Management's discussion and analysis

All dollar amounts in our tables are presented in thousands of Canadian dollars, except rental rates, unit and per unit amounts.

SECTION I – OVERVIEW AND FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW

The second quarter results were in line with our expectations with funds from operations ("FFO") and adjusted funds from operations ("AFFO") increasing to $26.1 million and $24.2 million, respectively, from $21.4 million and $19.6 million, respectively, in Q2 2013. The main reasons for these increases were the impact from positive absorption of space as well as completed acquisitions. For Q2 2014, our per unit FFO and AFFO were 24 cents and 22 cents, respectively.

Dream Global REIT's local asset management team in Europe continued to drive occupancy improvements during the second quarter. We recorded positive leasing absorption of approximately 38,200 square feet during the quarter and increased overall occupancy to 87.9% at June 30, 2014, from 87.7% at March 31, 2014 and 85.7% at June 30, 2013.

Year-over-year, in-place rents increased from €8.14 per square foot in Q2 2013 to €8.74 in Q2 2014, largely due to high-quality acquisitions. At €8.90 per square foot, average market rents in our portfolio remain approximately 1.8% above in-place rents.

The Trust's average interest rate slightly decreased to 3.33% at the end of Q2 2014, from 3.35% at Q1 2014. The average term to maturity of the Trust's debt remained flat at 4.2 years at June 30, 2014 compared to Q1 2014. Our leverage was stable at 56% (net of cash) at the end of Q2, when compared to Q1 2014. We operate in the targeted range of 50% to 60% debt-to-book value (net of cash).

On an overall basis, management was pleased with the Trust's performance in Q2.

OUTLOOK

The first half of 2014 was an active period from a leasing perspective with approximately 142,000 square feet of net absorption across our portfolio. Consistent with the market, the second quarter was somewhat slower than the first three months of 2014. However, positive leasing absorption helped drive further improvements in the overall occupancy rate in our portfolio from 87.7% at the end of Q1 to 87.9% at the end of Q2. On a comparative property basis, positive net absorption and a high tenant retention ratio added 97 basis points to our occupancy rate since the beginning of the year. The second quarter marked the seventh consecutive quarter of positive leasing absorption and occupancy growth. Heading into the second half of the year, we continue to see strong leasing momentum and steady demand for space.

We continued with our plan to improve the underlying quality and stability of our cash flow by disposing of seven non-core properties during Q2. On average, these dispositions were completed at 103% of book value.

Our acquisition pipeline remains robust. On July 31, 2014, we completed the purchase of Officium in Stuttgart, Germany, a multi-tenant property with an excellent tenant roster that includes AXA, Deutsche Sparkassen and Oracle. The acquisition of this €46.9 million ($68.4 million) property has a cap rate of 6.6% and will add approximately 268,000 square feet of high-quality office space in one of the Big 7 office markets in Germany to our portfolio. The Trust has negotiated 7.5-year mortgage financing for this property at a loan-to-value ratio of approximately 60% and an interest rate of 1.99%. The availability of mortgages at attractive rates is expected to continue in the foreseeable future in Germany and the current pipeline of opportunities remains strong as we continue to expand our platform.

The economic outlook in Germany remains positive. Germany's labour market is very robust and its unemployment rate of 5.0% at the end of June is one of the lowest in Europe. The International Monetary Fund recently increased its estimate for growth of the German gross domestic product ("GDP") in 2014 to 1.9%, with strong domestic demand largely driving this growth. These important metrics should drive further leasing momentum for our entire portfolio.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

			As at
	June 30, 2014	March 31, 2014	June 30, 2013
Portfolio			
Number of properties	**286**	293	299
Gross leasable area ("GLA")	**15,679,545**	15,820,974	15,404,094
Occupancy rate – including committed[1] (period-end)	**87.9%**	87.7%	85.7%
Occupancy rate – in place (period-end)	**87.0%**	86.9%	84.5%
Average in-place net rent per square foot (period-end)	**€ 8.74**	€ 8.72	€ 8.14
Market rents above (below) in-place rents (%)	**1.8%**	1.5%	3.5%
Initial Properties	**11.6%**	10.6%	10.8%
Acquisition Properties	**(6.1)%**	(5.8)%	(4.1)%

	Three months ended June 30,		Six months ended June 30,	
	2014[2]	2013[2]	**2014**[2]	2013[2]
Operating results				
Investment properties revenue	**$ 67,514**	$ 54,413	**$ 134,647**	$ 100,777
Net rental income	**47,079**	36,191	**92,879**	63,502
Net rental income – Initial Properties	**20,732**	19,320	**42,359**	38,976
Net rental income – Acquisition Properties	**26,347**	16,871	**50,520**	24,526
FFO[3]	**26,079**	21,393	**50,835**	37,186
AFFO[4]	**24,199**	19,607	**47,283**	34,377
Distributions				
Declared distributions	**$ 22,098**	$ 20,027	**$ 44,104**	$ 36,040
DRIP participation ratio (for the period)	**16%**	12%	**17%**	11%
Per unit amounts[5]				
Distribution rate	**$ 0.20**	$ 0.20	**$ 0.40**	$ 0.40
Basic:				
FFO	**0.24**	0.22	**0.46**	0.42
AFFO	**0.22**	0.20	**0.43**	0.39
Diluted:				
FFO	**0.23**	0.21	**0.45**	0.42
Payout ratio (%):				
AFFO (basic)	**91%**	100%	**93%**	103%

			As at
	June 30, 2014	March 31, 2014	June 30, 2013
Financing			
Weighted average effective interest rate on debt (period-end)	**3.68%**	3.69%	3.79%
Weighted average face rate of interest on debt (period-end)	**3.33%**	3.35%	3.35%
Interest coverage ratio[6]	**3.39 times**	3.41 times	3.40 times
Net debt-to-adjusted EBITDFV (years)[6]	**9.10**	9.00	8.91
Level of debt (net debt-to-gross book value, net of cash)[6]	**56%**	56%	51%
Debt – average term to maturity (years)	**4.2**	4.2	4.9
Unsecured convertible debentures	**151,327**	150,822	149,360

(1) Occupancy rates in Q2 2014 and Q1 2014 include space covered by a head lease that was classified as vacant space in the prior year. The Q2 2013 occupancy rate has not been restated.
(2) Results from operations were converted into Canadian dollars from euros using the average exchange rates found on page 24.
(3) FFO (non-GAAP measures) – The reconciliation of FFO to net income can be found on page 25.
(4) AFFO (non-GAAP measures) – The reconciliation of AFFO to FFO and net income can be found on page 25. The reconciliation to operating cash flows can be found on page 29.
(5) A description of the determination of basic and diluted amounts per unit can be found on page 28.
(6) Interest coverage ratio, level of debt and debt-to-EBITDFV are non-GAAP measures. Calculations for each reconciled to IFRS balances can be found commencing on page 30.

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dream Global Real Estate Investment Trust ("Dream Global REIT", the "REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements and unaudited interim condensed financial statements of the Trust for the periods ended December 31, 2013 and June 30, 2014, respectively.

The Trust's basis of financial reporting is International Financial Reporting Standards ("IFRS").

This management's discussion and analysis has been dated as at August 6, 2014, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

- "Debentures", meaning the 5.5% convertible unsecured subordinated debentures of the Trust due July 31, 2018;
- "GLA", meaning gross leasable area;
- "GRI", meaning gross rental income;
- "Initial Properties", meaning the income-producing properties we acquired on August 3, 2011;
- "Acquisition Properties", meaning the income-producing properties acquired subsequent to the Trust's initial public offering on August 3, 2011; and
- "Units", meaning the Units of the Trust.

Certain information has been obtained from CB Richard Ellis Germany ("CBRE"), Colliers International ("Colliers") and Jones Lang LaSalle ("JLL"), commercial firms that provide information relating to the German real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

When we use the terms such as "we", "us" and "our", we are referring to the REIT and its subsidiaries.

When we refer to Deutsche Post as being the lessee or the tenant of the Initial Properties, we are referring to Deutsche Post Immobilien GmbH ("DPI"), which is a wholly owned subsidiary of Deutsche Post. Deutsche Post has provided a letter of support with respect to DPI and its ability to carry out its obligations under leases for the Initial Properties.

In addition, certain disclosure incorporated by reference into this report includes information regarding our largest tenants that has been obtained from publicly available information. We have not independently verified any such information.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dream Global 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, global and local economic, business and government conditions; the financial condition of tenants; concentration of our tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space and the timing of lease terminations; our ability to source and complete accretive acquisitions; changes in tax and other laws or the application thereof; and interest and currency rate fluctuations.

Although the forward-looking statements contained in this management's discussion and analysis are based upon what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust's properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; the Trust's continued exemption from the specified investment flow-through trust ("SIFT") rules under the *Income Tax Act* (Canada); and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of August 6, 2014, except where otherwise noted. Dream Global 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 our filings with securities regulators. These filings are also available on our website at www.dreamglobalreit.ca.

BACKGROUND

Dream Global REIT, formerly called Dundee International REIT, is an unincorporated, open-ended real estate investment trust that was formed to provide investors with the opportunity to invest in real estate exclusively outside of Canada. Dream Global REIT was founded by DREAM Asset Management Corporation ("DAM"), formerly called Dundee Realty Corporation or "DRC", a subsidiary of DREAM Unlimited Corp. (TSX: DRM), which is our asset manager. Our Units are listed on the Toronto Stock Exchange under the trading symbol DRG.UN.

As at June 30, 2014, our portfolio consisted of 286 properties, comprising approximately 15.7 million square feet of GLA located in Germany.

We will be exempt from the SIFT rules, taking into account all proposed amendments to such rules, as long as we comply at all times with our investment guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the REIT exception under the *Income Tax Act* (Canada) in order to be exempt from the SIFT rules. As a result, we are not subject to the same restrictions on our activities as those that apply to Canadian real estate investment trusts that do rely on the REIT exception. This gives us flexibility in terms of the nature and scope of our investments and other activities. Because we do not own taxable Canadian property, as defined in the *Income Tax Act* (Canada), we are not subject to restrictions on our ownership by non-Canadian investors.

OUR OBJECTIVES

We are committed to:

- managing our investments to provide stable, sustainable and growing cash flows through investments in commercial real estate located outside of Canada. To date, 100% of our portfolio is located in Germany;
- building a diversified portfolio of commercial properties;
- capitalizing on internal growth and seeking accretive acquisition opportunities in our target markets;
- increasing the value of our assets and maximizing the long-term value of our Units through the active and efficient management of our assets; and
- providing predictable cash distributions per unit, on a tax-efficient basis.

