



## DREAM OFFICE REIT REPORTS THIRD 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, NOVEMBER 13, 2014, DREAM OFFICE REIT (D.UN-TSX) today announced its financial results for the three and nine months ended September 30, 2014. Senior management will host a conference call to discuss the results tomorrow, November 14, 2014 at 2:00 p.m. (ET).

### HIGHLIGHTS FOR THE QUARTER

Highlights of our 2014 third quarter results is included in table below.

HIGHLIGHTS FOR THE QUARTER (unaudited) (\$000's except unit and per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Basic:</b>				
Adjusted funds from operations ("AFFO") <sup>(1)</sup>	\$ 0.63	\$ 0.63	\$ 1.89	\$ 1.85
Funds from operations ("FFO") <sup>(1)</sup>	0.71	0.73	2.17	2.16
<b>Diluted:</b>				
FFO <sup>(1)</sup>	0.71	0.73	2.16	2.15
<b>Operating results</b>				
Comparative properties				
net operating income ("NOI") <sup>(1)(2)</sup>	\$ 106,128	\$ 106,125	\$ 318,122	\$ 317,305
NOI <sup>(1)(3)</sup>	113,785	115,216	344,680	333,195
Investment properties revenue <sup>(4)</sup>	201,716	204,320	612,809	592,113

See footnotes on page 5.

- **Comparable properties NOI stable to prior year and prior quarter** – reflected in the overall NOI is year-over-year comparable properties NOI growth of 2.1% in our downtown Toronto portfolio, 0.5% in our Calgary portfolio and 4.3% in our Quebec portfolio, offset by comparable properties NOI decline of 5.3% in our suburban Toronto portfolio. Comparative properties NOI increased by 0.1% over the prior quarter, with 1.6% increase in our largest market downtown Toronto, 5.6% increase in our Quebec portfolio and 5.9% increase in suburban Calgary.
- **Portfolio occupancy remained strong at 93.0%, well above the national average of 89.7%** – 648,900 square feet of leasing was completed during the quarter. 298,300 square feet of renewals completed at rents 9% higher than expiring rent; decline in occupancy reflects previously announced tenant departures in downtown Calgary and suburban Toronto.
- **Fundamentals to stabilize in Q4 2014** – to date, the Trust has 818,000 square feet of leasing completed for Q4 2014, equivalent to 95% of Q4 2014 lease maturities. Leasing is comprised of 470,000 square feet of lease renewals, resulting in tenant retention of 55%, and 348,000 square feet of new leasing. Total leasing to date for 2014 is 2.8 million square feet.
- **Strong head start for 2015** – the Trust has already leased 810,000 square feet to date relating to 2015 lease maturities, which represents 33% of next year's lease maturities.



- **Focus on building improvement and tenant retention** – the Trust has invested \$20 million year-to-date in building improvements aimed at attracting and retaining tenants, with another \$15 million to be spent in Q4 2014.
- **Dispositions of five non-core assets** – during the quarter, the Trust sold five non-core assets for total gross proceeds of approximately \$44.9 million. Total dispositions for the year totalled \$71.5 million.

## SELECTED FINANCIAL INFORMATION

SELECTED FINANCIAL INFORMATION (unaudited)			
	As at		
(\$000's except unit and per unit amounts)	September 30, 2014	June 30, 2014	September 30, 2013
<b>Portfolio</b>			
Number of properties	177	182	185
Investment properties value <sup>(5)</sup>	7,226,450	7,266,166	7,271,915
Gross leasable area ("GLA") <sup>(6)</sup>	24,219	24,509	24,539
Occupancy rate – including committed (period-end) <sup>(5)</sup>	93.0%	94.1%	94.6%
Occupancy rate – in place (period-end) <sup>(5)</sup>	91.1%	92.5%	93.6%
Average in-place net rent per square foot (period-end) <sup>(5)</sup>	\$ 18.21	\$ 18.14	\$ 17.85
Market rent / average in-place net rent (%)	8.2%	8.0%	9.4%
<b>Units (period end)</b>			
REIT Units, Series A ("REIT A Units")	108,064,862	104,582,468	104,979,020
LP Class B Units, Series 1 ("LP B Units")	602,434	3,538,457	3,538,457
Total number of units	108,667,296	108,120,925	108,517,477

See footnotes on page 5.

