dream industrial REIT

2017
Annual Report

Dream Industrial REIT

Dream Industrial REIT owns and operates a portfolio of 218 geographically diversified light industrial properties, comprising approximately 19 million square feet of gross leasable area in key markets across Canada, with a growing presence in the United States. Its objective is to build upon and grow its portfolio and to provide stable and sustainable cash distributions to its unitholders.

dream industrial REIT

Letter to Unitholders

In my first months as CEO of Dream Industrial REIT, I have spent time touring all of our properties, working together with our people and reviewing the operations of the Trust. Overall, our business is in great shape, and having reported excellent results in 2017, we are well positioned to improve the value of our company in 2018. Our focus this year will be to drive higher growth in our strongest markets, adopt more aggressive asset recycling strategies, and actively manage our assets to deliver the best performance from our portfolio.

In 2017, we increased our AFFO by 3%, improved occupancy by 140 basis points, reduced our leverage by 310 basis points and successfully executed on our goal of expanding into the U.S. industrial market through the acquisition of 2.8 million square feet of Class A distribution and light manufacturing properties. It was an exceptional year in terms of operational and financial performance, and we accomplished a number of significant milestones that helped lay the groundwork for strong performance in 2018 and beyond.

We remain optimistic on acquisition opportunities on both sides of the border this year, prioritizing transactions that will be accretive to the REIT, improve our average portfolio quality and deliver above average income and net asset value growth over a long period of time. We also believe that adding development opportunities to our investment mix will give us a unique growth tool, and create unitholder value by providing access to new products that are not available for purchase otherwise.

The Canadian economy remains very strong with overall industrial availability at 4.1%, a 16-year low. New supply under construction remains limited at just under 14 million square feet or only 0.8% of the market inventory. It is unlikely that the new supply will meet the continuing demand resulting from e-commerce and other economic drivers fueling increasing demand for industrial space.

In addition, recent M&A activity in the Canadian REIT space has highlighted the significant value in owning sizeable quality portfolios of commercial real estate, including industrial assets. We believe this has positive implications for our net asset values going forward.

I am delighted to join Dream Industrial REIT at this time and believe the business is in the best shape it has ever been. The combination of exceptionally strong industrial market fundamentals in Canada and the U.S., increasing supply and demand imbalance for well-located quality industrial products, and tailwinds from growth in e-commerce positions our company very well from an operational and value perspective for 2018.

I look forward to working with our team to make Dream Industrial even better and deliver value to our unitholders. On behalf of our management team and our Board of Trustees, I would like to thank you for your interest and support in our business.

Sincerely,

Brian Pauls
Chief Executive Officer

February 20, 2018

Brian Pauls
Chief Executive Officer

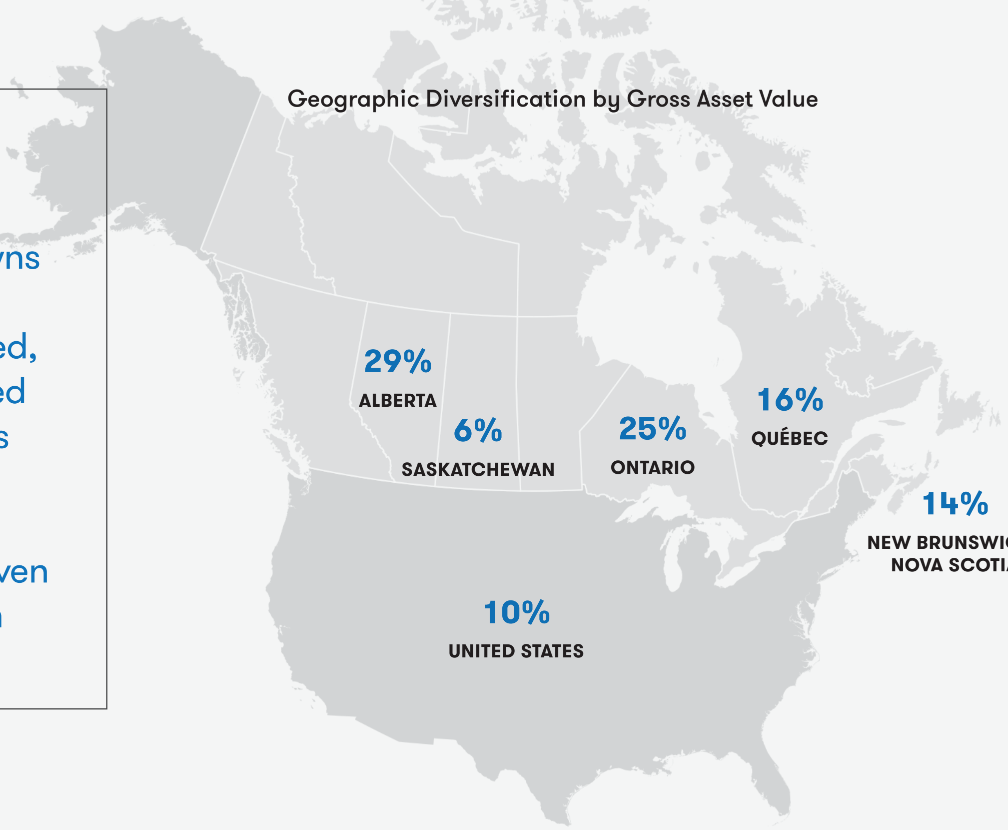
"Dream Industrial REIT's operational performance in 2017 has improved significantly. We will continue to capitalize on unique and attractive industrial opportunities in both Canada and the U.S., including identifying new development projects and increasing the scope of the asset recycling program to improve the overall quality of our portfolio."

Portfolio at-a-Glance*

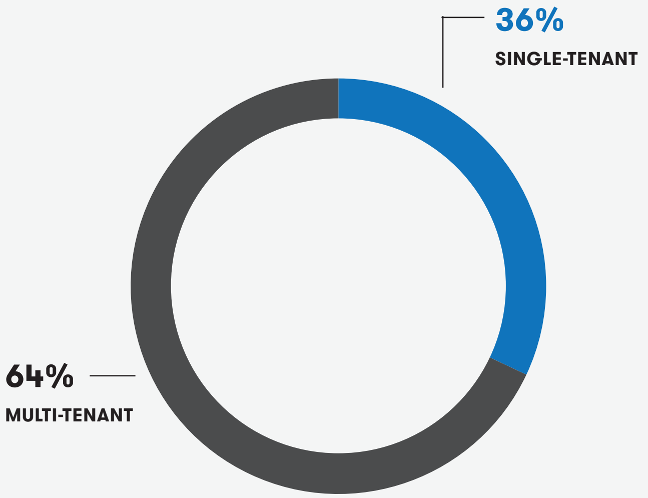
Geographic Diversification

Dream Industrial REIT owns and operates 19 million square feet of well-located, geographically diversified light industrial properties across Canada and the United States, supported by a platform with a proven track record of long-term value creation.