Distributions

We currently pay monthly distributions to unitholders of 6.667 cents per unit, or 80 cents per unit on an annual basis. At June 30, 2014, approximately 16.2% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

	June 30,		March 31,		December 31,		September 30,	
	2014	2013	2014	2013	2013	2012	2013	2012
Annualized distribution rate	**$ 0.80**	$ 0.80	$ 0.80	$ 0.80	$ 0.80	$ 0.80	$ 0.80	$ 0.80
Monthly distribution rate	**$ 0.0667**	$ 0.0667	$ 0.0667	$ 0.0667	$ 0.0667	$ 0.0667	$ 0.0667	$ 0.0667
Period-end closing unit price	**$ 9.82**	$ 9.94	$ 9.28	$ 10.64	$ 8.42	$ 10.93	$ 9.41	$ 11.00
Annualized distribution yield on closing unit price (%)	**8.15%**	8.05%	8.62%	7.52%	9.50%	7.32%	8.50%	7.27%

OUR STRATEGY

Our core strategy to meet our objectives includes the following:

Optimizing the performance, value and long-term cash flow of our properties

We manage our properties to optimize their performance, value and long-term cash flow. We seek to do this by achieving high occupancy and rental rates. Together with our management team in Canada, we also have an established management team in Germany and Luxembourg, bringing a history with our Initial Properties, deep market knowledge and established relationships with other market participants. Leasing, capital expenditure and construction initiatives are either internally managed or overseen by us, while property management services, including general maintenance, rent collection and administration of operating expenses and tenant leases, are carried out by third-party service providers.

Diversifying our portfolio to mitigate risk

We continuously seek to diversify our portfolio to increase value on a per unit basis, further improve the sustainability of our distributions and strengthen our tenant profile. We focus on adding high-quality tenants in the most desirable office markets in Germany in addition to increasing our overall asset base in the largest office markets in Germany. A key criteria when considering potential acquisitions is the multi-tenant nature of a property.

Investing in stable income-producing properties outside of Canada

When considering acquisition opportunities, we look for properties with quality tenancies and strong occupancy, and assess how acquisition opportunities complement our properties and have the potential to create additional value. In considering future acquisitions, we intend to focus on countries with a stable business and operating environment, a liquid market for real estate investments, a legal framework that provides adequate rights and protections for owners of property, and a manageable foreign investment regime. We will consider investment opportunities in income-producing properties that are accretive, provide stable, sustainable and growing cash flows, and enable us to realize synergies within our portfolio of properties. The execution of this strategy will be continuously reviewed and will also include dispositions of properties and optimizing our capital structure.

Maintaining and strengthening a conservative financial profile

We operate our investments in a disciplined manner, with a focus on financial analysis and balance sheet management to ensure we maintain a prudent capital structure and conservative financial profile. We intend to generate stable cash flows sufficient to fund our distributions while maintaining a conservative debt ratio. Our preference will be to stagger our debt maturities to mitigate our interest rate risk and limit refinancing exposure in any particular period. We have also implemented a foreign exchange hedging strategy to provide greater certainty regarding the payment of distributions to unitholders and interest to debenture holders.

OUR ASSETS

Throughout this document, we make reference to the following two asset categories:

Initial Properties

As at June 30, 2014, this category included 260 national and regional administration offices, mixed use retail, banking and distribution properties and regional logistics headquarters of Deutsche Post. The properties are generally strategically located near central train stations and main retail areas and are easily accessible by public transportation.

Acquisition Properties

As at June 30, 2014, this category included 26 office properties, which were acquired since the beginning of 2012. These properties are high-quality, multi-tenant office buildings located in Germany's largest office markets and are generally newer or recently refurbished buildings.

The majority of our portfolio is concentrated in Germany's largest office markets:

City	Total GLA (sq. ft.)	Total GLA (%)	Total GRI (%)
Berlin	662,281	4	5
Cologne	784,120	5	6
Düsseldorf	1,815,847	12	14
Frankfurt	1,209,693	8	10
Hamburg	1,444,864	9	15
Hannover	924,936	6	4
Munich	675,603	4	8
Nuremberg	632,583	4	5
Stuttgart	681,645	4	5
Other	6,847,973	44	28
Total	15,679,545	100	100

TENANTS

Through an active acquisitions and dispositions program that commenced in 2012, the Trust continues to focus on the diversification of its tenant base. The table below highlights the diversification away from the single-tenant nature of our Initial Properties. At the end of Q2 2014, Deutsche Post's GRI was approximately 34% of the Trust's overall occupied and committed GRI.

Tenant composition	Total annualized GRI (%)	Credit rating[1]
Deutsche Post	33.8	BBB+
Freshfields Bruckhaus Deringer	3.0	n/a
ERGO Direkt Lebensversicherungs AG	2.9	AA-
Imtech	2.3	n/a
AIG Europe Limited	2.1	A+
Google Germany GmbH	2.0	AA
BNP Paribas Fortis SA/NV	1.9	A+
Deutsche Postbank AG	1.8	A-
State of Bavaria/Technische Universität München	1.6	AAA
CinemaxX Entertainment GmbH & Co. KG	1.5	n/a
Other third-party tenants	47.1	n/a
Total	100.0	

(1) Source: Standard & Poor's, Fitch

Deutsche Post

Deutsche Post is an integral part of the German economy and continues to be an important part of day-to-day life in Germany. Through its acquisition of DHL in 2002, Deutsche Post DHL has become a global logistics market leader. It employs approximately 480,000 people in more than 220 countries and territories.[1] As the only provider of universal postal services in Germany, Deutsche Post must provide certain minimum levels of service to German residents.

Some of the space leased to Deutsche Post is occupied by Postbank, a public company controlled by Deutsche Bank and integral to its retail banking business. Postbank offers retail financial services in its branches within Deutsche Post's network, which generates increased traffic through the postal services offered in those branches. As at June 30, 2014, our portfolio featured approximately 178 Postbank branches, allowing for the delivery of integrated financial and postal services. Leases for 48 Postbank branches are direct leases. Postbank branches are typically located at ground level with a view to attracting a high volume of retail and business customers seeking financial or postal services.

(1) As disclosed at Deutsche Post DHL's website at www.dp.dhl.com

Freshfields Bruckhaus Deringer (“Freshfields”)

Freshfields is the second largest tenant in our portfolio as measured by GRI. Freshfields is an international law firm with offices in Europe, Asia, North America and the Middle East.[2] Freshfields occupies 71% of the space in our property located at Feldmühleplatz 1 + 15 and generated approximately 3.0% of the REIT’s overall GRI as at June 30, 2014.

ERGO Direkt Lebensversicherungs AG (“ERGO”)

ERGO is the third largest tenant in our portfolio as measured by GRI. With approximately 46,000 employees in over 30 countries, ERGO is one of the largest insurance companies in Germany.[3] ERGO, which belongs to the Munich RE group of companies, occupies the entire space in our property located at Karl-Martell-Strasse 60 in Nuremberg, and generated approximately 2.9% of the REIT’s overall GRI as at June 30, 2014.

Imtech

Imtech Germany & Eastern Europe is a leader in the energy and technical building equipment sector in Germany, Poland, Austria, Hungary, Romania, Russia and Switzerland. Imtech Germany & Eastern Europe employs approximately 5,500 people and is part of the Royal Imtech N.V. Group, which is based in the Netherlands and employs approximately 26,000 people.[4] This tenant occupies the entire space in our property located at Hammer Strasse 30-34 in Hamburg, which is Imtech’s German head office, and contributed approximately 2.3% to the REIT’s overall GRI as at June 30, 2014.

AIG Europe Limited (“AIG”)

AIG Europe Limited is a part of AIG, a leading international insurance company focused on property casualty insurance, life insurance and retirement services, mortgage insurance and aircraft leasing. AIG has clients in over 130 countries and employs approximately 63,000 people.[5] AIG occupies approximately 60% of the space in Werfthaus, our property located at Speicherstrasse 55 in Frankfurt, and generated approximately 2.1% of the REIT’s overall GRI as at June 30, 2014.

Google Germany GmbH (“Google”)

Google is an American multinational corporation specializing in internet-related services and products and employs over 30,000 people worldwide.[6] Google Hamburg is the company’s commercial headquarters for Germany, Austria, Switzerland and the Nordics and occupies approximately 59% of the GLA in ABC Bogen, our property located in the heart of Hamburg at ABC Strasse 19. Google generated approximately 2.0% of the REIT’s overall GRI as at June 30, 2014.

BNP Paribas Fortis

BNP Paribas Fortis is a financial services provider, offering services to private and professional clients, corporate clients and public entities through a number of networks. The company is owned approximately 75% by the BNP Paribas Group and 25% by the Belgian State.[7] BNP Paribas Fortis occupies approximately 55% of the space in Cäcilienkloster in Cologne as well as 8% in Z-UP in Stuttgart and generated approximately 1.9% of the REIT’s overall GRI as at June 30, 2014.

Deutsche Postbank AG (“Postbank”)

Postbank is one of Germany’s largest financial service providers with approximately 14 million clients, 18,600 employees and total assets of approximately €158 billion. Postbank mainly focuses on private customers and small to medium-sized companies and has the densest branch network of any bank in Germany with 1,100 of its own branches, 4,500 Deutsche Post partner branches as well as 700 Postbank advisory centres.[8] As at June 30, Postbank generated approximately 1.8% of the REIT’s overall GRI.

(2) As disclosed at Freshfields’ website at www.freshfields.com
(3) As disclosed at ERGO’s website at www.ergo.com
(4) As disclosed at Imtech’s website at www.imtech.de
(5) As disclosed at AIG’s website at www.aig.com
(6) As disclosed at Google’s website at www.google.com and www.google.ca/about/jobs/locations/hamburg
(7) As disclosed at BNP Paribas’ website at www.bnpparibas.com
(8) As disclosed at Deutsche Postbank AG’s website at www.postbank.com

State of Bavaria/Technische Universität München

The Technische Universität München ("TUM") is one of Europe's top universities. TUM comprises 13 faculties that focus on engineering, medicine, natural and life sciences, business and education. Approximately 36,000 students are currently enrolled at TUM.[9] TUM's School of Education occupies approximately 48% of the GLA in our property located at Marsstrasse 20-22 in the city centre of Munich. TUM generated approximately 1.6% of the REIT's overall GRI as at June 30, 2014.

CinemaxX Entertainment GmbH & Co. KG ("CinemaxX")

CinemaxX is a well-known cinema chain in Germany and Denmark with 33 cinemas and 2,000 employees in these two countries.[10] CinemaxX occupies approximately 62% of the GLA in our property located at Bertoldstrasse 48/Sedanstrasse 7 in Freiburg and generated approximately 1.5% of the REIT's overall GRI as at June 30, 2014.

