3 million and share of income from our investment in Dream Industrial REIT of $8.9 million, which was offset by interest expense on debt and subsidiary redeemable units of $16.6 million, general and administrative expenses of $3.6 million and cumulative other items of $0.6 million.

  For the six months ended June 30, 2018, the Trust generated net income of $57.9 million, consisting of net rental income of $81.9 million and share of income from our investment in Dream Industrial REIT of $24.8 million, which was offset by interest expense on debt and subsidiary redeemable units of $32.5 million, fair value adjustments to financial instruments of $8.1 million, general and administrative expenses of $6.3 million and cumulative other items of $1.9 million.

- **Comparative properties NOI[1] for the quarter and year-to-date:** For Q2 2018, comparative properties NOI was largely flat, down 0.1% from the prior quarter due to occupancy and rental rate declines in the Ottawa and Montréal and the Calgary regions, largely offset by occupancy and rental rate gains in the Toronto downtown region.

  In the Ottawa and Montréal region, the decline in comparative properties NOI on a quarter-over-quarter basis was 12%, mainly due to the previously disclosed departure of Bell Canada from 185 thousand square feet at 700 De la Gauchetière St. W. (“700 DLG”) in Montréal on April 1, 2018 of which 98 thousand square feet was leased immediately at lower rental rates. The Trust is currently marketing the remaining 87 thousand square feet of vacant space at 700 DLG. We believe that the asset is well positioned to capitalize on a growing economy, record low unemployment rate and strengthening technology sector in Montréal’s downtown office market.

  On a year-over-year basis, comparative properties NOI in Q2 2018 decreased by 3.4%, due to the aforementioned departure of Bell Canada at 700 DLG in Montréal, Loyalty One for 0.2 million square feet in Q4 2017 at 438 University Ave. in Toronto downtown, and increased vacancy in Saskatchewan. These declines were partially offset by an increase in comparative properties NOI of 8.8% in the Calgary region from the expiry of free rent provided in prior periods. Year-over-year comparative properties NOI for the six months ended June 30, 2018 decreased by 3.9% for the same reasons mentioned above.

  Approximately three quarters of the Bell Canada vacant space at 700 DLG in Montréal has been released over the past 15 months and the 0.2 million square feet of vacancy at 438 University Ave. in Toronto downtown will be occupied by a new government tenant for a term of seven years commencing in December 2018.

  As discussed in previous quarters, major vacancies at our comparative property portfolio will heighten the volatility of our operating performance for the balance of 2018, but we expect our operations to stabilize and improve by 2019.

- **Diluted FFO per unit[1] for the quarter and year-to-date:** Diluted FFO per unit for the three months ended June 30, 2018 was $0.40, compared to $0.46 at Q1 2018 and $0.53 at Q2 2017. Diluted FFO per unit for the six months ended June 30, 2018 was $0.86 ($0.79 excluding lease termination fees and other non-recurring items) compared to $1.12 ($1.08 excluding lease termination fees) in the prior year comparative period.

  The quarter-over-quarter decrease in diluted FFO per unit was primarily driven by lease termination fees and other non-recurring items in the prior quarter (-$0.07), offset by reallocation of capital from divested properties to debt reduction, net of unit buybacks during the quarter (+$0.01).

  The year-over-year decrease in diluted FFO per unit for the three and six months ended June 30, 2018 resulted from reallocation of capital from divested properties to debt reduction, net of unit buybacks (-$0.08 and -$0.20, respectively), along with a comparative properties NOI[1] decrease (-$0.02 and -$0.04, respectively) and lease termination fees and other non-recurring items (-$0.03 and -$0.02, respectively).

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- **NAV per unit[1]:** As at June 30, 2018, our NAV per unit was $23.95, compared to $23.81 at March 31, 2018 and $22.25 at June 30, 2017, up $0.14 or 0.6% and $1.70 or 7.6%, respectively.

  The quarter-over-quarter increase in NAV per unit of $0.14 was primarily driven by cash flow retention from operations.

  The year-over-year increase in NAV per unit of $1.70 was mainly due to the fair value gains on properties in the Toronto downtown region, unit buybacks, and cash flow retention from operations.

CAPITAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE METRICS

(unaudited)

				As at
	June 30, 2018	March 31, 2018	December 31, 2017	June 30, 2017
Financing				
Weighted average face rate of interest (period-end)[7]	**3.85%**	3.92%	3.90%	3.82%
Interest coverage ratio (times)[1][8]	**2.8**	3.0	3.2	3.3
Net total debt-to-adjusted EBITDAFV (years)[1]	**9.3**	7.6	7.1	7.6
Level of debt (net total debt-to-net total assets)[1][8]	**48.1%**	40.7%	39.6%	47.6%
Level of debt (net secured debt-to-net total assets)[1][8]	**43.4%**	31.6%	30.6%	40.8%
Debt – average term to maturity (years)	**4.1**	4.2	4.5	3.8
Available liquidity and unencumbered assets				
Cash and cash equivalents on hand (in millions)	**$ 15.5**	$ 65.0	$ 97.0	$ 68.9
Undrawn demand revolving credit facilities (in millions)	**213.6**	409.7	396.6	342.6
Available liquidity (in millions)[1]	**$ 229.1**	$ 474.7	$ 493.6	$ 411.5
Unencumbered assets (in millions)[1]	**$ 113.0**	$ 188.0	$ 299.0	$ 81.0

Footnotes: please refer to definitions on page 6.

- **Dispositions update for the quarter and year-to-date:** For the three months ended June 30, 2018, the Trust sold a co-owned property located in Calgary for $53.5 million at our share. For the six months ended June 30, 2018, the Trust sold five properties located in Alberta and Saskatchewan totalling $105.3 million. At quarter end, the Trust has reclassified a property located in Calgary as assets held for sale totalling $38.9 million. In addition, the Trust has over $200 million of investment properties currently under contract or in advanced negotiations for disposition.

- **REIT A Units repurchased for cancellation for the quarter and year-to-date:** On May 7, 2018, the Trust took up and paid for 10 million REIT A Units at a price of $24.00 per REIT A Unit for an aggregate cost of $240 million under the substantial issuer bid (the "SIB"). The REIT A Units purchased for cancellation under the SIB represented approximately 13% of all outstanding units immediately prior to the expiry of the SIB. As at quarter end, 65.4 million units remain outstanding (including 5.2 million LP B units).

  For the six months ended June 30, 2018, the Trust purchased for cancellation under the normal course issuer bid (the "NCIB") 3.7 million REIT A units at a cost of $81.2 million or $22.21 per REIT A Unit. On February 13, 2018, the NCIB covering the period from August 15, 2017 to August 14, 2018 expired as the Trust purchased the maximum number of REIT A Units permitted under this NCIB.

- **Sound capital structure with ample liquidity:** We ended the quarter with level of debt (net total debt-to-net total assets)[1][8] of 48.1%, net total debt-to-adjusted EBITDAFV[1] of 9.3 years, and interest coverage ratio[1][8] of 2.8 times. Our available liquidity[1] of approximately $229 million comprises undrawn demand revolving credit facilities totalling approximately $214 million and $15 million of cash and cash equivalents on hand as at June 30, 2018. The temporary increase in leverage due to unit buybacks will be reduced using net proceeds from future asset sales.

  On April 25, 2018, the Trust increased and extended its existing primary demand revolving credit facility from $400 million to $575 million, and will mature on March 1, 2021. The interest rate remained in the form of rolling one-month bankers' acceptances ("BA") bearing interest at the BA rate plus 170 basis points ("bps") or at the bank's prime rate plus 70 bps.

  On May 4, 2018, the Trust reduced and extended its existing working capital management demand revolving credit facility from $45 million to $20 million and extended the maturity date to March 31, 2021. The interest rate remained in the form of rolling BAs bearing interest at the BA rate plus 200 bps or at the bank's prime rate plus 85 bps.

  On June 13, 2018, the Trust repaid Series A Debentures with an aggregate principal amount of $140.8 million.

OPERATIONAL HIGHLIGHTS

SELECTED FINANCIAL INFORMATION (unaudited)			As at
	June 30, 2018	March 31, 2018	June 30, 2017
Comparative Portfolio[6]			
Occupancy rate - including committed (period-end)	**91.8%**	92.7%	93.3%
Occupancy rate - in-place (period-end)	**86.4%**	87.4%	90.2%
Average in-place and committed net rent per square foot (period-end)	**$ 21.03**	$ 21.09	$ 20.60
Weighted average lease term (years)	**4.8**	4.8	5.0

Footnotes: please refer to definitions on page 6.

- **In-place occupancy:** As at June 30, 2018, our in-place occupancy for the comparative portfolio was 86.4%, compared to 87.4% at Q1 2018 and 90.2% at Q2 2017. The quarter-over-quarter decrease was primarily due to the Bell Canada vacancy at 700 DLG in the Ottawa and Montréal region and 34 thousand square feet of negative absorption in the Calgary region, partially offset by 35 thousand square feet of positive absorption in the Toronto downtown region and 6 thousand square feet of positive absorption in the Non-core markets region.

  The year-over-year decrease in occupancy was primarily due to known vacancies at 438 University Ave. in Toronto downtown and 700 DLG in Montréal, as well as vacancies at certain properties in the Non-core markets region. The Calgary and Mississauga and North York regions partially offset the year-over-year decline.