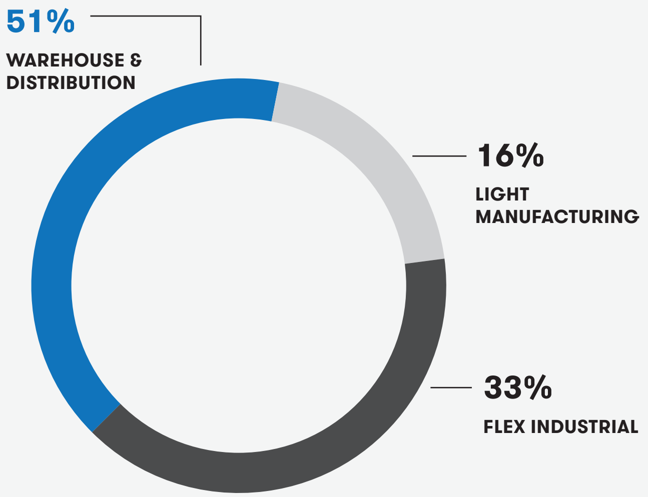
Geographic Diversification by Gross Asset Value



Gross Leasable Area Breakdown



Diversified Building Types by Gross Leasable Area



*All metrics are Q4/2017 Pro forma January, 2018 acquisition

4770 Southpoint Drive, Memphis, TN

19 Million

GROSS LEASABLE AREA
(SQUARE FEET)

$1.8 Billion

GROSS ASSET VALUE

97%

COMMITTED OCCUPANCY

1,327

TENANTS

320 Wright Avenue, Halifax, NS

5605 Holmescrest Lane, Memphis, TN

Sustainability

Our Values

Integrity
Teamwork
Dealing with stakeholders
Social responsibility
Opportunities
Fun

These values provide the foundation for our corporate culture – acting as a strong platform on which to build sustainability into Dream's DNA.

Embedding Sustainability

Dream's ambition is to integrate sustainability objectives throughout our businesses. We set quantitative and qualitative targets to help our business units focus on reaching our goals.

Our aim is to directly tie sustainability to our corporate values, our culture and the way in which we conduct our business.

Recent T5 lighting retrofit in a Dream Industrial building

Dream Industrial employees volunteering at Yonge Street Mission Food Bank

Solar panels at 45 A&B West Wilmot, Richmond Hill, ON

Focus on sustainability

Our sustainability strategy guides us in how we run our business and how we manage our environmental and social obligations, including managing our brand, business risks and operations. We strive to integrate sustainability at both the corporate and property levels, focusing on internal and external initiatives to benefit all stakeholders. We believe that a long-term sustainable approach is imperative to create value.

From our ongoing dialogue with stakeholders, we know that they care about our sustainability platform, best practices and results. Our unitholders want to be confident that they are investing in a corporate entity which uses land and resources responsibly, minimizes carbon emissions and is in good standing with its employees and communities.

As property owners and operators, we are well positioned to implement meaningful changes through a progressive approach and collaboration. Tenants generally are becoming more curious about the energy performance, cost and footprint of the specific property they are leasing. Building and maintaining high-quality, resilient buildings allows us to protect our asset value and sustain high occupancy rates – an environmentally sound building is a desirable building. These are just a few examples of how business and sustainability go hand in hand.

As a company, we are internalizing sustainable business practices. We are focusing on energy efficiency, waste diversion and sustainable procurement. In addition, we are continuing to invest in the development of our employees, which contributes to the strong execution of our business strategies. We are committed to sound and effective corporate governance practices.

Finally, it is increasingly important to employees that they feel good about the company for which they work. Many employees ask about best practices for energy, water and carbon management, waste recycling rates, our community commitments and what they can do to contribute.

Whatever we do, we always keep in mind the impact we have not only on our customers and tenants, but on anyone who comes into our buildings or neighbourhoods.

Our continued focus on sustainability is fostering a culture of innovation and collaboration with internal employees, external business partners and the community at large. We continue to implement strategies to manage our sustainability initiatives.

Integrating sustainability into our buildings

According to the Canadian Green Building Council, green-certified buildings with lower operating costs and superior indoor environmental quality are more attractive to a growing group of customers. High-performing buildings are becoming a material factor when tenants or buyers make leasing and buying decisions.

We also recognize the value of green buildings throughout our portfolio. For example, Dream Industrial has collaborated with Dream Alternatives to integrate renewable energy into some of our properties.

Through this cross-collaboration we generate solar electricity on vacant rooftops as well as explore opportunities to install solar panels. This allows us to make use of under-utilized resources, and at the same time generate additional returns.

Improving energy efficiency is an important part of our operational strategy for our buildings. It reduces costs and decreases our contribution to carbon emissions and climate change. We enable energy efficiency and conservation through capital improvements, process changes and modifying behaviours.

An example of our operational strategy at work is the lighting retrofits we initiated in several of our properties. Throughout the Dream Industrial portfolio, we are replacing old, inefficient fluorescent light with either more efficient "T5" lighting or LED lights, enhancing spaces and enabling our tenants to benefit from lower operating costs.

As a leading Canadian industrial REIT we feel that Dream Industrial has a responsibility to manage and mitigate our overall impact on the environment and we will continue to tie sustainability into the ways we manage our business.

Harnessing Solar Power

Re-imagining space that is otherwise single-purpose is another way of putting sustainability into action. Dream Industrial has converted suitable rooftops on many of its buildings to full solar coverage. Currently, seven Dream Industrial buildings have been re-purposed with solar panels.

These projects take advantage of unused rooftop space, while contributing clean solar electricity to Ontario's power grid. They also fit well with the growing trend towards distributing power directly where it is needed, thus reducing the need for large transmission lines.

Sustainability Highlights

Environmental*

7
of Dream Industrial's buildings utilize solar panels covering 817,216 square feet. This is equivalent to 19 acres, or 14 football fields of solar panels

237.4 MW
of renewable capacity have been installed by Dream Industrial's asset manager, Dream Unlimited and its joint venture partners

50,000 homes
could be powered for a year by the renewable capacity of Dream Industrial's asset manager and its joint venture partners

Governance

Embedded elements of sustainability in Board mandates

29%
of Dream Industrial Board members are women and the majority of the senior executives of Dream's public companies are women

86%
of Dream Industrial Board members are independent

Social**

$800,000
donated to charities and communities

~150 employees
participated in health and wellness initiatives or participated on Dream employee sports teams

$300K
in tuition and professional development fees reimbursed

Awarded **Employer of the Year** in 2017 by Community Living Toronto in recognition of outstanding practices in furthering employment opportunities for people with an intellectual disability

1,500 shoeboxes
were donated to the Shoebox Project for Women's Shelter by Dream and
600 gifts
were donated to seniors through the Tree of Dreams

Major Sponsor
of the Invictus Games;
and Dream employees attended the sporting events in support of the athletes

* Environmental highlights are based on 2016
** Social highlights are based on all Dream entities combined

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Management's discussion and analysis

(All square footages and dollar amounts in our tables are presented in thousands, except rental rates, Unit and per Unit amounts, unless otherwise stated.)