(9) As disclosed at Technische Universität Müchen's website at www.tum.de/en/homepage
(10) As disclosed at CinemaxX's website at www.cinemaxx.com

MARKET OVERVIEW – GERMANY

German economy

The German economy has long been a driver as well as a beneficiary of a globalized economy. Germany has established itself as a key location for production sites and is a country with a favourable business environment. Similar to Canada, Germany is a country with a history of political, legal and financial stability and provides an attractive climate for long-term investment.

Recent developments

Overall, the German economy continues to be the main driving force of Europe. Germany's labour market is very robust and its unemployment rate at 5.0%[1] at the end of June 2014 remains among the lowest in the European Union. For 2014, the International Monetary Fund ("IMF") estimates a 1.9% GDP growth in Germany, with domestic demand mostly driving the growth, as consumer spending is on the rise and investments in construction and equipment are increasing. Some of the improvement in the German economy is driven by the overall economic improvement in the Eurozone.

Economic impact on the German real estate sector

Germany is one of the most highly sought-after real estate investment markets in Europe, benefiting from strong domestic and international investor demand. A positive economic outlook and a strong labour market are key factors for the continued demand in this market. During the first six months of 2014, the total investment volume for commercial real estate reached €16.9 billion[2], a year-over-year increase of 34%.

The office sector remains the dominant asset class, with 46%[2] of all transactions during the first six months of 2014 taking place in this category. In total, over €7.8 billion[2] was invested in German office properties during the first half of 2014. The share of investments in secondary markets or B-locations continues to increase, reflecting the fact that secondary markets in Germany also offer attractive returns.

The underlying fundamentals in the office sector remain strong. Overall office vacancies in the seven largest markets declined year-over-year by 60 basis points to 8.1% at June 30, 2014.[3]

(1) ILO labour market statistics overview, Destatis – Germany's Federal Statistical Office
(2) CBRE MarketView, Germany Investment Quarterly Q2 2014
(3) Jones Lang LaSalle Office Market Overview Q2 2014

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

Occupancy

Overall in-place and committed occupancy rates increased to 87.9% at the end of Q2 2014 from 86.4% at the end of 2013 and 87.7% at the end of Q1 2014. On average, Acquisition Properties have higher occupancy rates compared to our Initial Properties. Primarily due to our leasing efforts throughout the first six months of 2014, the occupancy in our Initial Properties increased from 83.2% at the end of 2013 to 84.2% at the end of Q2 2014. Occupancy in our Acquisition Properties increased from 96.3% at the end of 2013 to 98.1% at the end of Q2 2014. The reclassification of the head lease space to occupied space from vacant space in our Acquisition Properties contributed 38 bps to the overall occupancy increase in our portfolio in Q2 2014. The reclassification took place in Q1 2014, with periods prior to 2014 not being restated.

The table below details the percentage of occupied and committed space for the total portfolio as well as the comparative portfolio. The comparative portfolio comprises properties owned by the Trust at December 31, 2013 and June 30, 2014, and excludes properties that were acquired or sold during the first six months of 2014.

	Total portfolio		Comparative portfolio	
(percent)	**June 30, 2014**[(1)]	December 31, 2013	**June 30, 2014**[(1)]	December 31, 2013
Initial Properties	**84.2**	83.2	**84.2**	83.0
Acquisition Properties	**98.1**	96.3	**97.9**	96.3
Total	**87.9**	86.4	**87.7**	86.4

(1) Occupancy in Q2 2014 includes space covered by a head lease that was classified as vacant space. This change in presentation results in a 38 bps increase in overall occupancy in Q2 2014.

Vacancy schedule

The tables below highlight our leasing activity for the three-month and six-month periods ended June 30, 2014. During Q2 2014, our overall space available for lease decreased by 54,800 square feet. The primary drivers of the decrease in vacancy were the positive leasing absorption of 38,200 square feet as well as a high retention rate across the entire portfolio of 76% and change in vacancy due to dispositions.

	For the three months ended June 30, 2014		
(in square feet)	Initial Properties	Acquisition Properties	Total
Available for lease – April 1, 2014	1,861,532	84,919	1,946,451
Change in vacancy due to dispositions	(21,137)	-	(21,137)
Remeasurements	4,460	76	4,536
Subtotal – Available for lease	1,844,855	84,995	1,929,850
Expiries	48,956	126,760	175,716
Early termination and bankruptcies	7,068	1,840	8,908
New leases	(18,679)	(2,691)	(21,370)
Renewals	(32,261)	(100,888)	(133,149)
Future leases	(39,748)	(28,580)	(68,328)
Available for lease – June 30, 2014	1,810,191	81,436	1,891,627

(in square feet)	Initial Properties	Acquisition Properties	Total
	For the six months ended June 30, 2014		
Available for lease – January 1, 2014	1,984,185	66,836	2,051,021
Change in vacancy due to acquisitions	-	5,861	5,861
Change in vacancy due to dispositions	(33,349)	-	(33,349)
Remeasurements	9,279	843	10,122
Subtotal – Available for lease	1,960,115	73,540	2,033,655
Expiries	112,593	176,228	288,821
Early termination and bankruptcies	9,713	23,338	33,051
New leases	(56,059)	(11,496)	(67,555)
Renewals	(55,290)	(130,491)	(185,781)
Future leases	(160,881)	(49,683)	(210,564)
Available for lease – June 30, 2014	1,810,191	81,436	1,891,627

The table below highlights our occupancy, leasing activity and rental rates for the last eight quarters. Committed occupancy includes in-place occupancy as well as space for which leases have been signed but do not commence until a future quarter.

	Q2 2014[(1)]	Q1 2014[(1)]	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Occupancy								
Committed occupancy (square feet)	**13,787,918**	13,874,523	13,577,298	13,403,456	13,205,395	12,686,411	11,100,247	10,623,459
Committed occupancy (%)	**87.9%**	87.7%	86.4%	86.2%	85.7%	84.7%	83.2%	82.2%
In-place occupancy (square feet)	**13,644,620**	13,753,248	13,496,358	13,183,857	13,010,931	12,578,484	11,012,059	10,574,241
In-place occupancy (%)	**87.0%**	86.9%	85.9%	84.8%	84.5%	83.9%	82.5%	81.8%
Leasing activity								
Expiries	**(175,716)**	(113,105)	(168,754)	(152,096)	(89,824)	(113,970)	(111,843)	(72,288)
Early termination and bankruptcies	**(8,908)**	(24,143)	(2,489)	(22,021)	(7,418)	(556)	(2,131)	(869,603)
New leases	**21,370**	46,185	35,285	51,992	36,689	41,198	30,873	70,523
Renewals	**133,149**	52,633	115,914	111,609	75,373	41,985	46,359	39,878
Future leases	**68,328**	142,236	30,840	60,250	98,003	38,118	95,952	29,439
Net leasing absorption	**38,223**	103,806	10,796	49,734	112,823	6,775	59,210	(802,051)
Average in-place rent (€/sq. ft./year)	**€ 8.74**	€ 8.72	€ 8.46	€ 8.17	€ 8.14	€ 7.87	€ 6.25	€ 6.01
% change	**0.3%**	3.0%	3.5%	0.4%	3.5%	25.8%	4.1%	2.6%

(1) Occupancy includes space covered by a head lease that was previously classified as vacant space.

In-place rental rates

The following table provides a comparison between in-place rents and market rents in our portfolio as at June 30, 2014. Market rents are management's estimates of rental rates that could be achieved for space in our properties. In-place rents have increased from approximately €8.46 per square foot/year at December 31, 2013 to approximately €8.74 per square foot/year at June 30, 2014, reflecting higher in-place rents in the Acquisition Properties as well as leasing activity. The majority of the leases in the Acquisition Properties include rent adjustment clauses linked to an increase in the consumer price index ("CPI"). Overall, average market rents for our portfolio remain approximately 1.8% above in-place rents at June 30, 2014. The difference between in-place rents and market rents in our Initial Properties is 12%, allowing for rental growth in this segment of our portfolio, which has approximately 1.3 million square feet expiring in the next 18 months.

For the Acquisition Properties, where in-place rents exceeded market rents, the purchase price was adjusted at the time of underwriting these acquisitions to reflect such above-market rents.

The table below compares in-place rents to market rents as at June 30, 2014.

	in $ (as at June 30, 2014)		in € (as at June 30, 2014)	
(per square foot/year)	In-place rent	Market rent	In-place rent	Market rent
Initial Properties – Deutsche Post	$ 8.15	$ 9.01	€ 5.58	€ 6.16
Initial Properties – Third party	8.20	9.48	5.61	6.49
Total Initial Properties	8.16	9.10	5.58	6.23
Acquisition Properties	23.65	22.20	16.18	15.19
Overall	$ 12.77	$ 13.00	€ 8.74	€ 8.90

At June 30, 2014, the weighted average remaining lease term ("WALT") of all leases was approximately 4.6 years. The WALT of the Acquisition Properties was 5.5 years.

(years)	**WALT at June 30, 2014**	WALT at December 31, 2013
Initial Properties – Deutsche Post	**3.7**	4.1
Initial Properties – Third party	**6.3**	5.1
Total Initial Properties	**4.2**	4.3
Acquisition Properties	**5.5**	6.0
Overall	**4.6**	4.8

Leasing and tenant profile

Lease rollover profile

The following table outlines our lease maturity profile by asset type as at June 30, 2014.

(in square feet)	Current vacancy	Month-to-month	2014	2015	2016	2017	2018 to 2039	Total
Initial Properties	1,810,191	328,673	603,465	715,359	148,817	192,043	7,693,322	11,491,870
Acquisition Properties	81,436	21,570	87,526	310,720	641,637	489,856	2,554,930	4,187,675
Total	1,891,627	350,243	690,991	1,026,079	790,454	681,899	10,248,252	15,679,545

Deutsche Post leases

The leases with Deutsche Post, which generally expire on June 30, 2018 (many of which provide Deutsche Post with an option to extend the term until June 30, 2023), comprise approximately 48% of the portfolio's GLA and account for 34% of the portfolio's GRI. Deutsche Post leases expiring in 2018, 2019 and 2020 comprise approximately 5,494,000, 703,000 and 354,000 square feet, respectively.

Rent adjustment

The rents under the Deutsche Post leases are subject to automatic adjustments (up or down) in relation to the CPI for Germany. If the consumer price index for Germany changes by more than 4.3 index points as compared to the index at the commencement of the applicable lease or the previous rent adjustment, the rent payable under the Deutsche Post leases is automatically adjusted by 100% of the index change, with effect as of the time of the index change. Based on the index at the last CPI adjustment date, the index will have to exceed 107.2 index points before the next adjustment will become effective. CPI numbers from June 2014 indicate that the CPI has reached 106.7 index points.

