



DREAM OFFICE REIT REPORTS SOLID SECOND QUARTER 2014 RESULTS

This news release contains forward-looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained within this press release.

TORONTO, AUGUST 7, 2014, DREAM OFFICE REIT (D.UN-TSX) today announced its financial results for the three and six months ended June 30, 2014. Senior management will host a conference call to discuss the results tomorrow, August 8, 2014 at 9:00 a.m. (ET).

HIGHLIGHTS FOR THE QUARTER

- **AFFO per unit increased 4.9% compared to same period in prior year** – AFFO per unit was \$0.64 for the quarter compared to \$0.61 in the second quarter of 2013 and \$0.62 in the first quarter of 2014.
- **FFO per unit increased 1.4% compared to same period in prior year** – FFO per unit was \$0.73, increased by 1 cent compared to the same period in the prior year and flat compared to Q1 2014. FFO per unit excluding lease termination fees and other one-time property adjustments was \$0.72.
- **Portfolio occupancy remains strong at 94.1%** – occupancy rate at quarter end was 94.1%, remains well above the national average of 89.6%; 664,700 square feet of leasing was completed during the quarter at incrementally higher rates.
- **Leasing activity** - to date, the Trust has leased approximately 2.6 million square feet to tenants taking occupancy in 2014, or 85% of the leases maturing in 2014. Leasing for 2014 is composed of 466 leasing transactions for an average tenant size of 5,400 square feet.
- **Embedded rent growth potential** – the portfolio average in-place rent was \$18.14 per square foot, up from \$17.97 at March 31, 2014 and up from \$17.54 at June 30, 2013. Management estimates market rents to be 8% above average in-place net rents, availing the opportunity for revenue growth.
- **Strong and conservative capital structure maintained** – the Trust ended the quarter with stable debt metrics. Net debt-to-gross book value ratio remained low at 47.3%. Our weighted average face rate of interest was 4.22%; our interest coverage ratio remained solid at 2.9 times and our net average debt-to-EBITDFV was at 7.9 years.
- **Dispositions of four non-core assets** – the Trust sold four non-core assets for total gross proceeds of approximately \$26.7 million.

SELECTED FINANCIAL INFORMATION			
(unaudited)			
	As at		
(\$000's except unit and per unit amounts)	June 30, 2014	March 31, 2014	June 30, 2013
Portfolio			
Number of properties	182	186	184
Investment properties value ⁽¹⁾	7,266,166	7,288,526	7,112,584
Gross leasable area ("GLA") ⁽²⁾	24,509	24,558	24,246
Occupancy rate – including committed (period-end) ⁽³⁾	94.1%	94.2%	94.9%
Occupancy rate – in place (period-end) ⁽³⁾	92.5%	92.5%	93.8%
Average in-place net rent per square foot (period-end) ⁽³⁾	\$ 18.14	\$ 17.97	\$ 17.54
Market rent/in-place rent (%)	8.0%	8.9%	10.8%
Units (period end)			
REIT Units, Series A	104,582,468	103,966,154	104,609,576
LP Class B Units, Series 1	3,538,457	3,538,457	3,538,457
Total number of units	108,120,925	107,504,611	108,104,033

See footnotes on page 4.



SELECTED FINANCIAL INFORMATION (unaudited) (\$000's except unit and per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating results				
Investment properties revenue ⁽⁴⁾	\$ 204,414	\$ 198,226	\$ 411,093	\$ 387,793
NOI ⁽⁵⁾	116,566	111,970	232,473	219,052
Comparative properties NOI ⁽⁵⁾	107,029	106,385	213,572	212,266
FFO ⁽⁶⁾	79,187	76,040	157,291	148,710
AFFO ⁽⁷⁾	69,139	64,880	136,430	126,495
Distributions				
Declared distributions	\$ 60,969	\$ 59,358	\$ 121,077	\$ 114,889
DRIP participation ratio (for the period)	22%	18%	23%	18%
Per unit amounts⁽⁸⁾				
Distribution rate	\$ 0.56	\$ 0.56	\$ 1.12	\$ 1.11
Basic:				
FFO ⁽⁶⁾	0.73	0.72	1.46	1.43
AFFO ⁽⁷⁾	0.64	0.61	1.26	1.22
Diluted:				
FFO ⁽⁶⁾	0.73	0.71	1.45	1.42
Payout ratio (%):				
FFO (basic)	77%	78%	77%	78%
AFFO (basic)	88%	92%	89%	91%

See footnotes on page 4.