  At June 30, 2018, vacant space committed for future occupancy was 402 thousand square feet bringing our overall comparative portfolio in-place and committed occupancy to 91.8%. Of this future committed occupancy, approximately 387 thousand square feet is scheduled to take occupancy during the remainder of 2018.

- **Leasing activity:** For the three months ended June 30, 2018, approximately 467 thousand square feet of leases commenced, of which approximately 284 thousand square feet were renewals. The overall retention ratio for the quarter was 53%.

  To date, we have secured 2018 lease commitments totalling approximately 1.8 million square feet in our comparative portfolio, representing over 104% of our 2018 lease maturities. The Trust has also leased over 59% of the 2019 lease maturities.

  Leasing momentum in downtown Toronto remains robust given the low vacancy rates, which remain amongst the lowest in North America. To date, we have completed over 147% of our 2018 lease maturities and 48% of 2019 lease maturities in the Toronto downtown region. During the quarter, the net rents for lease renewals that commenced in Toronto downtown were approximately 11% above expiring net rents. Further, as at June 30, 2018, the Toronto downtown market rents are estimated to be approximately 14% higher than our in-place and committed net rents.

- **Properties held for redevelopment:** During the quarter, the Trust excluded 357 Bay St. in Toronto downtown and 1900 Sherwood Place in Regina from our comparative portfolio operating metrics as the Trust is in the process of repositioning these properties to better serve our future tenancies. We have signed an 18 year deal at 1900 Sherwood Place with a lease commencement date of 2021 and are in advanced negotiations with a prospective tenant to lease the entire building at 357 Bay St. These two properties will require major overhauls to meet the respective tenants' requirements.

  In addition to these properties, the Trust has a 15 acre redevelopment site in Scarborough located at the north-west corner of Eglinton Ave. E. and Birchmount Rd., for which the Trust filed an Official Plan Amendment application earlier this month. In Q1 2018, we secured a 97 thousand square foot lease at this site, with commencements staggered over 2019. Accordingly, we expect to be operating cash flow neutral in 2020, enabling us to focus on our development efforts for this site without negatively impacting our NOI.

CALL

Management will host a conference call to discuss the results today, August 9, 2018 at 3:00 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 5098 584#. 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 (“MD&A”) of the Trust 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 owns well-located, high-quality central business district office properties in major urban centres across Canada, with a focus on downtown Toronto. For more information, please visit our website at www.dreamofficereit.ca.

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FOOTNOTES

(1) Comparative properties NOI, FFO, diluted FFO per unit, NAV per unit, interest coverage ratio, net total debt-to-adjusted EBITDAFV, level of debt (net total debt-to-net total assets), level of debt (net secured debt-to-net total assets), available liquidity, and unencumbered assets are non-GAAP measures used by Management in evaluating operating and financial performance. Please refer to the cautionary statements under the heading "Non-GAAP Measures" in this press release.

(2) A description of the determination of basic and diluted amounts per unit can be found in section "Our Equity" under the heading "Weighted average number of units" of the MD&A.

(3) Effective with the July 2017 distribution, the Trust revised its monthly distribution to $0.08333 per unit, or $1.00 on an annualized basis.

(4) Total units includes 5.2 million LP B Units which are classified as a liability under IFRS.

(5) Excludes properties held for sale and redevelopment at the end of each period.

(6) Comparative occupancy rate and comparative portfolio excludes properties sold, held for sale and redevelopment at the end of Q2 2018.

(7) Weighted average face rate of interest on debt is calculated as the weighted average face rate of all interest bearing debt on balance.

(8) Interest coverage ratio, level of debt (net total debt-to-net total assets), and level of debt (net secured debt-to-net total assets) have been restated in the comparative periods to conform to current period presentation. For further details, please refer to the "Non-GAAP Measures and Other Disclosures" under the heading "Interest coverage ratio" and "Level of debt (net total debt-to-net total assets and net secured debt-to-net total assets)" in Dream Office REIT's MD&A for the three and six months ended June 30, 2018.

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 comparative properties NOI, FFO, diluted FFO per unit, NAV per unit, interest coverage ratio, net total debt-to-adjusted EBITDAFV, level of debt (net total debt-to-net total assets), level of debt (net secured debt-to-net total assets), available liquidity, unencumbered assets, 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 income trusts. 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, net rental income, cash flows generated from (utilized in) operating activities, cash and cash equivalents, total assets, non-current debt, total equity, 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 Office REIT's MD&A for the three and six months ended June 30, 2018.

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FORWARD LOOKING INFORMATION

This press release may contain forward-looking information within the meaning of applicable securities legislation, including statements regarding our objectives and strategies to achieve those objectives, use of proceeds from asset sales, our expected future operating cash flows, the future composition of our portfolio, the terms of and duration of secured tenant renewals, and anticipated market rents. 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.

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