Termination rights and head lease

In general, the Deutsche Post leases have a fixed term of ten years, expiring on June 30, 2018. These leases entitle Deutsche Post to terminate space in 2012, 2014 and 2016, subject to certain limitations and requirements. The rights of Deutsche Post to terminate a lease are limited by various tests that apply collectively to the Deutsche Post leases and the leases in respect of the remaining properties forming the portfolio that the vendor acquired from Deutsche Post in July 2008 (the "Caroline DP Leases"), considered as a whole. Deutsche Post exercised or waived their termination rights with respect to 2012 and 2014.

Deutsche Post may terminate Deutsche Post leases and Caroline DP Leases aggregating no more than 10% of the total annual Reference Rent payable under all of the Deutsche Post leases and Caroline DP Leases on June 30, 2016. The "Reference Rent" for a lease is an amount set out in a specified notarial deed and may differ from the actual rent payable under the lease. To the extent that Deutsche Post waives or does not exercise all of its available early termination rights with respect to any particular effective termination date, the unused portion may be carried forward, provided that Deutsche Post cannot terminate Deutsche Post leases and Caroline DP Leases aggregating more than 20% of the total Reference Rent of all Deutsche Post leases and Caroline DP Leases, considered as a whole, during any lease year.

At the time of delivering their 2014 termination notices, Deutsche Post waived their right to terminate 146,000 square feet of space for a minimum period of one year. Of this total space, Deutsche Post entered into a new five-year lease comprising 42,900 square feet. At the beginning of Q2, a total of six leases amounting to approximately 97,000 square feet were subject to termination. During Q2 2014, Deutsche Post gave notification of its intention to terminate approximately 13,300 square feet of the space effective June 30, 2015 with the remainder of the 2014 termination rights being waived for an additional period of one year to June 30, 2016. Of the space now terminable in 2016, we are in active sales negotiations with respect to 52,100 square feet. In addition, Postbank entered into a lease for approximately 6,300 square feet for a period of 10 years. Excluding dispositions scheduled to close in Q3 2014, Deutsche Post has the right to terminate up to approximately 649,000 square feet effective as at June 30, 2016.

Subsequent to Deutsche Post's delivery of their 2014 termination notices in June and August of 2013, they extended a number of the terminated leases covering 631,000 square feet. The extensions range from one to twelve months, with an average term of six months. In addition, Deutsche Post entered into a lease for approximately 29,000 square feet of the terminated space for a three-year term during Q1 2014, and Postbank entered into a lease for an additional 4,600 square feet for a term of 10 years during Q2 2014.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

		For the six months ended June 30, 2014		For the year ended December 31, 2013
Balance at beginning of period	**$**	**2,390,244**	$	1,182,757
Additions				
Acquisitions		**122,871**		1,075,558
Building improvements		**4,003**		5,821
Lease incentives and initial direct leasing costs		**5,451**		6,055
Amortization of lease incentives		**(803)**		(616)
Disposals		**(41)**		(23,943)
Reclassified to assets held for sale		**(34,266)**		(21,147)
Fair value adjustments		**33,044**		(57,032)
Foreign currency translation		**(11,210)**		222,791
Balance at end of period	**$**	**2,509,293**	$	2,390,244

The fair value of our investment property portfolio at June 30, 2014 was $2.5 billion. Since December 31, 2013, the value of our investment properties increased by $119.0 million. The increase was mainly attributable to the acquisition of two properties for $121.0 million (including transaction costs), partially offset by a net reclassification of 15 properties valued at $34.3 million to assets held for sale.

During the six months ended June 30, 2014, we also invested $9.5 million in building improvements, lease incentives and initial direct leasing costs. As certain German markets experienced yield compression, the fair value of the Acquisition Properties increased by $41.9 million, partially reduced by a write-off of $8.4 million capitalized transaction costs during the period and $0.4 million of other adjustments, for a net increase in fair value adjustments of $33.0 million. Due to depreciation of the euro against the Canadian dollar since December 31, 2013, the investment property value decreased by $11.2 million, representing an unrealized foreign exchange loss.

The REIT's management is responsible for determining fair value measurements included in the financial statements, including fair values of investment properties, which are valued on a highest and best use basis. Fair values for investment properties are calculated using both the direct income capitalization and discounted cash flow ("DCF") methods.

Investment properties held for sale

		For the six months ended June 30, 2014		For the year ended December 31, 2013
Balance at beginning of period	**$**	**21,147**	$	-
Building improvements		**10**		-
Lease incentives and initial direct leasing costs		**(134)**		-
Investment properties reclassified as held for sale		**34,266**		21,147
Fair value adjustments		**2,744**		-
Disposals		**(31,221)**		-
Foreign currency translation		**594**		-
Balance at end of period	**$**	**27,406**	$	21,147

Acquisitions

During the six months ended June 30, 2014, we completed the following acquisitions:

Office property	Acquired GLA (sq. ft.)	Occupancy at acquisition (%)		Purchase price[1]	Date acquired
Werner-Eckert-Straße 8, 10, 12, Munich	64,741	91	$	22,120	February 14, 2014
My Falkenried, Hamburg	221,241	100		92,183	March 31, 2014
Total	285,982	98	$	114,303	

(1) Excludes transaction costs.

Dispositions

The REIT completed the sale of seven properties during the three months ended June 30, 2014, for an aggregate sales price of approximately $11.9 million, which represented 103% of their book value. A portion of the net proceeds of $4.1 million was used to reduce our term loan credit facility. During the six months ended June 30, 2014, we disposed of 12 investment properties for $31.2 million, five of which were reclassified as assets held for sale at December 31, 2013. We realized an increase in fair value of $1.0 million on these dispositions. As of June 30, 2014, we have entered into agreements to dispose an additional nine properties with a total fair value of $27.4 million. Based on the sale contract prices, we also recorded a fair value increase of $1.7 million on these assets. As at June 30, 2014, these nine properties have been reclassified as assets held for sale on the balance sheet and excluded from the value of investment properties, as the REIT has committed to a plan of sale for these properties.

Building improvements

Building improvements represent investments made in our investment properties to ensure our buildings are operating at an optimal level. During the three and six months ended June 30, 2014, we spent $1.6 million and $4.0 million, respectively, in building improvements. In general, building improvements are non-recoverable from the tenants unless specifically provided for in the lease agreement.

Initial direct leasing costs and lease incentives

Initial direct leasing costs include external leasing fees and related costs, and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances. Initial direct leasing costs and lease incentives are dependent on asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases.

During the three and six months ended June 30, 2014, we incurred $3.8 million and $5.5 million, respectively, of lease incentives and initial direct leasing costs. As at June 30, 2014, we had outstanding leasing cost commitments of $11.8 million, on average for lease terms in excess of ten years.

OUR CAPITAL

Liquidity and capital resources

Dream Global REIT's primary sources of capital are cash generated from operating activities, a credit facility and equity and debt issues. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt interest payments, and property acquisitions. We expect to meet all of our ongoing obligations through current cash and cash equivalents, cash flows from operations, debt refinancings and, as growth requires and when appropriate, new equity or debt issues.

As at June 30, 2014, we had $53.5 million of cash on hand. After reserving for current payables and operating requirements, approximately $20 million is available for general purposes. Our debt-to-book value excluding cash, at June 30, 2014, is 56%. Excluding cash and convertible debentures, our debt-to-book value is 50%.

Debt

Debt strategy

Our debt strategy is to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of our portfolio. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. We also intend to enter into long-term loans at fixed rates when borrowing conditions are favourable. This strategy will be complemented with the use of unsecured convertible debentures and floating rate credit facilities. We operate within a targeted debt-to-book value range of 50% to 60% (net of cash). The increase in the debt-to-book value ratio at June 30, 2014 compared to December 31, 2013 reflects the increase in mortgage debt in the first half of 2014 related to acquisitions, as well as a lower level of cash on hand compared to December 31, 2013.

The key performance indicators in the management of our debt are:

	For the six months ended June 30, 2014	For the year ended December 31, 2013
Financing activities		
Weighted average interest rate[(1)]	**3.33%**	3.37%
Level of debt (debt-to-book value, net of cash, net of convertible debentures)[(2)]	**50%**	48%
Level of debt (debt-to-book value, net of cash)[(2)]	**56%**	54%
Interest coverage ratio[(2)]	**3.39 times**	3.40 times
Debt-to-EBITDFV (years)[(2)(3)]	**9.1**	8.8
Proportion of total debt due in current year	**3.3%**	1.4%
Debt – average term to maturity (years)	**4.2**	4.6
Variable rate debt as percentage of total debt	**3%**	5%

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

(2) Level of debt, interest coverage ratio, and debt-to-EBITDFV are non-GAAP measures. Calculations for each reconciled to IFRS balances can be found commencing on page 30.

(3) Calculated as total debt divided by adjusted EBITDFV.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio for the first six months of 2014 is 3.39 times and reflects our ability to cover interest expense requirements. We also monitor our debt-to-EBITDFV ratio to gauge our ability to pay off existing debt. Our current debt-to-EBITDFV ratio is 9.1 years and reflects the approximate amount of time to pay off all debt from operating cash flows.

Financing activities

We finance our ownership of assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures.

New debt

During the six months ended June 30, 2014, we obtained the following new mortgages:

Property		Mortgage ($000s)		Mortgage (€000s)	Face rate	Date of funding	Date of maturity
Werner-Eckert-Straße 8, 10, 12, Munich	$	13,237	€	8,700	1.98%	March 28, 2014	March 31, 2019
My Falkenried, Hamburg		55,765		36,840	2.33%	April 29, 2014	February 26, 2021
Total	$	69,002	€	45,540			

On April 29, 2014, the Trust drew down a mortgage with a principal balance of €36.8 million ($55.8 million) at a fixed rate of 2.33% per annum, maturing on February 26, 2021, in connection with the acquisition of My Falkenried in Hamburg.

Debt composition

	June 30, 2014			December 31, 2013		
	Variable	**Fixed**	**Total**	Variable	Fixed	Total
Term loan credit facility[2]	**$ 49,426**	**$ 383,679 [1]**	**$ 433,105**	$ 64,368	$ 384,604 [1]	$ 448,972
Mortgage debt[2]	**-**	**880,683**	**880,683**	-	825,014	825,014
Debentures[2]	**$ -**	**$ 151,327**	**$ 151,327**	$ -	$ 150,326	$ 150,326
Total	**49,426**	**1,415,689**	**1,465,115**	64,368	1,359,944	1,424,312
Percentage	**3%**	**97%**	**100%**	5%	95%	100%

(1) As at June 30, 2014, 89% of the term loan credit facility is subject to an interest rate swap in place until August 3, 2016 pursuant to the term loan credit facility agreement and has been presented as fixed rate debt.