OPERATIONAL HIGHLIGHTS

- **Portfolio occupancy remains strong at 94.1%** – the overall percentage of occupied and committed space remains strong at 94.1%. On a comparative property basis, occupancy has decreased modestly by 10 basis points over Q1 2014. Our in-place occupancy remained strong at 92.5% at the end of Q2 2014, with increases in our two major markets Calgary downtown and Toronto downtown, increasing 240 basis points and 60 basis points respectively. National average occupancy was 89.6%, a decline of 10 basis points over Q1 2014.
- **Leasing activity** – The trust renewed or replaced 664,700 square feet, equivalent to 99.9% of the leases that expired in the quarter, all at higher rates than expiries. To date, the Trust has leased 2.6 million square feet, representing 85% of our 2014 lease expiries. Deal velocity was strong this quarter with 260,000 square feet of new leasing completed in the Greater Toronto Area, 65,000 square feet in Western Canada and 60,000 square feet in Calgary. In addition, we have leased 355,900 square feet taking into effect in 2015, representing 14% of space which will expire in 2015.
- **Average in-place net rents 8% below market rents** – The Trust continues to capture rental rate gains in connection with leasing activity. At the end of Q2 2014, the portfolio average in-place rent was \$18.14 per square foot, up from \$17.97 at March 31, 2014 and up from \$17.54 at June 30, 2013, yet remain approximately 8% below estimated market rents.

FINANCIAL HIGHLIGHTS

- **0.6% growth in comparative properties net operating income (“NOI”) compared to Q2 2013** – comparative property NOI was up \$0.6 million, or 0.6% compared to Q2 2013, with increases in Western Canada, Calgary downtown and Toronto downtown, driven mainly by higher rental rates achieved on new leasing done over the past year and the benefit of step rents. Total NOI for the quarter is up \$4.4 million, or 3.9% compared to Q2 2013, including \$9.6 million generated by properties acquired in 2013.

Comparative properties NOI compared to Q1 2014 was up \$0.6 million, or 0.5%, mainly driven by higher in-place occupancy in the higher rental markets of downtown Calgary and Toronto, higher rental rates achieved on new leasing done over the past year and the benefit of step rents.



- **AFFO per unit growth of 4.9% over the same quarter in the prior year** – AFFO per unit for the second quarter increased by 3 cents over the same period in the prior year mainly due to growth in comparative property net operating income, accretive acquisitions completed in 2013, lease termination fees and other one-time property adjustments, interest rate savings upon refinancing of maturing debt, and REIT A Units purchased for cancellation. AFFO per unit was up 2 cents compared to Q1 2014 mainly due to growth in comparative property net operating income, lease termination fees and other one-time property adjustments and interest rate savings upon refinancing of maturing debt.
- **FFO per unit growth of 1.4% over the same quarter in the prior year** – FFO per unit increased by 1 cent compared to the same period in the prior year and flat compared to Q1 2014 mainly due to the reasons noted above.

CAPITAL INITIATIVES

- **\$31.7 million of new and renewed secured debt** – During the quarter, the Trust obtained \$24 million of new financing at a fixed face rate of 4.16% for a ten year term and renewed a \$7.7 million mortgage at a variable face rate of 3.25% for a one year term compared to the previous fixed face rate of 4.31%. The Trust has refinanced 89% of all the debt maturing in 2014.
- **Strong and conservative capital structure maintained** – The Trust’s leverage remained stable at 47.3% compared to 47.6% at March 31, 2014 and December 31, 2013. Interest coverage ratio remains at 2.9 times and debt-to-EBITDFV ratio improved to 7.9 years compared to 8.0 years at March 31, 2014 and December 31, 2013. The Trust’s pool of unencumbered assets increased to over \$790 million from approximately \$620 million at December 2013.
- **Renewed normal course issuer bid** – During the quarter, the Trust renewed its normal course issuer bid, which commenced on June 20, 2014. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 10,298,296 REIT A Units (representing 10% of the Trust’s public float of 102,982,963 REIT A Units at the time of entering the bid).