SECTION I – FINANCIAL HIGHLIGHTS

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

				As at
		December 31, 2017[1]	September 30, 2017[1]	December 31, 2016[1]
Total portfolio				
Number of properties		**215**	212	213
Gross leasable area ("GLA") (in millions of sq. ft.)		**17.2**	16.1	16.2
Occupancy rate – including committed		**96.6%**	96.7%	95.2%
Occupancy rate – in-place		**95.7%**	95.6%	93.8%
Average occupancy for the period		**95.8%**	95.3%	93.0%
Average in-place base rent per sq. ft. – Canada		**$ 7.17**	$ 7.19	$ 7.19
Average in-place base rent per sq. ft. – U.S. (US$)		**$ 4.08**	$ —	$ —
Weighted average remaining lease term (years)		**4.0**	3.9	3.9
Estimated market rent in excess of in-place rent – Canada		**3.1%**	1.0%	1.3%
Estimated market rent in excess of in-place rent – U.S.		**0.7%**	—%	—%

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Operating results				
Investment properties revenue	**$ 44,728**	$ 42,715	**$ 172,350**	$ 174,689
NOI[2]	**30,404**	28,776	**116,778**	117,387
Net income (loss)	**19,466**	(9,602)	**34,659**	(2,690)
FFO[2]	**19,655**	16,677	**74,623**	71,309
AFFO[2]	**17,719**	14,488	**66,537**	61,819
Distributions				
Declared distributions	**$ 15,651**	$ 13,700	**$ 57,253**	$ 54,431
DRIP participation rate	**37.3%**	28.2%	**36.3%**	14.4%
Per Unit amounts				
Distribution rate	**$ 0.17**	$ 0.17	**$ 0.70**	$ 0.70
Basic[3]				
FFO[2]	**0.23**	0.21	**0.92**	0.92
AFFO[2]	**0.21**	0.19	**0.82**	0.79
Diluted[3]				
FFO[2]	**0.23**	0.21	**0.91**	0.90
AFFO[2]	**0.20**	0.19	**0.81**	0.79
Payout ratio[4]				
FFO[2]	**77.8%**	82.5%	**77.3%**	77.7%
AFFO[2]	**85.8%**	94.1%	**86.1%**	88.6%

	December 31, 2017	September 30, 2017	December 31, 2016
			As at
Financing			
Weighted average effective interest rate(5)	**3.88%**	3.91%	3.89%
Weighted average face interest rate(5)	**3.75%**	3.81%	3.81%
Weighted average remaining term to maturity (years)	**3.8**	3.8	4.2
Interest coverage ratio (times)(2)	**3.3**	3.3	3.1
Debt-to-adjusted EBITDA(2)	**7.8**	8.1	8.4
Unencumbered assets	**$ 113,191**	$ 99,251	$ 121,210

(1) Excludes property or properties held for sale at each quarter.

(2) NOI, FFO, AFFO, interest coverage ratio and debt-to-adjusted EBITDA are non-GAAP measures. See “Non-GAAP measures and other disclosures” for a description of these non-GAAP measures.

(3) A description of the determination of basic and diluted amounts per Unit can be found under the heading “Non-GAAP measures and other disclosures”.

(4) Payout ratios for FFO and AFFO (non-GAAP measures) are calculated as the ratio of the distribution rate to diluted FFO per Unit and AFFO per Unit, respectively.

(5) Weighted average effective interest rate is calculated as the weighted average face rate of interest net of amortization of fair value adjustments and financing costs of all interest bearing debt. Weighted average face interest rate is calculated as the weighted average face interest rate of all interest bearing debt.

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dream Industrial Real Estate Investment Trust (“Dream Industrial REIT” or “Dream Industrial” or “the Trust”) should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017.

This MD&A is dated as at February 20, 2018.

For simplicity, throughout this discussion, we may make reference to the following:

- “REIT Units”, meaning units of the Trust, excluding Special Trust Units
- “LP B Units” and “subsidiary redeemable units”, meaning the Class B limited partnership Units of Dream Industrial LP
- “Units”, meaning REIT Units and LP B Units

When we use terms such as “we”, “us” and “our”, we are referring to Dream Industrial REIT and its subsidiaries.

Estimated market rents disclosed throughout the MD&A are management’s estimates and are based on current period leasing fundamentals. The current estimated market rents are at a point in time and are subject to change based on future market conditions.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation, including but not limited to statements relating to the Trust’s objectives, strategies to achieve those objectives, the Trust’s beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, acquisitions or divestitures, tenant base, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, vacancy and leasing assumptions, litigation and the real estate industry in general – in each case they are not historical facts. Forward-looking statements generally can be identified by words such as “outlook”, “objective”, “strategy”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “could”, “likely”, “plan”, “project”, “budget” or “continue”, or similar expressions suggesting future outcomes or events. 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 the Trust’s control, which could cause actual results to differ materially from those 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; our ability to source and complete accretive acquisitions; and interest rates. For a further description of these and other factors that could cause actual results to differ materially from the forward-looking information herein, see “Risks and Our Strategy to Manage”.

Although the forward-looking statements contained in this MD&A are based on 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; our continued compliance with the real estate investment trust ("REIT") exemption under the specified investment flow-through trust ("SIFT") legislation; 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 February 20, 2018. Dream Industrial does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information about these assumptions, risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our website at www.dreamindustrialreit.ca.

BACKGROUND

Dream Industrial REIT is an unincorporated, open-ended real estate investment trust which provides investors with the opportunity to invest in a pure-play industrial REIT based in Canada with a growing presence in the U.S. Our REIT Units are listed on the Toronto Stock Exchange under the trading symbol DIR.UN.

As of the date of this MD&A, we own 218 primarily light industrial income-producing properties totalling 19.0 million square feet of gross leasable area ("GLA"). Our properties are located in key industrial markets across Canada and in the Southeastern U.S.

OUR OBJECTIVES

We are committed to:

- Managing our business to provide growing cash flow and stable and sustainable returns, through adapting our strategy and tactics to changes in the real estate industry and the economy;
- Building and maintaining a diversified, growth-oriented portfolio of light industrial properties in major markets, based on an established platform;
- Providing predictable and sustainable cash distributions to unitholders while prudently managing our capital structure over time; and
- Maintaining a REIT that satisfies the REIT exception under the SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions.

OUR STRATEGY

Dream Industrial REIT is a growth-oriented owner of income-producing industrial properties primarily across Canada and the Southeastern U.S., providing stable and predictable distributions to unitholders on a tax-efficient basis. Our strategy is to grow our portfolio by investing in key markets to generate stable cash flows for our unitholders. We will continue to review and modify our strategy to meet the ever changing real estate and economic conditions. Our strategy includes:

Optimizing the performance, value and cash flow of our portfolio

We actively manage our assets to optimize performance, maintain value, retain and attract tenants and maximize cash flows to our unitholders. Dream Industrial REIT employs experienced staff in all markets where we are active. We strive to ensure that our assets are the most attractive and cost-effective premises for our tenants.