(2) Balance shown is net of deferred financing costs and mark-to-market adjustments.

Amounts recorded as at June 30, 2014 for the Debentures are net of $5.3 million of premiums allocated to their conversion features on issuance. The premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Term loan credit facility

Concurrent with the closing of our initial public offering, we obtained a term loan credit facility (the "Facility") from a syndicate of German and French banks for gross proceeds of €328.5 million ($448.4 million). During the six months ended June 30, 2014, we repaid $13.9 million (€9.2 million), in connection with the disposition of 12 properties. As at June 30, 2014, the remaining principal balance on the term loan credit facility was $445.1 million (€304.5 million), of which $11.5 million (€7.8 million) has been allocated to assets held for sale. The initial term of the Facility is five years with a two-year renewal option. Variable rate interest is payable quarterly under the Facility at a rate equal to the three-month EURIBOR, plus a margin of 200 basis points and agency fees of 10 basis points. Pursuant to the requirements of the Facility, we entered into an interest rate swap to fix 80% of the interest payments at 1.89% plus margin and agency fees, and purchased an instrument to cap 10% of the Facility, such that the interest rate does not exceed 5% on that portion.

As at June 30, 2014, as a result of the REIT's commitment to dispose of nine properties from the Initial Properties and thereby reclassifying those properties to assets held for sale, the related portions of the Facility secured by these nine properties, valued at $11.5 million (€7.8 million), were also reclassified as liabilities related to assets held for sale.

As at June 30, 2014, the weighted average rate of the Facility was 4.13%. Including financing costs, the effective interest rate under the Facility was 4.14%. At December 31, 2013, the weighted average rate was 4.09% and the effective rate was 4.13%.

The Facility requires that at each interest rate payment date the debt service coverage ratio is equal to or above 145% and that the loan-to-value ratio does not exceed 59% during the first three years the loan is outstanding and 54% during the final two years. As at June 30, 2014, we were in compliance with these covenants.

Under the terms of the Facility, we are required to pay additional interest of 1% per annum beginning on August 3, 2013 on €100 million plus a 15% prepayment amount, less any amounts repaid. Mandatory repayments of between 110% and 125% (with the average being 115%) of the principal allocated to a particular Initial Property are required for any Initial Property sold or refinanced by the Trust. Since the initial public offering, the Trust has repaid $34.1 million (€24.0 million) in principal payments including prepayment amounts on various property dispositions. Opportunities to repay the balance of €91.0 million will come from maximizing the leverage on new acquisitions and from additional dispositions of non-core properties.

Revolving credit facility

On October 9, 2013, the Trust entered into a credit agreement with a Canadian bank to provide a revolving credit facility not to exceed €25 million. The interest rate on Canadian dollar advances is prime plus 200 basis points and/or bankers' acceptance rates plus 300 basis points. The interest rate for euro advances is 300 basis points over the three-month EURIBOR rate. The revolving credit facility has a term of two years.

Subsequent to June 30, 2014, the Trust received approval to increase this facility to €50 million with no changes in the interest rate spreads or covenant requirements. The revised facility expires on September 25, 2016.

Convertible debentures

As at June 30, 2014, the total principal amount of Debentures outstanding was $161 million, convertible into an aggregate of 12,384,619 Units. The Debentures bear interest at 5.5% per annum, are payable semi-annually on July 31 and January 31 each year, and mature on July 31, 2018. Each $1,000 principal amount of the Debentures is convertible at any time by the holder into 76.9231 Units, representing a conversion price of $13.00 per unit. On or after August 31, 2014, and prior to August 31, 2016, the Debentures may be redeemed by the Trust, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided the weighted average trading price for the Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after August 31, 2016, and prior to July 31, 2018, the maturity date, the Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest.

The conversion feature of the Debentures is remeasured in each reporting period to fair value, with changes in fair value recorded in comprehensive income. During the three-month and six-month periods ended June 30, 2014, the fair value attributed to the conversion feature increased by $0.4 million and $0.8 million, respectively.

The table below highlights our debt maturity profile:

	Debt maturities	Scheduled principal repayments on non-matured debt	Total
Remainder of 2014	€ -	€ 9,812	€ 9,812
2015	14,337	18,404	32,741
2016	283,006	15,274	298,280
2017	62,008	11,365	73,373
2018	338,529	6,685	345,214
2019 and thereafter	243,002	14,350	257,352
Total	€ 940,882	€ 75,890	€ 1,016,772

Commitments and contingencies

We are contingently liable with respect to litigation and claims that may arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on our consolidated financial statements.

As at June 30, 2014, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
Less than 1 year	$ 801
1–5 years	1,421
Longer than 5 years	-
Total	$ 2,222

During the three and six months ended June 30, 2014, the Trust paid $0.2 million and $0.5 million in minimum lease payments, respectively, which have been included in comprehensive income for the period.

Equity

The table below highlights our outstanding equity:

	Unitholders' equity			
	June 30, 2014		December 31, 2013	
	Number of Units	**Amount**	Number of Units	Amount
Units	**110,628,350**	**$ 1,070,466**	109,698,977	$ 1,034,005

Units

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: Units and Special Trust Units. The Special Trust Units may only be issued to holders of securities exchangeable for Units, are not transferable and are used to provide holders of such securities with voting rights with respect to Dream Global REIT. Each Unit and Special Trust Unit entitles the holder thereof to one vote for each Unit at all meetings of unitholders of the Trust.

The Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the grant of deferred trust units and income deferred units to trustees, officers, employees, affiliates and their service providers, including DAM, our asset manager.

The following table summarizes the changes in our outstanding equity:

	Units
Total Units outstanding on December 31, 2013	109,698,977
Units issued pursuant to the DUIP	68,061
Units issued pursuant to the DRIP[1]	861,312
Total Units outstanding on June 30, 2014	110,628,350
Units issued pursuant to the DRIP on July 15, 2014	130,970
Total Units outstanding on July 31, 2014	110,759,320

(1) Distribution Reinvestment and Unit Purchase Plan.

For the six months ended June 30, 2014, 68,061 Units were issued pursuant to the Deferred Unit Incentive Plan (December 31, 2013 – 17,632 Units) to trustees, officers and employees.

Distribution policy

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining our distributions. We also exclude the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. We exclude the impact of transaction costs expensed on business combinations as these are considered to be non-recurring. In order to manage the exposure to currency risk of unitholders and holders of Debentures, the Trust has entered into foreign exchange forward contracts.

For the quarter ended June 30, 2014, distributions declared amounted to $22.1 million. Of this amount, $3.6 million was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 83.8%. Distributions declared for the six months ended June 30, 2014 were $44.1 million. Of this amount, $7.5 million was reinvested in additional units pursuant to the DRIP, resulting in a cash payout ratio of 83.0%.

	Three months ended June 30, 2014						Six months ended June 30, 2014					
		Declared amounts		4% bonus distribution		Total		Declared amounts		4% bonus distribution		Total
2014 distributions												
Paid in cash or reinvested in Units	$	14,722	$	96	$	14,818	$	36,728	$	253	$	36,981
Payable at June 30, 2014		7,376		-		7,376		7,376		-		7,376
Total distributions	$	22,098	$	96	$	22,194	$	44,104	$	253	$	44,357
2014 reinvestment												
Reinvested to June 30, 2014	$	2,385	$	96	$	2,481	$	6,315	$	253	$	6,568
Reinvested on July 15, 2014		1,194		48		1,242		1,194		48		1,242
Total distributions reinvested	$	3,579	$	144	$	3,723	$	7,509	$	301	$	7,810
Distributions paid in cash	$	18,519					$	36,595				
Reinvestment to distribution ratio		16.2%						17.0%				
Cash payout ratio		83.8%						83.0%				

We currently pay monthly distributions to unitholders of $0.06667 per unit, or $0.80 per unit on an annual basis. At June 30, 2014, approximately 16.2% of our total Units were enrolled in the DRIP.

Foreign currency contracts

At June 30, 2014, we had various currency forward contracts in place to sell euros for Canadian dollars for the next 36 months. On settlement of a contract, we realize a gain or loss on the difference between the forward rate and the spot rate. We also mark the contracts to market quarterly and recorded an unrealized gain of $5.9 million and $0.1 million for the three- and six-month periods ended June 30, 2014, respectively. The Trust currently has foreign exchange forward contracts to sell €123.5 million in total from July 2014 to June 2017 at an average exchange rate of $1.3927 per euro.

Asset management fee

On August 3, 2011, DAM elected to receive the base asset management fees payable on the Initial Properties acquired on August 3, 2011 by way of deferred trust units under the Asset Management Agreement for up to $3.5 million per year for the next five years. These deferred trust units vest 20% annually, commencing on the fifth anniversary date of being granted. On termination of the Asset Management Agreement, unvested trust units will vest immediately.

During the three and six months ended June 30, 2014, asset management expenses pertaining to the Initial Properties were $0.6 million and $1.3 million, respectively. A total of 79,914 and 194,451 deferred units were granted during the respective period as compensation for the fees. An additional 27,984 deferred units were granted on July 1, 2014 pertaining to the asset management fee for the month of June 2014. As at July 1, 2014, 1,134,512 unvested deferred and income deferred units were outstanding with respect to the Asset Management Agreement. The asset management fees were recorded based on the fair value of the deferred units issued, with an appropriate discount applied to reflect the restricted period of exercise.

In addition, the Trust paid in cash an asset management fee of $1.2 million and $2.3 million, respectively, for the three and six months ended June 30, 2014, for properties acquired since the acquisition of our Initial Properties. It further paid a financing fee of $0.1 million and $0.2 million related to mortgage financing services provided during the three and six months ended June 30, 2014, and acquisition fees of $0.7 million related to properties acquired during the six months ended June 30, 2014.

