



DREAM OFFICE REIT REPORTS Q2 2019 RESULTS

TORONTO, AUGUST 8, 2019, 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, 2019. Management will host a conference call to discuss the financial results on August 9, 2019 at 10:00 a.m. (E.T).

FINANCIAL HIGHLIGHTS

SELECTED FINANCIAL INFORMATION (unaudited) (In thousands of dollars except per unit amounts)	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Operating results					
Net income	\$ 46,533	\$ 9,934	\$ 25,386	\$ 56,467	\$ 57,907
Funds from operations (“FFO”) ⁽¹⁾	28,721	28,300	27,912	57,021	63,372
Net rental income	32,348	32,182	32,996	64,530	67,618
Comparative properties net operating income (“NOI”) ⁽¹⁾	34,570	33,605	31,465	68,175	62,229
Per unit amounts					
FFO (diluted) ⁽¹⁾⁽²⁾	\$ 0.44	\$ 0.43	\$ 0.40	\$ 0.88	\$ 0.86
Distribution rate	0.25	0.25	0.25	0.50	0.50
Net asset value (“NAV”) ⁽¹⁾	25.49	25.10	23.95	25.49	23.95

See footnotes at end.

UNITS AND PORTFOLIO INFORMATION (unaudited)				As at
	June 30, 2019	March 31, 2019	December 31, 2018	June 30, 2018
Units				
Total number of units (in millions) ⁽³⁾	63.6	64.3	64.6	65.4
Total portfolio information⁽⁴⁾				
Number of active properties	30	34	34	38
Number of properties under development	2	2	2	—
Number of properties held for future redevelopment	1	1	1	3
Gross leasable area (“GLA”) (in millions of sq. ft.)	6.2	7.3	7.3	8.1
Investment properties value (in billions)	\$ 2.5	\$ 2.8	\$ 2.8	\$ 2.9

See footnotes at end.

- **Net income for the quarter and year-to-date:** For the three and six months ended June 30, 2019, the Trust generated net income of \$46.5 million and \$56.5 million, respectively, compared to \$25.4 million and \$57.9 million, respectively, for the three and six months ended June 30, 2018.
- **Diluted FFO per unit⁽¹⁾⁽²⁾ for the quarter and year-to-date:** Diluted FFO per unit for the three months ended June 30, 2019 was \$0.44, compared to \$0.43 at Q1 2019 and \$0.40 at Q2 2018. Diluted FFO per unit for the six months ended June 30, 2019 was \$0.88 compared to \$0.86 (\$0.79 excluding lease termination fees) in the prior year comparative period.

The quarter-over-quarter diluted FFO per unit increased to \$0.44 from \$0.43 in Q1 2019, primarily driven by increases in comparative properties NOI⁽¹⁾ (+\$0.02) and the effect of debt refinancing and unit buybacks (+\$0.01), partially offset by reduced fee revenue from managing tenant construction projects net of property management fees (-\$0.01) and other items (-\$0.01).



The year-over-year increase in diluted FFO per unit for the three and six months ended June 30, 2019 was mainly due to increases in comparative properties NOI⁽¹⁾ (+\$0.04 and +\$0.09, respectively), general and administrative expense savings (+\$0.01 and +\$0.01, respectively), and fees for property management and managing tenant construction projects (\$nil and +\$0.02, respectively), partially offset by asset sales (net of unit buybacks and debt reduction) (-\$0.01 and -\$0.02, respectively), and lease termination fees received in Q1 2018 (\$nil and -\$0.08, respectively).

- **Net rental income for the quarter and year-to-date:** For the three and six months ended June 30, 2019, the Trust generated net rental income of \$32.3 million and \$64.5 million, respectively, compared to \$33.0 million and \$67.6 million, respectively, for the three and six months ended June 30, 2018.
- **Comparative properties NOI⁽¹⁾ for the quarter and year-to-date:** For the three months ended June 30, 2019, comparative properties NOI increased 2.9%, or \$1.0 million, when compared with the prior quarter, mainly driven by higher rental rates in Toronto downtown and higher occupancy in the Other markets region.

For the three and six months ended June 30, 2019, comparative properties NOI increased by 9.9%, or \$3.1 million, and 9.6%, or \$5.9 million, respectively, over the prior year comparative periods, mainly driven by higher occupancy and rental rates in Toronto downtown, partially offset by lower occupancy and rental rates in the Other markets region. The change in the current quarter's comparative properties NOI over the prior year comparative quarter was 18.8% for Toronto downtown, 0.4% for Mississauga and North York and -9.8% for the Other markets region.

- **NAV per unit⁽¹⁾:** As at June 30, 2019, our NAV per unit was \$25.49, compared to \$25.10 at March 31, 2019 and \$23.95 at June 30, 2018, up \$0.39 or 1.6% and \$1.54 or 6.4%, respectively.

The quarter-over-quarter and year-over-year increase in NAV per unit of \$0.39 and \$1.54, respectively, was primarily due to cash flow retention from operations (diluted FFO net of distributions), fair value uplifts in our Toronto downtown investment properties and our share of net income from our investment in Dream Industrial REIT.

NAV per unit is considered one of the Trust's key metrics and has increased consistently over the past nine quarters as we improve the quality of our assets.

CAPITAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE METRICS (unaudited)	As at			
	June 30, 2019	March 31, 2019	December 31, 2018	June 30, 2018
Financing				
Weighted average face rate of interest on debt (period-end) ⁽⁵⁾	3.94%	3.99%	4.06%	3.85%
Interest coverage ratio (times) ⁽¹⁾⁽⁶⁾	2.8	2.7	2.8	2.9
Net total debt-to-adjusted EBITDAFV (years) ⁽¹⁾	8.5	8.6	9.0	9.3
Level of debt (net total debt-to-net total assets) ⁽¹⁾	45.4%	45.1%	45.0%	48.1%
Average term to maturity on debt (years)	4.7	4.4	3.8	4.1
Available liquidity and unencumbered assets				
Available liquidity (in millions) ⁽¹⁾	\$ 351.4	\$ 192.1	\$ 163.9	\$ 229.1
Unencumbered assets (in millions) ⁽¹⁾	108.0	143.0	140.0	113.0

See footnotes at end.