Maintaining and strengthening our conservative financial profile

We operate our business in a disciplined manner with a strong focus on maintaining a conservative financial structure. We actively manage our mortgage maturity profile, maintain a conservative debt ratio and generate cash flows sufficient to fund our distributions.

Growing and diversifying our portfolio to reduce risk

We seek to grow and diversify our portfolio to increase value on a per Unit basis, further improve the sustainability of our distributions, strengthen our tenant profile and mitigate risk. We anticipate that growing our portfolio will also reduce our cost of capital, allowing us to both refinance existing mortgages at lower rates and increase our ability to competitively bid on acquisition opportunities. We have experience in each of Canada's key real estate markets, which we believe will provide us with the flexibility to pursue acquisitions in whichever Canadian markets offer compelling investment opportunities. Through an affiliate of PAULS Corp, LLC ("PAULS Corp") and the Trust's asset manager, Dream Asset Management Corporation, the Trust has access to the U.S. market and PAULS Corp's operational platform in the U.S.

Seeking accretive growth opportunities

Dream Industrial REIT seeks to invest in desirable, highly functional properties located in major industrial centres that are well-leased on a long-term basis to quality tenants. When evaluating acquisitions we consider a variety of criteria, including per Unit accretion; replacement cost of the asset, its functionality and appeal to future tenants, and how the asset complements our existing portfolio.

FINANCIAL OVERVIEW

Dream Industrial REIT delivered strong financial performance in 2017. We expanded into the U.S. and our portfolio now includes 2.8 million square feet of Class A industrial properties. Following our first equity offering since 2013, we strengthened our balance sheet, reducing debt to assets and payout ratio. The Canadian operations performed well with strong occupancy of 96.4% and 1.7% comparative property net operating income growth.

Net income for the three months ended December 31, 2017 was $19.5 million (year ended December 31, 2017 – $34.7 million), compared to $9.6 million loss in the prior year comparative quarter and $2.7 million loss in the prior year comparative period. This is primarily driven by fair value adjustments to investment properties and fair value adjustments to financial instruments.

Diluted funds from operations ("FFO") per Unit (a non-GAAP measure) for the quarter ended December 31, 2017 was $0.23, an increase from $0.21 in the prior year comparative quarter. For the year ended December 31, 2017, diluted FFO per Unit was $0.91, compared to $0.90 in the prior year comparative period. Diluted FFO per Unit increased due to the impact of 2017 acquired properties, higher comparative properties NOI, and savings realized from a one-time cost incurred in the prior year, offset slightly by the timing difference between the equity offering and subsequent capital deployment.

Diluted adjusted funds from operations ("AFFO") per Unit (a non-GAAP measure) for the quarter ended December 31, 2017 was $0.20, compared to $0.19 for the prior year comparative quarter. For the year ended December 31, 2017, diluted AFFO was $0.81, compared to $0.79 in the prior year comparative period. The overall movements are due to the same factors impacting FFO per unit: 2017 acquired properties, higher comparative properties NOI, and savings realized from a one-time cost incurred in the prior year, offset slightly by the timing difference between the equity offering and subsequent capital deployment.

In-place occupancy (including committed space) for our portfolio was 96.6% at December 31, 2017, compared to 96.7% at September 30, 2017. Our occupancy at December 31, 2017 includes 154,000 square feet of commitments on vacant space, with the majority of these leases commencing in the next two quarters. In-place occupancy has remained high over the past four quarters.

Leasing activity during the quarter consisted of 666,000 square feet of new leases and renewals, compared to 683,000 square feet of expiries and terminations during the quarter. Approximately 74.0% of our expiries were renewed during the quarter, and, including the relocation of tenants within our portfolio, the retention ratio was 77.6%. The year-to-date retention ratio was 80.3%. At year-end, we had achieved leasing commitments of approximately 55.8% of remaining 2018 expiries.

In-place rents for the Canadian portfolio were stable at $7.17 per square foot, compared to $7.19 per square foot at September 30, 2017. Renewals for the quarter were completed at $6.54 per square foot, or 1.4% higher than expiring rates. New leases were completed at $6.40 per square foot. In-place rents for the U.S. portfolio were US$4.08 per square foot.

Estimated market rents for the Canadian portfolio increased to $7.39 per square foot, compared to $7.26 per square foot at September 30, 2017, reflecting strong demand for industrial space in Ontario and Québec. Estimated market rents for the U.S. portfolio were US$4.11 per square foot.

Leasing and tenant profile remained stable. Our lease maturities profile remains staggered and the tenant base remains diversified.

Comparative properties net operating income ("NOI") (a non-GAAP measure) for the three months ended December 31, 2017 increased by 2.3% to $29.5 million, compared to $28.8 million for the prior year comparative quarter. On a regional basis, comparative properties NOI increased in Ontario and Eastern Canada and remained stable in Western Canada and Québec. For the year ended December 31, 2017, comparative properties NOI increased by 1.7% to $116.6 million, compared to $114.6 million for the prior year comparative period. On a regional basis, comparative properties NOI increased in Ontario and Québec, decreased in Western Canada, and remained stable in Eastern Canada.

Investment properties at December 31, 2017 totalled 17.2 million square feet and were valued at $1.7 billion, reflecting a weighted average capitalization rate of 6.59% on stabilized NOI (a non-GAAP measure). Compared to the prior quarter, our comparative property values in the Ontario and Québec regions increased by $7.8 million and $2.0 million, respectively, and decreased in Western Canada and Eastern Canada by $2.7 million and $1.5 million, respectively.

During the quarter, we completed the purchase of three properties: a 189,000 square foot multi-tenant property in Calgary, Alberta, for $17.0 million; a 717,000 square foot distribution centre in Nashville, Tennessee for $60.9 million; and a 193,000 square foot single-tenant property in Orlando, Florida for $15.6 million. The Orlando property is part of the portfolio acquisition which was completed in January 2018.

The Trust completed an equity offering and private placements during the quarter. A total of 12.9 million units were issued at a price of $8.75 per unit. The net proceeds of the equity offering and private placements have been used to repay the $19.4 million of outstanding 6.75% debentures that matured on November 30, 2017 and to fund the acquisition of four industrial properties in the U.S. At December 31, 2017, the acquisition of one of the four properties closed. The remaining three properties closed subsequent to year-end.

Total debt as at December 31, 2017 was $889.8 million. The total level of debt (debt-to-total assets) (a non-GAAP measure) was 49.5%, compared to 52.6% in the prior quarter. Debt-to-total assets decreased as the proceeds of the equity offering were used to repay the 6.75% debentures and to fund the property acquisitions. The weighted average remaining term on our debt was 3.8 years, and the weighted average face interest rate (a non-GAAP measure) was 3.75%, which is close to the market rate for comparable mortgage debt. As at December 31, 2017, $113.2 million of the Trust's assets were unencumbered and $123.0 million was available to be drawn on the revolving credit facility, which provides an additional source of financial flexibility.