OUR RESULTS OF OPERATIONS

		Three months ended June 30,				Six months ended June 30,	
		2014[(1)]		2013[(1)]		**2014**[(1)]		2013[(1)]
Investment properties revenue	**$**	**67,514**	$	54,413	**$**	**134,647**	$	100,777
Investment properties operating expenses		**20,435**		18,222		**41,768**		37,275
Net rental income		**47,079**		36,191		**92,879**		63,502
Other income								
Interest and other income (expense)		**(28)**		446		**28**		844
Share of net income from equity accounted investments		**9**		13		**12**		20
		(19)		459		**40**		864
Other expenses								
Portfolio management		**(1,207)**		(882)		**(2,485)**		(1,758)
General and administrative		**(4,350)**		(3,045)		**(8,000)**		(5,495)
Depreciation and amortization		**(38)**		(24)		**(63)**		(39)
Interest expense		**(12,273)**		(9,700)		**(24,287)**		(16,777)
		(17,868)		(13,651)		**(34,835)**		(24,069)
Fair value adjustments, loss on sale of investment properties and other activities								
Fair value adjustments to investment properties		**42,011**		(8,352)		**35,788**		(54,022)
Internal direct leasing costs		**(541)**		(374)		**(1,053)**		(926)
Loss on sale of investment properties		**(811)**		(252)		**(1,287)**		(513)
Fair value adjustments to financial instruments		**3,434**		(4,570)		**(4,734)**		(182)
		44,093		(13,548)		**28,714**		(55,643)
Income (loss) before taxes		**73,285**		9,451		**86,798**		(15,346)
Current income taxes		**383**		316		**578**		647
Deferred income taxes (recovery)		**8,140**		128		**8,966**		(5,836)
Provision for (recovery of) income taxes		**8,523**		444		**9,544**		(5,189)
Net income (loss) for the period		**64,762**		9,007		**77,254**		(10,157)
Foreign currency translation adjustments		**(51,270)**		44,314		**(4,757)**		32,513
Comprehensive income	**$**	**13,492**	$	53,321	**$**	**72,497**	$	22,356

(1) Results from operations were converted into Canadian dollars from euros using the following average exchange rates: the three- and six-month periods ended June 30, 2014 were converted at $1.496:€1 and $1.504:€1, respectively; for 2013, the three- and six-month periods ended June 30, 2013 were converted at $1.337:€1 and $1.335:€1, respectively.

Statement of comprehensive income results

Net rental income

		Three months ended June 30,				Six months ended June 30,		
		2014		2013		**2014**		2013
Initial Properties	**$**	**20,732**	$	19,320	**$**	**42,359**	$	38,976
Acquisition Properties		**26,347**		16,871		**50,520**		24,526
Net rental income	**$**	**47,079**	$	36,191	**$**	**92,879**	$	63,502

For the three months ended June 30, 2014, net rental income was $47.1 million, representing an increase of $10.9 million compared to the same quarter in 2013. Excluding the $5.0 million positive impact of a stronger euro, net rental income increased by $5.9 million compared to the same quarter last year, mainly as a result of contributions from new acquisitions since July 2013.

The table below summarizes our revenue and operating expenses in euros:

	Three months ended June 30,				Six months ended June 30,			
		2014		2013		**2014**		2013
Investment properties revenue	**€**	**45,145**	€	40,686	**€**	**89,538**	€	75,511
Investment properties operating expenses		**13,664**		13,625		**27,775**		27,930
Net rental income	**€**	**31,481**	€	27,061	**€**	**61,763**	€	47,581

Portfolio management

Our portfolio management team comprises the employees of our advisory subsidiaries in Germany and Luxembourg who are responsible for providing asset management services for the investment properties, including asset strategy and leasing activities.

Portfolio management expense was $1.2 million for the three months ended June 30, 2014, an increase of approximately $0.3 million compared to the same period in 2013, reflecting capacity increases in line with the growth of our business. For the six months ended June 30, 2014, an expense of $2.5 million was recorded, representing an increase of $0.7 million compared to the same period in 2013.

During the first quarter of 2014 we adopted the interpretation of the IFRS Interpretations Committee regarding the accounting treatment of incremental internal leasing costs governed by IAS 17. In compliance with the interpretation, incremental internal leasing costs are now expensed during the period incurred. Prior to 2014, during the year ended December 31, 2013, incremental leasing costs were capitalized to investment properties; however, as the interpretation represents a change in accounting policy we have restated all affected prior periods to give effect of this interpretation. This interpretation does not affect the accounting treatment of leasing costs paid to third parties, which will continue to be capitalized in accordance with IAS 17.

In accordance with IAS 17, a total of $0.5 million and $1.1 million of incremental internal leasing staff costs incurred during the three and six months ended June 30, 2014 have been classified as internal direct leasing costs of the respective properties. In the comparative periods in 2013, leasing staff costs of $0.4 million and $0.9 million were incurred, which were originally capitalized but have been restated to remain consistent with the policy adopted in the current year.

General and administrative

General and administrative expenses totalled $4.4 million and $8.0 million for the three and six months ended June 30, 2014, respectively, representing increases of $1.3 million and $2.5 million over the same periods last year. The increase mainly resulted from higher asset management fees, and regulatory and corporate compliance costs associated with the new acquisitions as well as the impact of a strengthening euro against the dollar.

Fair value adjustment to investment properties

For the three months ended June 30, 2014, a gain of $42.0 million was recognized compared to a loss of $8.4 million in the comparative quarter last year. The gain in the current quarter comprises a $41.9 million gain recognized for Acquisition Properties due to yield compressions experienced in certain markets and a $1.2 million fair value gain on properties sold and properties under contract for sale during the quarter, offset by a $1.1 million fair value loss related to additional transaction costs of properties acquired in the period. The loss in the comparative quarter in 2013 comprised a $7.9 million loss on transaction costs incurred on properties acquired during that quarter and a $0.4 million loss related to planned dispositions. For the six months ended June 30, 2014, the fair value adjustment to investment properties amounted to a gain of $35.8 million compared to a loss of $54.0 million during the same period in 2013. The current year-to-date gain comprises a $41.9 million gain recognized for Acquisition Properties due to yield compressions experienced in certain markets and a $2.3 million gain related to properties sold and properties under contract for sale, reduced by an $8.4 million loss on transaction costs incurred on properties acquired during the six months ended June 30, 2014. The loss for the six months ended June 30, 2013 comprised a $53.3 million loss on transaction costs related to the SEB Portfolio acquisition and a $0.7 million loss related to planned dispositions at that date.

Interest expense

Interest expense was $12.3 million for the three-month period ended June 30, 2014, an increase of $2.6 million compared to the same quarter last year. Excluding the unfavourable exchange rate impact of $1.0 million, interest expense increased by $1.6 million as a result of new mortgage debt placed on properties we acquired in 2013 and 2014. In addition, included in interest expense is a $0.1 million increase related to our revolving credit facility and a $0.3 million increase related to the term credit facility reflecting the additional 1% interest payable on $100 million (plus 15% prepayment amount) principal effective August 3, 2013 and a higher underlying floating interest rate.

Interest expense was $24.3 million for the six-month period ended June 30, 2014, an increase of $7.5 million compared to the same period last year. Excluding the unfavourable exchange rate impact of $2.1 million, interest expense increased by $5.4 million as a result of new mortgage debt placed on properties we acquired in 2013 and 2014. In addition, included in interest expense is a $0.1 million increase related to our revolving credit facility and a $0.7 million increase related to the term credit facility reflecting the additional 1% interest payable on $100 million (plus 15% prepayment amount) principal effective August 3, 2013 and a higher underlying floating interest rate.

We currently have interest rate swaps in place that fix the interest rate payable on €262.8 million at an underlying rate of 1.89%. The REIT does not apply hedge accounting in relation to these swaps and, as a result, their impact is not included in interest expense but accounted for through the fair value adjustments as described below. During the quarter, $1.6 million of swaps were settled compared to $1.5 million in the same quarter last year. During the six-month period ended June 30, 2014, $3.2 million of swaps were settled compared to $3.0 million in the same period last year. Excluding the impact of the strengthening of the euro, the swap settlement was slightly lower reflecting the increase in underlying interest rates. Including the swaps and the additional 1% interest rate on the Facility, the actual weighted average interest rate on the Facility as at June 30, 2014 is 4.13%. On an effective interest rate basis, the rate is 4.14%. Any adjustments arising from the interest rate swaps are reflected in the fair value adjustments to financial instruments and not in interest expense.

Fair value adjustment to financial instruments

For the three months ended June 30, 2014, we incurred an unrealized gain in the fair value of financial instruments of $3.4 million compared to a loss of $4.6 million in the comparative period. The fair value adjustments in the quarter mainly comprise the following components:

- a $1.6 million loss recognized on the fair value change in the interest rate swaps and cap as a result of the settlement of one contract in the quarter for $1.6 million and a decrease in the forward price of interest rates. A $1.4 million gain was recognized in the comparative quarter last year due to an increase in the forward price of interest rates;
- a $0.4 million fair value loss recognized on the conversion feature of the convertible debentures mainly reflecting an increase in the market price of our Units, compared to a gain of $1.5 million in the same period in 2013, reflecting a decrease in the price of our Units;
- an unrealized gain of $5.9 million was recognized related to our foreign currency forward contracts due to a depreciation of the euro compared to the Canadian dollar, versus a $7.9 million unrealized loss during the comparative quarter due to a depreciation of the Canadian dollar compared to the euro; and
- a $0.4 million loss was recognized related to our DUIP mainly reflecting an increase in the market price of our Units compared to a gain of $0.3 million in the same period in 2013.

For the six months ended June 30, 2014, we incurred an unrealized loss in the fair value of financial instruments of $4.7 million compared to a loss of $0.2 million in the comparative period. The fair value adjustments in the six-month period mainly comprise the following components:

- a $2.9 million loss recognized on the fair value change in the interest rate swaps and cap as a result of the settlement of two contracts in the period for $3.2 million and a decrease in the forward price of interest rates. A $2.5 million gain was recognized in the comparative quarter last year due to an increase in the forward price of interest rates;
- a $0.8 million fair value loss recognized on the conversion feature of the convertible debentures mainly reflecting an increase in the market price of our Units, compared to a gain of $2.4 million in the same period in 2013, reflecting a decrease in the price of our Units;

- an unrealized gain of $0.1 million was recognized related to our foreign currency forward contracts due to a depreciation of the euro compared to the Canadian dollar, versus a $5.6 million unrealized loss during the comparative quarter due to a depreciation of the Canadian dollar compared to the euro; and
- a $1.1 million loss was recognized related to our DUIP mainly reflecting an increase in the market price of our Units compared to a gain of $0.4 million in the same period in 2013.

Income taxes

We recognized current income tax expenses of $0.4 million and $0.6 million for the three and six months ended June 30, 2014, respectively, compared to current income tax expenses of $0.3 million and $0.6 million for the comparative periods in 2013.

We also recognized deferred income tax expenses of $8.1 million and $9.0 million for the three and six months ended June 30, 2014, respectively, compared to a deferred income tax expense of $0.1 million and a deferred income tax recovery of $5.8 million for the comparative periods in 2013. The difference is mainly a result of the deferred income tax impact associated with the loss carry-forwards, fair value adjustments related to investment properties net of tax depreciation, and fair value changes related to financial instruments.

Impact of foreign exchange

Exchange rate fluctuations between the Canadian dollar and the euro impact the Trust's reported revenues, expenses, income, cash flows, assets and liabilities. The table below summarizes changes in the exchange rates.