"Subsequent to the dispositions which closed after quarter end, our level of debt approximated 40% and we will have approximately half a billion dollars of available liquidity," said Jay Jiang, Chief Financial Officer of Dream Office REIT. "In addition to improving the quality and growth prospects of our portfolio, we now have a much stronger financial position and our balance sheet is well equipped to fund our capital program and pursue opportunistic investments."



- **REIT A Units purchased for cancellation during the quarter and year-to-date:** For the three and six months ended June 30, 2019, the Trust purchased for cancellation approximately 0.7 million REIT A Units (\$16.4 million or \$24.09 per unit) and approximately 1.1 million REIT A Units (\$24.9 million or \$23.42 per unit), respectively, pursuant to its normal course issuer bid ("NCIB").

Subsequent to quarter-end, the Trust purchased for cancellation an additional 2.0 million REIT A Units under the NCIB at a cost of \$49.3 million or \$24.37 per unit.

- **Investment opportunities:** The Trust is currently in advanced negotiations to acquire interests in two boutique office properties in the Toronto downtown region. In aggregate, these properties total approximately 65,000 square feet at the Trust's share. Each of the assets are in very close proximity to the properties in the Trust's existing portfolio and are comparable both in terms of size and quality to the Trust's Bay Street properties.

"With the disposition of 700 DLG in Montréal and the expected disposition of 150 Metcalfe St. in Ottawa, Dream Office REIT will become almost an exclusive Toronto focused REIT and concentrated in one of the largest and fastest growing cities," said Michael J. Cooper, Chief Executive Officer. "We will consider acquisition opportunities in downtown Toronto that complement our existing portfolio and assets where we can apply strategies to improve their quality and value over time."

OPERATIONAL HIGHLIGHTS

SELECTED FINANCIAL INFORMATION

(unaudited)

	June 30, 2019	March 31, 2019	As at June 30, 2018
Comparative portfolio⁽⁷⁾			
Occupancy rate - including committed (period-end)	94.3%	94.9%	96.1%
Occupancy rate - in-place (period-end)	92.9%	93.2%	89.8%
Average in-place and committed net rent per square foot (period-end) \$	22.20 \$	21.87 \$	21.75
Weighted average lease term (years)	5.1	4.9	4.7

See footnotes at end.

- **In-place occupancy:** Comparative portfolio in-place occupancy on a quarter-over-quarter basis decreased modestly by 30 basis points to 92.9% when compared to 93.2% at Q1 2019 due to expiries in Toronto downtown and Mississauga and North York, which were partially offset by 12,000 square feet of positive leasing absorption in the Other markets region.

Comparative portfolio in-place occupancy on a year-over-year basis increased to 92.9% when compared to 89.8% at Q2 2018. The increase in in-place occupancy was largely due to positive leasing absorption in the Toronto downtown region with the 0.2 million square feet government lease commencement at 438 University Ave. amongst other lease commencements in that region, partially offset by negative leasing absorption in the Other markets region.

At June 30, 2019, vacant space committed for future occupancy was approximately 79,000 square feet, bringing our overall comparative portfolio in-place and committed occupancy to 94.3%. Substantially all of the Trust's future committed occupancy is scheduled to take occupancy through the remainder of 2019.



- **Leasing activity:** For the three months ended June 30, 2019, approximately 436,000 square feet of leases commenced, of which approximately 365,000 square feet were renewals and relocations. The overall retention ratio for the quarter was 88%.

To date, we have secured 2019 lease commitments totalling approximately 0.8 million square feet in our comparative portfolio, representing over 96% of our expected 2019 lease maturities. With respect to 2020 expiries, we have secured lease commitments totalling approximately 0.3 million square feet in our comparative portfolio, representing over 41% of our expected 2020 lease maturities.

Leasing momentum in downtown Toronto remains robust, given low vacancy rates, which remain amongst the lowest in North America. To date, we have completed over 95% of our 2019 lease maturities in the Toronto downtown region. During the current quarter, the net rents for lease renewals that commenced in Toronto downtown were approximately 23% above expiring net rents. Further, as at June 30, 2019, the Toronto downtown market rents are estimated to be approximately 21% higher than our in-place and committed net rents.

CALL

Management will host a conference call to discuss the results tomorrow, August 9, 2019 at 10:00 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 7216 541#. 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.

FOOTNOTES

- (1) FFO, comparative properties NOI, 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), 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 diluted amounts per unit can be found in section "Our Equity" under the heading "Weighted average number of units" of the MD&A.
- (3) Total number of units includes 5.2 million LP B Units which are classified as a liability under IFRS.
- (4) Excludes properties held for sale at the end of each period.
- (5) Weighted average face rate of interest on debt is calculated as the weighted average face rate of all interest bearing debt balances.
- (6) Interest coverage ratio has 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" section under the heading "Interest coverage ratio" in Dream Office REIT's MD&A for the three and six months ended June 30, 2019.
- (7) Comparative portfolio excludes properties held for sale, sold, held for future redevelopment and properties under development as at June 30, 2019.

**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 FFO, comparative properties NOI, 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), 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, 2019.

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, future asset acquisition and asset management strategies, anticipated dispositions, the future composition of our portfolio, the terms of and duration of secured tenant renewals, the timing of committed occupancies, estimated market rents, and our capital program. 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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