The Trust continued strategic expansion into the U.S. On January 16, 2018, the Trust completed its previously announced acquisition of a portfolio of four industrial properties totalling approximately 2.0 million square feet located in the Southeastern U.S. The acquisition of the first property closed on December 28, 2017. The portfolio acquisition was funded using the Trust's revolving credit facility and proceeds received from the equity offering and private placements.

Overall, the Trust performed well in the fourth quarter, concluding a successful year. The Trust's well-capitalized balance sheet is at its strongest since inception and the Trust is well-positioned to focus on strategies to improve the value of its business.

OUR PROPERTIES

Dream Industrial REIT owns and operates a diversified portfolio of real estate properties located in primary and secondary markets across Canada and in the Southeastern U.S.

As at December 31, 2017, our portfolio consists of 215 properties comprising 17.2 million square feet of GLA. Our properties are located in desirable business parks, situated close to highways and generally considered functional and well suited for their respective markets. The occupancy rate across our portfolio is 96.6%. Our occupancy rate includes lease commitments totalling approximately 154,000 square feet for space that is currently being readied for occupancy but for which rental revenue is not yet being recognized.

Our properties are geographically diversified as follows:

			December 31, 2017[(1)]			December 31, 2016[(1)]
	Number of properties	**Owned GLA (sq. ft.)**	**% of owned GLA**	Number of properties	Owned GLA (sq. ft.)	% of owned GLA
Western Canada	**83**	**5,058**	**29.4**	82	4,868	30.1
Ontario	**57**	**4,795**	**27.9**	58	4,891	30.2
Québec	**36**	**3,765**	**21.9**	36	3,765	23.3
Eastern Canada	**37**	**2,660**	**15.5**	37	2,658	16.4
U.S.	**2**	**910**	**5.3**	—	—	—
Total	**215**	**17,188**	**100.0**	213	16,182	100.0

(1) Excludes property or properties held for sale at each year.

Our portfolio, totalling 17.2 million square feet, consists of 10.8 million square feet, or 63% of total GLA, of multi-tenant buildings, and 6.4 million square feet, or 37% of total GLA, of single-tenant buildings. Of the 6.4 million square feet of single-tenant space, 2.6 million square feet is located in Ontario, 2.1 million is located in Québec and 0.9 million is located in the U.S. Multi-tenant space is distributed more evenly throughout the provinces in the portfolio, with a relatively higher concentration of 4.3 million square feet in Alberta and Saskatchewan. The differences between single- and multi-tenant buildings can be seen in the following operating metrics:

- Average tenant size – single tenants typically occupy significantly more space on an individual basis than those tenants in multi-tenant buildings;
- Average lease term – single tenants typically have lease terms that are significantly longer than those for multi-tenant buildings, which tends to offset the concentration risk of having a large single tenant in a building; and
- Average in-place rents per square foot – they are typically moderately higher in multi-tenant buildings.

Multi-tenant buildings with shorter lease terms allow a landlord to bring rents to market rates on a more frequent basis, thereby taking advantage of supply-constrained market conditions. Small-bay multi-tenant buildings tend to have higher construction costs and tend to be located in denser urban markets, which increases the barriers to competition from new supply. Selective ownership of single-tenant buildings provides a source of stable cash flow with relatively less management effort required. In addition to the geographic distribution, maintaining a balance of the two building types in the portfolio is part of our diversification strategy.

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

The following key performance indicators related to our operations influence the cash generated from operating activities:

Occupancy

At December 31, 2017, the overall percentage of occupied and committed space across our portfolio remained high at 96.6%, which was consistent with the occupancy at September 30, 2017, and 1.4% higher than the occupancy at December 31, 2016.

On a comparative properties basis, occupancy at December 31, 2017 decreased 0.2% and increased 0.7%, respectively, when compared to September 30, 2017 and December 31, 2016.

	Total portfolio[1]			Comparative properties[2]		
(percentage)	**December 31, 2017**	September 30, 2017	December 31, 2016	**December 31, 2017**	September 30, 2017	December 31, 2016
Western Canada	**95.1**	96.5	96.1	**95.2**	96.5	96.1
Ontario	**99.7**	99.7	96.5	**99.7**	99.7	98.5
Québec	**96.3**	95.4	96.3	**96.3**	95.4	96.3
Eastern Canada	**93.3**	93.5	89.8	**93.3**	93.5	89.8
Total Canada	**96.4**	96.7	95.2	**96.5**	96.7	95.8
U.S.	**100.0**	—	—	—	—	—
Total	**96.6**	96.7	95.2	**96.5**	96.7	95.8
Portfolio size (millions of sq. ft.)	**17.2**	16.1	16.2	**16.1**	16.1	16.1

(1) Excludes property or properties held for sale at each quarter.

(2) Comparative properties include assets owned by the Trust as at December 31, 2016 and excludes properties held for sale as at December 31, 2017.

Occupancy roll-forward

Leasing activity for the quarter included approximately 482,000 square feet of renewals and approximately 184,000 square feet of new leases.

The following table details the change in occupancy (including committed) during the three months and year ended December 31, 2017:

	Weighted average rate per sq. ft.	For the three months ended December 31, 2017 (sq. ft.)	As a % of total GLA	Weighted average rate per sq. ft.	For the year ended December 31, 2017 (sq. ft.)	As a % of total GLA
Occupancy (including committed) at beginning of period		15,554	96.7%		15,412	95.2%
Vacancy committed for future occupancy		(168)	(1.1%)		(233)	(1.4%)
Occupancy at beginning of period		15,386	95.6%		15,179	93.8%
Acquired occupancy		1,086	0.2%		1,086	0.2%
Change due to property held for sale[1]		—	—		—	0.6%
Occupancy at beginning of period – restated		16,472	95.8%		16,265	94.6%
Expiries (all leases)	$ 7.22	(651)	(3.8%)	$ 7.21	(2,728)	(15.8%)
Early terminations and bankruptcies	$ 7.91	(32)	(0.2%)	$ 8.71	(170)	(1.0%)
New leases	$ 6.40	184	1.1%	$ 6.94	1,018	5.9%
Renewals	$ 6.54	482	2.8%	$ 6.84	2,070	12.0%
Occupancy – December 31, 2017		16,455	95.7%		16,455	95.7%
Vacancy committed for future occupancy		154	0.9%		154	0.9%
Occupancy (including committed) – December 31, 2017		16,609	96.6%		16,609	96.6%

(1) Vacant property classified as held for sale in Q2 2017; only impacts % of total GLA.

The committed occupancy on vacant space based on existing contractual commitments at December 31, 2017 totalled 154,000 square feet. Of this committed space, 95.2% will become occupied in the next two quarters.

	For the three months ended December 31, 2017	For the year ended December 31, 2017
Tenant renewal ratio[1]	74.0%	75.9%
Expiring rents on renewed space (per sq. ft.)	$ 6.45	$ 6.92
Renewal to expiring rent spread (per sq. ft.)[2]	$ 0.09	$ (0.08)

(1) Tenant renewal ratio is calculated as the ratio of total square feet of renewals over expiries.