	Three months ended June 30,			Six months ended June 30,		
	2014	2013	Change	**2014**	2013	Change
Average exchange rate (Cdn. dollars to one euro)	**1.496**	1.337	11.8%	**1.504**	1.335	12.7%
Exchange rate at period end (Cdn. dollars to one euro)	**1.462**	1.368	6.9%	**1.462**	1.368	6.9%

Comprehensive income was impacted by a foreign currency translation loss of $51.3 million and $4.8 million for the three and six months ended June 30, 2014, respectively. The exchange rates decreased from $1.466:€1 as at December 31, 2013 to $1.462:€1 as at June 30, 2014. The quarterly results of our euro-denominated operations included in net income were translated at an average exchange rate of $1.496:€1 compared to $1.337:€1 in the same quarter last year. For the six months ended June 30, 2014, results were translated at an average exchange rate of $1.504:€1 compared to $1.335:€1 in the same period last year.

Funds from operations and adjusted funds from operations

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Net income (loss) for the period	**$ 64,762**	$ 9,007	**$ 77,254**	$ (10,157)
Add (deduct):				
Share of net income from equity accounted investments	**(34)**	-	**(70)**	-
Amortization of lease incentives	**424**	112	**803**	249
Internal direct leasing costs	**541**	374	**1,053**	926
Net loss on sale of investment properties	**811**	252	**1,287**	513
Tax on gains on sale of investment properties	**98**	79	**164**	221
Deferred income taxes	**8,140**	128	**8,966**	(5,836)
Term debt swap settlement	**(1,567)**	(1,533)	**(3,170)**	(3,020)
Gain (loss) on settlement of foreign currency contracts	**(1,651)**	52	**(4,398)**	86
Fair value adjustments to investment properties	**(42,011)**	8,352	**(35,788)**	54,022
Fair value adjustments to financial instruments	**(3,434)**	4,570	**4,734**	182
FFO	**$ 26,079**	$ 21,393	**$ 50,835**	$ 37,186
Add (deduct):				
Amortization of financing costs	**$ 909**	$ 666	**$ 1,721**	$ 1,113
Accretion of debenture conversion feature	**270**	250	**535**	494
Amortization of fair value adjustment of assumed debt	**(97)**	(84)	**(195)**	(222)
Deferred unit compensation expense	**538**	378	**877**	644
Deferred asset management fees	**645**	523	**1,287**	1,045
Straight-line rent	**(378)**	(623)	**(346)**	(802)
	27,966	22,503	**54,714**	39,458
Deduct:				
Normalized leasing costs and tenant incentives	**(2,119)**	(1,629)	**(4,180)**	(2,858)
Normalized non-recoverable recurring capital expenditures	**(1,648)**	(1,267)	**(3,251)**	(2,223)
AFFO	**$ 24,199**	$ 19,607	**$ 47,283**	$ 34,377

Funds from operations per unit amounts

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
FFO	**$ 26,079**	$ 21,393	**$ 50,835**	$ 37,186
FFO per unit – basic	**$ 0.24**	$ 0.22	**$ 0.46**	$ 0.42
FFO per unit – diluted	**$ 0.23**	$ 0.21	**$ 0.45**	$ 0.42
Excluding the impact of undeployed cash:				
FFO per unit – basic	**$ 0.24**	$ 0.24	**$ 0.47**	$ 0.48
FFO per unit – diluted	**$ 0.24**	$ 0.23	**$ 0.47**	$ 0.47

Total FFO for the quarter was $26.1 million, an increase of $4.7 million or 21.9% over the prior year comparative quarter, reflecting the impact of acquisitions completed subsequent to the first quarter of 2013. Total FFO for the six months ended June 30, 2014 was $50.8 million, an increase of $13.6 million or 36.7% over the prior year comparative period. FFO on a per unit basis increased to $0.24 per unit from $0.22 per unit over the prior year comparative quarter. For the six months ended June 30, 2014, FFO increased to $0.46 per unit from $0.42 per unit over the prior year comparative period. Diluted FFO on a per unit basis increased to $0.23 per unit from $0.21 per unit over the prior year comparative quarter. For the six months ended June 30, 2014, diluted FFO increased to $0.45 per unit from $0.42 per unit over the prior year comparative period. Assuming this excess cash had been invested, basic and diluted FFO per unit would have been $0.24 per unit for the quarter and $0.47 per unit for the six-month period.

Adjusted funds from operations per unit amounts

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
AFFO	**$ 24,199**	$ 19,607	**$ 47,283**	$ 34,377
AFFO per unit – basic	**$ 0.22**	$ 0.20	**$ 0.43**	$ 0.39
AFFO per unit – diluted	**$ 0.22**	$ 0.20	**$ 0.43**	$ 0.39

Excluding the impact of undeployed cash:

AFFO per unit – basic	**$ 0.23**	$ 0.22	**$ 0.44**	$ 0.45
AFFO per unit – diluted	**$ 0.22**	$ 0.22	**$ 0.44**	$ 0.44

Total AFFO for the quarter was $24.2 million, an increase of $4.6 million or 23.4% over the prior year comparative quarter reflecting the impact of acquisitions completed subsequent to the first six months of 2013. Total AFFO for the six months ended June 30, 2014 was $47.3 million, an increase of $12.9 million or 37.5% over the prior year comparative period. AFFO on a per unit basis increased from $0.20 per unit to $0.22 per unit over the prior year comparative quarter. For the six months ended June 30, 2014, AFFO increased from $0.39 per unit to $0.43 per unit over the prior year comparative period. Assuming this excess cash had been invested, AFFO per unit would have been $0.23 per unit for the quarter and $0.44 per unit for the six-month period.

QUARTERLY INFORMATION

The following tables show quarterly information since July 1, 2012:

	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Investment properties revenue	**$ 67,514**	$ 67,133	$ 62,528	$ 56,915	$ 54,413	$ 46,364	$ 35,926	$ 33,765
Investment properties operating expenses	**20,435**	21,333	20,656	17,436	18,222	19,053	13,869	12,024
Net rental income	**47,079**	45,800	41,872	39,479	36,191	27,311	22,057	21,741
Other income								
Interest and other income	**(28)**	56	352	351	446	398	289	59
Share of net losses from equity accounted investments	**9**	3	10	(2)	13	7	11	(13)
	(19)	59	362	349	459	405	300	46
Other expenses								
Portfolio management	**(1,207)**	(1,278)	(409)	(1,006)	(882)	(876)	(1,019)	(1,096)
General and administrative	**(4,350)**	(3,650)	(3,332)	(3,399)	(3,045)	(2,450)	(1,638)	(1,856)
Amortization and depreciation	**(38)**	(25)	(16)	(33)	(24)	(15)	(7)	(35)
Interest expense	**(12,273)**	(12,014)	(11,288)	(10,441)	(9,700)	(7,077)	(6,100)	(6,531)
	(17,868)	(16,967)	(15,045)	(14,879)	(13,651)	(10,418)	(8,764)	(9,518)
Fair value adjustments, loss on sale of investment properties and other activities								
Fair value adjustments to investment properties	**42,011**	(6,223)	891	(3,901)	(8,352)	(45,670)	(16,870)	(2,574)
Internal direct leasing costs	**(541)**	(512)	(679)	(586)	(374)	(552)	-	-
Loss on sale of investment properties	**(811)**	(476)	(550)	(79)	(252)	(261)	(258)	(62)
Fair value adjustments to financial instruments	**3,434**	(8,168)	(9,460)	(1,808)	(4,570)	4,388	(6,736)	(5,950)
	44,093	(15,379)	(9,798)	(6,374)	(13,548)	(42,095)	(23,864)	(8,586)
Income (loss) before taxes	**73,285**	13,513	17,391	18,575	9,451	(24,797)	(10,271)	3,683
Current income taxes	**383**	195	142	(100)	316	331	84	77
Deferred income taxes (recovery)	**8,140**	826	2,019	983	128	(5,964)	(1,668)	(57)
Provision for (recovery of) income taxes	**8,523**	1,021	2,161	883	444	(5,633)	(1,584)	20
Net income (loss)	**$ 64,762**	$ 12,492	$ 15,230	$ 17,692	$ 9,007	$ (19,164)	$ (8,687)	$ 3,663
Depreciation of property and equipment	**-**	-	-	-	-	-	9	38
Share of net losses (gains) from equity accounted investments	**(34)**	(36)	3	-	-	-	-	-
Amortization of lease incentives	**424**	379	259	108	112	137	9	8
Internal direct leasing costs	**541**	512	679	586	374	552	-	-
Interest on Exchangeable Notes	**-**	-	-	-	-	-	-	406
Loss on sale of investment properties	**811**	476	550	79	252	261	258	62
Tax on gains on sale of investment properties	**98**	66	(33)	(126)	79	142	-	-
Deferred income taxes	**8,140**	826	2,019	983	128	(5,964)	(1,668)	(57)
Term debt swap settlement	**(1,567)**	(1,603)	(1,585)	(1,574)	(1,533)	(1,487)	(1,660)	(1,155)
Gain (loss) on settlement of Forex contracts	**(1,651)**	(2,747)	(1,456)	(456)	52	34	481	954
Fair value adjustments to investment properties	**(42,011)**	6,223	(891)	3,901	8,352	45,670	16,870	2,574
Fair value adjustments to financial instruments	**(3,434)**	8,168	9,460	1,808	4,570	(4,388)	6,736	5,950
FFO	**$ 26,079**	$ 24,756	$ 24,235	$ 23,001	$ 21,393	$ 15,793	$ 12,348	$ 12,443
FFO per unit – basic	**$ 0.24**	$ 0.23	$ 0.22	$ 0.21	$ 0.22	$ 0.20	$ 0.19	$ 0.22
FFO per unit – diluted	**0.23**	0.22	0.22	0.21	0.21	0.20	0.19	0.21
Funds from operations	**$ 26,079**	$ 24,756	$ 24,235	$ 23,001	$ 21,393	$ 15,793	$ 12,348	$ 12,443
Amortization of financing costs	**909**	812	794	744	666	447	366	279
Accretion of debenture conversion feature	**270**	265	260	254	250	244	240	235
Amortization of fair value adjustment of debt	**(97)**	(98)	(92)	(88)	(84)	(138)	(26)	(76)
Deferred compensation expense	**538**	339	313	356	378	266	138	180
Deferred asset management expense	**645**	642	539	529	523	522	502	504
Straight-line rent	**(378)**	32	(440)	(268)	(623)	(179)	(56)	(78)
	27,966	26,748	25,609	24,528	22,503	16,955	13,512	13,487
Normalized leasing costs and tenant incentives	**(2,119)**	(2,061)	(1,884)	(1,776)	(1,629)	(1,229)	(1,025)	(1,025)
Normalized non-recoverable recurring capital expenditures	**(1,648)**	(1,603)	(1,466)	(1,381)	(1,267)	(956)	(600)	(600)
AFFO	**$ 24,199**	$ 23,084	$ 22,259	$ 21,371	$ 19,607	$ 14,770	$ 11,887	$ 11,862
AFFO per unit – basic	**$ 0.22**	$ 0.21	$ 0.20	$ 0.20	$ 0.20	$ 0.19	$ 0.19	$ 0.21
AFFO per unit – diluted	**0.22**	0.21	0.20	0.20	0.20	0.19	0.19	0.21
Weighted average number of Units:								
Basic	**110,469,257**	109,987,243	109,482,435	109,116,985	99,037,061	79,267,113	64,064,093	57,795,412
Diluted	**124,295,625**	123,638,848	123,028,441	122,552,770	112,358,396	92,382,159	77,017,591	70,666,219
Quarterly average exchange rate ($:€1)	**1.496**	1.512	1.430	1.376	1.337	1.332	1.286	1.245

NON-GAAP MEASURES AND OTHER DISCLOSURES

The following additional non-GAAP measures are important measures used by management in evaluating the Trust's underlying operating performance and debt management. 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.