SELECTED FINANCIAL INFORMATION (unaudited)				
	Three months ended September 30,		Nine months ended September 30,	
(\$000's except unit and per unit amounts)	2014	2013	2014	2013
<b>Operating results</b>				
Investment properties revenue <sup>(4)</sup>	\$ 201,716	\$ 204,320	\$ 612,809	\$ 592,113
NOI <sup>(1)(3)</sup>	113,785	115,216	344,680	333,195
Comparative properties NOI <sup>(1)(2)</sup>	106,128	106,125	318,122	317,305
FFO <sup>(1)</sup>	77,389	79,298	234,680	228,005
AFFO <sup>(1)</sup>	68,060	68,298	204,490	194,792
<b>Distributions</b>				
Declared distributions	\$ 61,387	\$ 60,873	\$ 181,351	\$ 175,762
DRIP participation ratio (for the period)	26%	22%	24%	19%
<b>Per unit amounts<sup>(7)</sup></b>				
Distribution rate	\$ 0.56	\$ 0.56	\$ 1.68	\$ 1.67
<b>Basic:</b>				
FFO <sup>(1)</sup>	0.71	0.73	2.17	2.16
AFFO <sup>(1)</sup>	0.63	0.63	1.89	1.85
<b>Diluted:</b>				
FFO <sup>(1)</sup>	0.71	0.73	2.16	2.15
<b>Payout ratio (%):</b>				
FFO (basic)	79%	77%	77%	77%
AFFO (basic)	89%	89%	89%	90%

See footnotes on page 5.



## OPERATIONAL HIGHLIGHTS

- **Leasing activity** – The Trust has completed 648,900 square feet of leasing in the quarter. Deal velocity was strong this quarter in our larger markets with 219,000 square feet of new leasing completed in the Greater Toronto Area, 81,000 square feet in Calgary, and 36,000 square feet in Eastern Canada. Tenant interest remains strong in our largest market, downtown Toronto. The Trust has already leased 810,000 square feet to date relating to 2015 lease maturities, with 315,000 square feet completed in Greater Toronto Area and 110,000 square feet in Calgary. Total leasing to date represents 33% of next year's lease maturities.
- **Portfolio occupancy remained strong at 93.0%** – The overall percentage of occupied and committed space remains strong at 93.0%, well above the national average of 89.7%. Leasing velocity has been strong in many of our markets. The decline in occupancy is primarily attributed to a previously announced tenant departure in downtown Calgary of 100,000 square feet and negative absorption in our suburban Toronto portfolio.
- **Average in-place net rents 8.2% below market rents** – The Trust continues to capture rental rate gains in connection with leasing activity. At the end of Q3 2014, the portfolio average in-place net rent was \$18.21 per square feet, up from \$18.14 per square feet at June 30, 2014 and \$17.85 per square feet at September 30, 2013.

## FINANCIAL HIGHLIGHTS

- **AFFO per unit remained stable over the same quarter in the prior year** – AFFO per unit for the third quarter was flat over the same period in the prior year as comparative property NOI remained stable. AFFO per unit was down one cent compared to Q2 2014 mainly due to fewer lease termination fees during the quarter and property dispositions during the year, offset by marginal growth in comparative properties NOI, interest expense savings and incremental increase in AFFO from our investment in Dream Industrial REIT ("DIR").
- **FFO per unit decreased 2.7% over the same quarter in the prior year** – FFO per unit decreased by two cents compared to the same period in the prior year and Q2 2014, mainly due to a one-time write-off of straight line rent during the quarter and the reasons noted above.

## CAPITAL INITIATIVES

- **Strong and conservative capital structure maintained** – The Trust's leverage improved to 46.9% compared to 47.6% at December 31, 2013 and 47.0% at September 30, 2013. Interest coverage ratio remains strong at 2.9 times and net average debt-to-EBITDFV ratio improved to 7.8 years compared to 8.0 years at December 31, 2013 and stable compared to September 30, 2013. The Trust's pool of unencumbered assets remains well over \$790 million.



- **Exchange of units** – During the quarter, one of the holders of the LP B Units surrendered approximately 2.9 million LP B Units and received a corresponding amount of REIT B Units. Such REIT B units were converted by the holder into REIT A Units.