(2) Renewal to expiring rent spread is calculated as the difference between the rates at which the renewals commenced and the expiring rents on the renewed space.

The tenant renewal ratio for the portfolio was 74.0% during the quarter. Including relocations of existing tenants (excluding their expansion space), the retention ratio was 77.6%. Completed renewals for the quarter commenced at $6.54 per square foot, or 1.4% higher than the expiring rates.

The tenant renewal ratio for the portfolio was 75.9% for the year ended December 31, 2017. Including relocations of existing tenants (excluding their expansion space), the retention ratio was 80.3%. Renewals for the year ended December 31, 2017 were completed at $6.84 per square foot, or 1.2% lower, compared to the expiring rate of $6.92 per square foot.

The drivers of the positive renewal spread for the quarter were driven by renewals completed in Ontario, Québec and Eastern Canada at an average 3.0% increase, offset by a 5.7% decrease on renewals in Western Canada. The negative renewal spread in Western Canada was primarily driven by two flex-office units in Edmonton.

The main drivers of the negative renewal spread for the year were mid-bay and flex-office tenants in Western Canada and a built-to-suit building in Ontario that we renewed and expanded at current market rents. We are continuing to see downward pressure on market rents in Western Canada and, in particular, on mid- to large-bay units and units with a significant office component. Excluding these units in Western Canada and Ontario, the renewal spread for the year was positive at $0.11 per square foot, or 1.6% higher than the expiring rates. We will continue our efforts to drive rental growth through contractual rent steps over the term of the lease to offset the impact of lower renewal rates.

In-place rental rates

Estimated market rent represents management's best estimate of the net rental rate that would be achieved in a new arm's length lease in the event that a unit becomes vacant after a reasonable marketing period with an inducement and lease term appropriate for the particular space. Market rent by property is reviewed regularly by our leasing and portfolio management teams. Market rents may differ by property or by unit and depend upon a number of factors. Some of the factors considered include the condition of the space, the location within the building, the amount of office build-out for the units, lease term and a normal level of tenant inducements. Market rental rates are also compared against the external appraisal information that is gathered on a quarterly basis as well as other external market data sources.

During the fourth quarter, for our Canadian portfolio, estimated market rents increased to $7.39 compared to $7.26 at September 30, 2017, reflecting the strong demand for industrial space in Ontario and Québec.

The following table summarizes our in-place rental rates by region, along with the estimated market rents and average remaining lease term.

	December 31, 2017[1]			September 30, 2017[1]			December 31 , 2016[1]		
Total portfolio	**Average in-place base rent**	**Estimated market rent[2]**	**Average remaining lease term (years)**	Average in-place base rent	Estimated market rent[2]	Average remaining lease term (years)	Average in-place base rent	Estimated market rent[2]	Average remaining lease term (years)
Western Canada	**$ 8.87**	**$ 9.11**	**3.7**	$ 9.00	$ 9.19	3.7	$ 9.11	$ 9.24	4.0
Ontario	**6.18**	**6.48**	**3.6**	6.17	6.16	3.7	6.08	6.09	3.5
Québec	**6.16**	**6.23**	**4.4**	6.14	6.08	4.6	6.15	6.15	4.7
Eastern Canada	**7.26**	**7.49**	**3.4**	7.23	7.42	3.5	7.23	7.52	3.5
Total Canada	**7.17**	**7.39**	**3.8**	7.19	7.26	3.9	7.19	7.28	3.9
U.S. (US$)	**4.08**	**4.11**	**7.6**	—	—	—	—	—	—
Total	**$ —**	**$ —**	**4.0**	$ —	$ —	—	$ —	$ —	—

(1) Excludes property or properties held for sale at each quarter.

(2) Estimate only; based on current market rents with no allowance for increases in future years. Subject to changes in market conditions in each market.

Leasing and tenant profile

Overall, our average remaining lease term is 4.0 years and our average tenant size is 12,607 square feet. Our single-tenant buildings have an average remaining lease term of 5.1 years and our multi-tenant buildings have an average remaining lease term of 3.3 years.

The following table details our lease maturity profile, net of renewals and new leases completed, by region at December 31, 2017:

(in sq. ft., except %)	Vacancy	2018	2019	2020	2021	2022	2023+	Total
Western Canada	247	437	618	869	690	956	1,241	5,058
Ontario	14	493	1,036	831	572	694	1,155	4,795
Québec	140	234	587	224	384	793	1,403	3,765
Eastern Canada	178	347	469	255	436	477	498	2,660
U.S.	—	—	—	—	—	—	910	910
Total portfolio								
Total GLA	579	1,511	2,710	2,179	2,082	2,920	5,207	17,188
Percentage of total GLA (%)	*3.4*	*8.8*	*15.8*	*12.7*	*12.1*	*17.0*	*30.3*	*100.0*

Our lease maturity profile, net of renewals, remains staggered. Lease expiries, net of committed occupancy as a percentage of total GLA between 2018 and 2022, range from 8.8% to 17.0%.

2018 lease expiry profile

(in sq. ft., except %)	Western Canada	Ontario	Québec	Eastern Canada	Total portfolio
2018 expiries (as at December 31, 2017)[1]	(816)	(1,278)	(464)	(509)	(3,067)
Expiries committed for renewals	379	785	230	162	1,556
Expiries, net of renewals (as at December 31, 2017)	(437)	(493)	(234)	(347)	(1,511)
2018 vacancy (as at December 31, 2017)	(314)	(31)	(164)	(224)	(733)
Vacancy committed for future occupancy	67	17	24	46	154
2018 vacancy, net of commitments for occupancy (as at December 31, 2017)	(247)	(14)	(140)	(178)	(579)
Total commitments as a % of expiries (as at December 31, 2017)	54.7%	62.8%	54.7%	40.9%	55.8%

(1) No 2018 expiries for the U.S. portfolio.

As at December 31, 2017, leasing commitments of approximately 55.8% of 2018 expiring tenancies had been obtained.

The following table details expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in similar properties at December 31, 2017.

Average[1]	Western Canada	Ontario	Québec	Eastern Canada	Total portfolio
Expiring rents	$ 10.69	$ 6.34	$ 5.23	$ 7.79	$ 7.75
Market rents[2]	$ 10.09	$ 6.44	$ 5.81	$ 7.83	$ 7.71

(1) No 2018 expiries for the U.S. portfolio.

(2) Estimate only; based on current market rents with no allowance for increases in future years. Subject to changes in market conditions in each market.

In Ontario, Québec and Eastern Canada, estimated market rents are on average 3.3% higher than expiring rents, representing an opportunity to increase rents as spaces are re-leased. In Western Canada, estimated market rents are 5.6% below expiring rents. This is mainly due to tenants in office units in Calgary expiring at higher rates. These units compete directly with the suburban office market which continues to experience low demand and high vacancy rates. We believe that preserving occupancy at lower costs is the right strategy for these assets. We expect to maintain occupancy at lower rates while building in contractual rental increases.