Funds from operations ("FFO")

Management believes FFO is an important measure of our operating performance. This non-IFRS measurement is a commonly used measure of performance of real estate operations; however, it does not represent net income or cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Dream Global REIT's needs.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income in section "Our results of operations" under heading "Funds from operations and adjusted funds from operations".

Adjusted funds from operations ("AFFO")

Management believes AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-IFRS measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Dream Global REIT's needs.

Our calculation of AFFO includes an estimated amount of normalized non-recoverable capital expenditures, as well as initial direct leasing costs and tenant incentives that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity over the next two to three years multiplied by the average cost per square foot that we expect to incur. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", AFFO has been reconciled to cash generated from operating activities in this section under the heading "Cash generated from operating activities to AFFO reconciliation".

Weighted average number of units

The basic weighted average number of Units outstanding used in the FFO and AFFO calculations includes all Units. The diluted weighted average number of Units assumes the conversion of the Debentures and incremental unvested deferred trust units related to the Deferred Unit Incentive Plan represented by the potential Units that would have to be purchased in the open market to fund the unvested obligation. The weighted average number of Units outstanding for basic and diluted FFO and AFFO calculations for the three and six months ended June 30, 2014 are noted in the table below. Diluted FFO and AFFO include interest and amortization adjustments related to the Debentures of $2.7 million and $5.4 million for the three and six months ended June 30, 2014.

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Weighted average Units outstanding for basic per unit amounts	**110,469,257**	99,037,061	**110,229,581**	89,206,701
Weighted average Units outstanding for diluted per unit amounts	**124,295,625**	112,358,396	**123,969,043**	102,425,460

Over the course of the quarter, the REIT had approximately $36.7 million on average of excess undeployed cash available for acquisitions. We estimate that these funds, if invested, would generate a return on equity of approximately 9.5%, which is consistent with historic returns for acquired investment properties, and would have contributed $0.9 million to FFO and AFFO for the quarter ended June 30, 2014.

Cash generated from operating activities to AFFO

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Cash generated from operating activities	**$ 13,129**	$ 12,789	**$ 34,836**	$ 43,059
Add (deduct):				
Change in non-cash working capital	**9,893**	8,595	**12,691**	(5,850)
Internal direct leasing costs	**541**	374	**1,053**	926
Share of general and administrative expenses from equity accounted investments	**(26)**	13	**(58)**	20
Depreciation and amortization	**(38)**	(24)	**(63)**	(39)
Unrealized loss (gain) on settlement of foreign exchange contracts	**605**	(218)	**774**	(457)
Tax on gains on sale of investment properties	**98**	79	**164**	221
Investment in lease incentives and initial direct leasing costs	**3,764**	895	**5,317**	1,578
Normalized leasing costs and tenant incentives	**(2,119)**	(1,629)	**(4,180)**	(2,858)
Normalized non-recoverable recurring capital expenditures	**(1,648)**	(1,267)	**(3,251)**	(2,223)
AFFO	**$ 24,199**	$ 19,607	**$ 47,283**	$ 34,377

Cash from operating activities and cash distributions

As required by National Policy 41-201, “Income Trusts and Other Indirect Offerings”, the following table outlines the differences between cash flow from operating activities and cash distributions, as well as the differences between net income and cash distributions, in accordance with the guidelines.

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Net income (loss) for the period	**$ 64,762**	$ 9,007	**$ 77,254**	$ (10,157)
Cash flow from operating activities	**13,129**	12,789	**34,836**	43,059
Lease incentives and initial direct leasing costs	**3,764**	895	**5,317**	1,578
Change in non-cash working capital	**9,893**	8,595	**12,691**	(5,850)
Adjusted cash flows from operating activities	**26,786**	22,279	**52,844**	38,787
Distributions paid and payable	**22,098**	20,027	**44,104**	36,040
Adjusted surplus of cash flow from operating activities over distributions paid and payable	**4,688**	2,252	**8,740**	2,747
Surplus (shortfall) of net income (loss) over distributions paid and payable	**42,664**	(11,020)	**33,150**	(46,197)
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	**$ (8,969)**	$ (7,238)	**$ (9,268)**	$ 7,019

Adjusted cash flow from operating activities exceeded distributions paid and payable for the three months ended June 30, 2014 by $4.7 million and net income exceeded distributions paid and payable by $42.7 million for the same period. This compares to a surplus of $2.3 million of adjusted cash flow from operations over distributions paid and payable for the three months ended June 30, 2013 and a shortfall of $11.0 million of net income over distributions paid and payable for the same period in 2013.

Adjusted cash flow from operating activities exceeded distributions paid and payable for the six months ended June 30, 2014 by $8.7 million and net income exceeded distributions paid and payable by $33.2 million for the same period. This compares to a surplus of $2.7 million of adjusted cash flow from operations over distributions paid and payable for the six months ended June 30, 2013 and a shortfall of $46.2 million of net income over distributions paid and payable for the same period in 2013.

As a general rule, we do not take fluctuations in working capital into consideration and we use a normalized amount as a proxy for leasing and building improvement costs in establishing our distribution policy. The surplus or shortfall in net income for each period reflects mainly fair value adjustments to financial instruments and investment properties. These non-cash items do not impact cash flows and are not considered in our distribution policy.

Level of debt (debt-to-gross book value)

Management believes this non-GAAP measurement is an important measure in the management of our debt levels. Level of debt as shown below is determined as total debt, divided by total assets.

	June 30, 2014	December 31, 2013
Non-current debt[1]	**$ 1,416,373**	$ 1,403,956
Current debt	**48,742**	20,356
Total debt	**1,465,115**	1,424,312
Debt related to assets held for sale	**11,465**	10,106
Unamortized discount component of convertible debentures	**5,268**	5,803
Total adjusted debt	**1,481,848**	1,440,221
Less cash	**53,473**	106,292
Total adjusted debt, net of cash	**1,428,375**	1,333,929
Total assets	**2,620,466**	2,558,674
Less cash	**53,473**	106,292
Total assets, net of cash	**$ 2,566,993**	$ 2,452,382
Debt-to-gross book value	**57%**	56%
Debt-to-gross book value, net of cash	**56%**	54%
Debt-to-gross book value, net of cash, net of convertible debentures	**50%**	48%

(1) Non-current debt includes convertible debentures valued at $151,327 and $150,326 at June 30, 2014 and December 31, 2013, respectively.

Interest coverage ratio

Management believes this non-GAAP measurement is an important measure in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio as shown below is calculated as net rental income plus interest and fee income, less general and administrative expenses and portfolio management expenses, all divided by interest expense on total debt.

	For the six months ended June 30, 2014	For the year ended December 31, 2013
Net rental income	**$ 92,879**	$ 144,853
Add: Interest and other income	**28**	1,547
Less: General and administrative expenses	**8,000**	12,226
Less: Portfolio management expenses	**2,485**	3,173
	82,422	131,001
Interest expense	**$ 24,287**	$ 38,506
Interest coverage ratio	**3.39**	3.40

Debt-to-EBITDFV

Management believes this non-GAAP measurement is an important measure in determining the time it takes the Trust, based on its operating performance, to repay our debt. Debt-to-EBITDFV as shown below is calculated as total debt divided by the sum of net income for the quarter adjusted for fair value adjustments to investment properties and financial instruments, gain/loss on sale of investment properties, interest expense, depreciation and income taxes. A further adjustment is made for properties acquired during the quarter to reflect net rental income as if the properties were held for the full quarter.

		June 30, 2014		December 31, 2013
Non-current debt	**$**	**1,416,373**	$	1,403,956
Current debt		**48,742**		20,356
Total debt		**1,465,115**		1,424,312
Debt related to assets held for sale		**11,465**		10,106
Total adjusted debt		**1,476,580**		1,434,418
Net income for the quarter		**64,762**		15,230
Fair value adjustments to investment properties		**(42,011)**		(891)
Fair value adjustments to financial instruments		**(3,434)**		9,460
Internal direct leasing costs		**541**		679
Loss on sale of investment properties		**811**		550
Depreciation and amortization		**38**		16
Interest expense		**12,273**		11,288
Provision for income taxes		**8,523**		2,161
Adjusted net rental income of properties acquired in the quarter		**-**		1,296
EBITDFV		**41,503**		39,789
EBITDFV – adjusted for foreign exchange[1]		**40,559**		40,788
Debt-to-EBITDFV (three months ended)	**$**	**36.4**	$	35.2
Debt-to-EBITDFV (years) annualized		**9.1**		8.8

(1) EBITDFV is adjusted to the period-end exchange rate from the quarterly average exchange rate.

SECTION III – DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

At June 30, 2014, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Trust, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Dream Global REIT is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the condensed consolidated financial statements in accordance with IFRS.

During the six months ended June 30, 2014, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

For an explanation of our disclosure controls and procedures, please refer to our 2013 Annual Report or our Annual Information Form dated March 31, 2014 filed on SEDAR (www.sedar.com).

SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

Investing in Units of the Trust involves a moderate degree of risk. For a full list and explanation of our risks and uncertainties, please refer to our 2013 Annual Report or our Annual Information Form dated March 31, 2014 filed on SEDAR (www.sedar.com).

SECTION V – CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent liabilities. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amounts of the asset or liability affected. Dream Global REIT's critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 in the condensed consolidated financial statements and also in our annual consolidated financial statements for the year ended December 31, 2013.

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Accounting policy changes

Dream Global REIT's accounting policy changes are described in Note 3 to the condensed consolidated financial statements.

Additional information relating to Dream Global REIT, including our Annual Information Form dated March 31, 2014, is available on SEDAR at www.sedar.com.