KEY PERFORMANCE METRICS (unaudited)	As at		
	June 30, 2014	December 31, 2013	June 30, 2013
(\$000's except unit and per unit amounts)			
Financing			
Weighted average effective interest rate on debt (period-end)	4.2%	4.2%	4.3%
Weighted average face rate of interest on debt (period-end)	4.2%	4.2%	4.4%
Interest coverage ratio ⁽⁹⁾	2.9 times	2.9 times	2.9 times
Net average debt-to-EBITDFV (years) ⁽⁹⁾	7.9	8.0	8.0
Net debt-to-adjusted EBITDFV (years) ⁽⁹⁾	7.9	8.0	8.0
Level of debt (net debt-to-gross book value) ⁽⁹⁾	47.3%	47.6%	46.4%
Debt – average term to maturity (years)	4.4	4.6	4.8
Unencumbered assets	793,000	622,000	377,000
Unsecured convertible and non-convertible debentures	534,237	385,532	261,294

See footnotes on page 4.

PORTFOLIO ACTIVITY

- **Dispositions of four non-core assets** – During the quarter, the Trust completed the disposition of our 25% interest in three properties and a wholly owned property totalling approximately 131,700 square feet for total gross proceeds of approximately \$26.7 million. The net proceeds of \$16.1 million was used to repay debt.



CONFERENCE CALL

Senior management will host a conference call to discuss the results tomorrow, August 8, 2014 at 9:00 a.m. (ET). To access the conference call, please dial 1-866-229-4144 in Canada and the United States or 416-216-4169 elsewhere and use passcode 7678 875#. To access the conference call via webcast, please go to Dream Office REIT's website at www.dreamofficereit.ca and click on the link for News & Events, then click on Calendar of Events. A taped replay of the conference call and the webcast will be available 90 days.

Other information

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

Dream Office REIT is an unincorporated, open-ended real estate investment trust. Dream Office REIT is focused on owning, acquiring, leasing and managing well-located, high-quality central business district and suburban office properties. Its portfolio currently comprises approximately 24.5 million square feet of gross leasable area in major urban centres across Canada. Dream Office REIT's portfolio is well diversified by geographic location and tenant mix. For more information, please visit www.dreamofficereit.ca.

FOOTNOTES

- (1) Includes investments in joint ventures and excludes redevelopment properties and assets held for sale.
- (2) In thousands of square feet and excludes redevelopment properties and assets held for sale.
- (3) Includes investments in joint ventures and excludes redevelopment properties and assets held for sale.
- (4) Includes investments in joint ventures.
- (5) NOI (non-GAAP measure) is defined as total of net rental income, including the share of net rental income from investment in joint ventures and property management income, excluding net rental income from properties sold and assets held for sale. The reconciliation of NOI to net rental income can be found in section "Our results of operations" under the heading "Net operating income" of the MD&A.
- (6) FFO (non-GAAP measure) – The reconciliation of FFO to net income can be found in section "Our results of operations" under the heading "Funds from operations and adjusted funds from operations" of the MD&A.
- (7) AFFO (non-GAAP measure) – The reconciliation of AFFO to cash flow from operations can be found in section "Non-GAAP measures and others disclosures" under the heading "Cash generated from operating activities to AFFO" of the MD&A.
- (8) A description of the determination of basic and diluted amounts per unit can be found in section "Non-GAAP measure and other disclosures" under the heading "Weighted average number of units" of the MD&A.
- (9) The calculation of the following non-GAAP measures, level of debt, interest coverage ratio, net average debt-to-EBITDFV and net debt-to-adjusted EBITDFV are included in the section "Non-GAAP measures and other disclosures" of the MD&A.

Forward looking information

This press release may contain forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dream Office REIT's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate functions. Our objectives and forward-looking statements are based on certain assumptions, including that the general economy remains stable, interest rates remain stable, conditions within the real estate market remain consistent, competition for acquisitions remains consistent with the current climate and that the capital markets continue to provide ready access to equity and/or debt. All forward-looking information in this press release speaks as of the date of this press release. Dream Office REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in Dream Office REIT's filings with securities regulators, including its latest annual information form and MD&A. These filings are also available at Dream Office REIT's website at www.dreamofficereit.ca.



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