Initial direct leasing costs and lease incentives

Initial direct leasing costs include leasing fees and related costs and broker commissions related to 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 upon 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 year ended December 31, 2017, a total of 3,088,000 square feet was leased and occupied with related costs of $7.2 million, representing an average rate of $2.32 per square foot leased (December 31, 2016 – $3.01 per square foot). Excluded from these amounts is $1.5 million in costs related to a single-tenant occupancy in Eastern Canada, which is fully recoverable over the term of the lease, in addition to our contractual base rent.

Performance indicators		Total
Operating activities		
Portfolio size (sq. ft.)		17,188
Occupied and committed		96.6%
Square footage leased and occupied in 2017		3,088
Lease incentives and initial direct leasing costs for square footage leased and occupied in 2017	$	7,154

Tenant base profile

Our tenant base consists of a diverse range of high-quality businesses and, with 1,322 tenants, we believe our exposure to any single large lease or tenant is low. The average size of our tenants is 12,607 square feet, averaging 92,000 square feet across our single-tenant buildings and 8,000 square feet across our multi-tenant buildings.

The following table outlines the contributions of our top ten tenants to our rental revenue as of December 31, 2017:

Tenant	Owned area (sq. ft.)	Owned area (%)	Annualized base rent (%)	Weighted average remaining lease term (years)
Spectra Premium Industries Inc.	656	3.8	4.0	7.4
Nissan North America Inc.	717	4.2	3.5	8.3
TC Transcontinental	523	3.0	3.4	4.2
Gienow Windows & Doors Inc.	371	2.2	2.5	4.8
Molson Breweries Properties	225	1.3	2.1	5.0
United Agri Products Canada Inc.	275	1.6	1.2	5.8
Nellson Nutraceutical Canada	235	1.4	1.2	1.6
Clean Harbors Industrial	96	0.6	1.2	2.1
Array Canada Inc.	210	1.2	1.1	3.0
Royal Group Inc.	177	1.0	0.9	7.0
Total	3,485	20.3	21.1	5.7

On an annualized base rent basis, no single tenant represents more than 5% of total revenue of the portfolio, and the weighted average remaining lease term for the top ten tenants stands strong at 5.7 years.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

At December 31, 2017, the fair value of our investment property portfolio was $1.7 billion, reflecting a weighted average capitalization rate ("cap rate") of 6.59% on stabilized NOI (a non-GAAP measure), excluding property management income.

The valuation approach for investment properties uses both the direct capitalization method and the discounted cash flow method. The results of both methods are evaluated by considering the reasonableness of the range of values calculated under both methods. Fair value of a property is determined at the point within that range that is most representative of the fair value in the circumstances. The direct capitalization method applies a cap rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value is further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using cap rates in the range of 4.00% to 9.25%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal capitalization rates specific to each property.

The fair value of our investment properties is set out below:

			Total portfolio[1]
	December 31, 2017	September 30, 2017	December 31, 2016
Western Canada	**$ 638,535**	$ 624,200	$ 636,855
Ontario	**465,585**	457,796	442,260
Québec	**294,110**	292,115	296,190
Eastern Canada	**250,030**	251,570	259,010
U.S.	**74,728**	—	—
Total	**$ 1,722,988**	$ 1,625,681	$ 1,634,315

(1) Excludes properties held for sale.

			Comparative portfolio[1]
	December 31, 2017	September 30, 2017	December 31, 2016
Western Canada	**$ 621,535**	$ 624,200	$ 636,855
Ontario	**465,585**	457,796	433,560
Québec	**294,110**	292,115	296,190
Eastern Canada	**250,030**	251,570	259,010
Total	**$ 1,631,260**	$ 1,625,681	$ 1,625,615

(1) Includes assets owned by the Trust at December 31, 2016 and excludes properties held for sale at December 31, 2017.

Capitalization rate information for our investment properties is set out in the tables below for both our total portfolio and comparative portfolio:

						Total portfolio[1]
	December 31, 2017		September 30, 2017		December 31, 2016	
	Range (%)	**Weighted average (%)**	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	**6.00–8.00**	**6.64**	6.00–8.00	6.66	6.00–8.00	6.62
Ontario	**4.00–7.75**	**6.02**	4.00–7.75	6.04	5.50–7.75	6.43
Québec	**6.25–7.50**	**6.95**	6.25–7.50	6.94	6.25–7.50	7.03
Eastern Canada	**6.50–9.25**	**7.18**	6.50–9.25	7.15	6.50–9.25	7.01
U.S.	**6.30**	**6.30**	—	—	—	—
Total	**4.00–9.25**	**6.59**	4.00–9.25	6.61	5.50–9.25	6.71

(1) Excludes properties held for sale.

	Comparative portfolio[1]					
	December 31, 2017		September 30, 2017		December 31, 2016	
	Range (%)	**Weighted average (%)**	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	**6.00–8.00**	**6.65**	6.00–8.00	6.66	6.00–8.00	6.62
Ontario	**4.00–7.75**	**6.02**	4.00–7.75	6.04	5.50–7.75	6.43
Québec	**6.25–7.50**	**6.95**	6.25–7.50	6.94	6.25–7.50	7.03
Eastern Canada	**6.50–9.25**	**7.18**	6.50–9.25	7.15	6.50–9.25	7.01
Total	**4.00–9.25**	**6.60**	4.00–9.25	6.61	5.50–9.25	6.71

(1) Includes assets owned by the Trust at December 31, 2016 and excludes properties held for sale at December 31, 2017.

Overall, the fair value of our investment properties at December 31, 2017 was $1.7 billion at a weighted average capitalization rate of 6.59%.

The fair value of our comparative portfolio increased by $5.6 million compared to September 30, 2017, primarily due to strong industrial market conditions in Ontario and Québec. On a regional basis, the total fair value increase comprises increases of $7.8 million in Ontario and $2.0 million in Québec, offset by decreases of $2.7 million in Western Canada and $1.5 million in Eastern Canada.

During the quarter, for our comparative portfolio, the Trust obtained external appraisals on 36 properties and obtained external input from its appraisers on the market assumptions used for internally valued properties. 82 properties were externally appraised during the year. On a regional basis, external appraisals were completed in the fourth quarter for 13 properties in Western Canada, ten in Ontario, eight in Québec and five in Eastern Canada. The fair value of externally appraised properties increased by $4.7 million from $192.8 million at September 30, 2017 to $197.5 million at December 31, 2017. On a regional basis, the movement in externally valued properties comprised increases of $4.6 million in Ontario and $1.9 million in Québec, offset by decreases of $0.9 million in Western Canada and $0.9 million in Eastern Canada. The value changes in externally appraised properties were primarily driven by capitalization rates and market rents.

During the quarter, for our comparative portfolio, the fair value of the internally appraised properties increased by $0.9 million from $1,432.9 million at September 30, 2017 to $1,433.8 million at December 31, 2017. On a regional basis, the movement in internally valued properties comprised increases of $3.2 million in Ontario, offset by decreases of $1.7 million in Western Canada and $0.6 million in Eastern Canada. The fair value of internally valued properties in Québec remained stable. The value changes in internally appraised properties were primarily driven by property-specific changes in actual and forecasted leasing activity.