KEY FINANCIAL PERFORMANCE METRICS			
(unaudited)	As at		
(\$000's except unit and per unit amounts)	September 30, 2014	December 31, 2013	September 30, 2013
<b>Financing</b>			
Weighted average effective interest rate (period-end)	4.20%	4.18%	4.22%
Weighted average face interest rate (period-end)	4.21%	4.22%	4.28%
Interest coverage ratio <sup>(1)</sup>	2.9 times	2.9 times	2.9 times
Net average debt-to-EBITDFV (years) <sup>(1)</sup>	7.8	8.0	7.8
Net debt-to-adjusted EBITDFV (years) <sup>(1)</sup>	7.8	8.0	7.8
Level of debt (net debt-to-gross book value) <sup>(1)</sup>	46.9%	47.6%	47.0%
Debt – average term to maturity (years)	4.2	4.6	4.8
Unencumbered assets	\$ 794,000	\$ 622,000	\$ 568,000
Unsecured convertible and non-convertible debentures	533,795	385,532	261,246

*See footnotes on page 5.*

## PORTFOLIO ACTIVITY

- **Focused on building improvement and tenant retention** – The Trust is focused on asset management strategies that provide both near-term stability and long term growth. The Trust has invested \$20 million year-to-date in building improvements aimed at attracting and retaining tenants such as lobby enhancements, common area upgrades, elevator replacement and sustainability initiatives, with another \$15 million to be spent in Q4 2014.
- **Dispositions of five non-core assets** – During the quarter, the Trust completed the disposition of four wholly owned properties to DIR totalling approximately 248,200 square feet for total gross proceeds of \$33.0 million, net of mark-to-market adjustments on mortgages assumed by DIR. The sale price was satisfied by the Trust receiving approximately 2.3 million Class B limited partnership units of DIR at \$9.40 per unit, offset by mortgages assumed by DIR on disposition. The Trust also disposed of its 50% interest in one of the properties totalling approximately 48,400 square feet for total gross proceeds of approximately \$12.1 million. The net proceeds of \$11.7 million was used to repay debt.

## CONFERENCE CALL

Senior management will host a conference call to discuss the results tomorrow, November 14, 2014 at 2:00 p.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](http://www.dreamofficereit.ca) and click on the link for News & Events, then click on Calendar of Events. A taped replay of the conference call and the webcast will be archived for 90 days.



## Other information

Information appearing in this news release is a select summary of results. The condensed consolidated financial statements and management's discussion and analysis of the Trust are available at [www.dreamofficereit.ca](http://www.dreamofficereit.ca) and on [www.sedar.com](http://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 24.3 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 our website at [www.dreamofficereit.ca](http://www.dreamofficereit.ca).

## FOOTNOTES

- (1) AFFO, FFO, comparative properties NOI, NOI, interest coverage ratio, net average debt-to-EBITDFV, net debt-to-adjusted EBITDFV and level of debt are non-GAAP measures used by Management in evaluating operating performance. Please refer to the cautionary statements under the heading "Non-GAAP Measures" in this press release.
- (2) Comparative properties NOI (non-GAAP measure) includes NOI of same properties owned by the Trust in the current and comparative period and excludes leases termination fees and certain one-time adjustments, property held for redevelopment, straight-line rent and amortization of lease incentives.
- (3) 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.
- (4) Includes investments in joint ventures.
- (5) Includes investments in joint ventures and excludes redevelopment properties and assets held for sale.
- (6) In thousands of square feet and excludes redevelopment properties and assets held for sale.
- (7) 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.

## Non-GAAP Measures

*The Trust's condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In this press release, as a complement to results provided in accordance with IFRS, the Trust discloses and discusses certain non-GAAP financial measures, including Adjusted Funds From Operations ("AFFO"), Funds From Operations ("FFO"), comparative properties Net Operating Income ("NOI"), NOI, interest coverage ratio, net average debt-to-EBITDFV, net debt-to-adjusted EBITDFV and level of debt as well as other measures discussed elsewhere in this release. These non-GAAP measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. The Trust has presented such non-GAAP measures as Management believes they are relevant measures of the Trust's underlying operating performance and debt management. Non-GAAP measures should not be considered as alternatives to net income, cash generated from (utilized in) operating activities or comparable metrics determined in accordance with IFRS as indicators of the Trust's performance, liquidity, cash flow, and profitability. For a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to the "Non-GAAP Measures and Other Disclosures" in Dream Office REIT's Management's Discussion and Analysis for the three and nine months ended September 30, 2014.*

## 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](http://www.dreamofficereit.ca).*



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