In Western Canada, for our comparative portfolio, the fair value of the investment properties declined by $2.7 million, of which $2.0 million related to Alberta and $0.7 million related to Saskatchewan. 13 properties were externally appraised in Calgary, resulting in a fair value decrease of $0.9 million due to changes in market rents and capitalization rates.

Building improvements and leasing costs

The table below represents costs incurred during the periods ended December 31:

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Building improvements				
Recoverable capital expenditures	**$ 1,205**	$ 5,159	**$ 8,982**	$ 13,274
Other capital expenditures	**2,090**	1,440	**6,048**	5,248
Initial direct leasing costs and lease incentives				
Leasing costs	**504**	509	**2,753**	3,290
Landlord's work	**723**	1,672	**4,488**	5,603
Tenant improvements	**874**	608	**1,895**	1,720
Other leasing costs	**—**	—	**254**	644
Total	**$ 5,396**	$ 9,388	**$ 24,420**	$ 29,779

Other capital expenditures for the year ended December 31, 2017 includes $4.3 million in upgrades completed on certain properties that are expected to increase the Trust's ability to attract tenants and obtain higher rental rates. Landlord's work for the year ended December 31, 2017 included $1.0 million in relation to a ten-year lease at one of our single-tenant properties in Eastern Canada which is fully recoverable over the term of the lease. For the year ended December 31, 2017, $0.3 million of other leasing costs were incurred towards various major reconfigurations of units to attract and put in place high value tenancies or to improve quality of the assets.

Acquisitions

The following acquisitions were completed during the year ended December 31, 2017:

	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)		Purchase price allocated to investment properties[1]	Date acquired
7803 35th Street SE, Calgary, Alberta	100	189,047	92.8	$	17,288	October 5, 2017
445 Couchville Industrial Blvd., Nashville, Tennessee	100	717,160	100.0		62,184	October 31, 2017
7730 American Way, Orlando, Florida	100	193,333	100.0		15,846	December 28, 2017
Total		1,099,540		$	95,318	

(1) Includes transaction costs.

On October 5, 2017, the Trust acquired a multi-tenant industrial property in Calgary, Alberta for $17.3 million, including transaction costs. The property is 92.8% occupied with a weighted average remaining lease term of 4.3 years.

On October 31, 2017, the Trust acquired a single-tenant distribution centre in Nashville, Tennessee from Dream Office REIT for $62.2 million, including transaction costs and assumed mortgage of $29.7 million. The property is 100% occupied with a remaining lease term of 8.3 years.

On December 28, 2017, the Trust acquired a single-tenant distribution centre in Orlando, Florida for $15.8 million, including transaction costs. The property is 100% occupied with a remaining lease term of 5.2 years.

On January 16, 2018, the Trust completed the acquisition of a portfolio of four industrial properties, totalling approximately 2.0 million square feet, located in the Southeastern U.S. from a publicly traded U.S. REIT. The acquisition of the first property closed on December 28, 2017. The remaining three properties closed on January 16, 2018 for $112.6 million, excluding transaction costs.

There were no property acquisitions during the year ended December 31, 2016.

Dispositions

There were no dispositions during the year ended December 31, 2017. The following dispositions were completed during the year ended December 31, 2016:

	Disposed GLA		Gross proceeds[1]		Gain (loss) on sale[2]		Mortgage discharged	Date disposed
722 Edinburgh Drive, Moncton	41,200	$	1,625	$	(70)	$	981	March 30, 2016
1155 Autoroute Chomedey, Laval	115,362		6,750		(145)		—	June 6, 2016
38 Rue de Valcourt, Gatineau	16,297		850		(20)		—	July 29, 2016
10001 Metropolitan Boulevard East, Montréal	327,000		37,500		(452)		16,633	August 4, 2016
215 Cutler Avenue, Dartmouth[3]	—		920		(1)		—	October 6, 2016
700 Ormont Drive, Toronto	123,370		7,700		548		3,800	November 1, 2016
5900 Finch Avenue East, Scarborough	164,708		12,585		(555)		5,935	December 6, 2016
3800 Trans-Canada Highway, Pointe-Claire	50,000		2,750		(122)		—	December 16, 2016
Total	837,937	$	70,680	$	(817)	$	27,349	

(1) Gross proceeds before transaction costs.

(2) Carrying value of assets approximated gross proceeds. The loss on sale arises entirely from transaction costs with the exception of 700 Ormont Drive where gross proceeds included an $800 reimbursement in relation to capital repairs.

(3) Vacant land.

OUR FINANCING

Our debt strategy includes managing our maturity schedule to help mitigate interest rate risk and limit exposure in any given year, as well as fixing the rates and extending loan terms as long as possible when interest rates are favourable.

Summary of debt

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

	As at	
	December 31, 2017	December 31, 2016
Financing metrics		
Debt	**$ 889,796**	$ 868,347
Weighted average effective interest rate[1]	**3.88%**	3.89%
Weighted average face interest rate[1]	**3.75%**	3.81%
Interest coverage ratio (times)[2][3]	**3.3**	3.1
Debt-to-adjusted EBITDA (years)[2]	**7.8**	8.4
Level of debt (debt-to-total assets)[2]	**49.5%**	52.6%
Liquidity metrics		
Maximum proportion of debt maturities and principal repayments due in any one year	**20.5% (2019)**	20.8% (2019)
Weighted average term to maturity (years)	**3.8**	4.2
Cash on hand	**$ 54,651**	$ 6,595
Unencumbered assets[4]	**113,191**	121,210
Undrawn lines of credit	**123,000**	98,000

(1) Weighted average effective interest rate is calculated as the weighted average face rate of interest net of amortization of fair value adjustments and financing costs of all interest bearing debt. Weighted average face interest rate is calculated as the weighted average face interest rate of all interest bearing debt.

(2) The calculation of the following non-GAAP measures – interest coverage ratio, debt-to-adjusted EBITDA and level of debt (debt-to-total assets) – is included in the "Non-GAAP measures and other disclosures" section of the MD&A.

(3) Calculated for the three months ended December 31, 2017.

(4) Includes assets held for sale.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 3.3 times, demonstrating our ability to more than adequately cover interest expense requirements. At December 31, 2017, our weighted average face rate of interest is 3.75% and, after accounting for market adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 3.88%.

Liquidity and capital resources

Dream Industrial REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, 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 principal repayments, interest payments and property acquisitions. We expect to meet all of our ongoing obligations with current cash and cash equivalents, cash generated from operations, draws on the revolving credit facility, conventional mortgage refinancings and, as growth requires and when appropriate, new equity or debt issues.

In our consolidated financial statements prepared under International Financial Reporting Standards ("IFRS"), our current liabilities exceed our current assets by $59.7 million. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule, undrawn credit facilities and a pool of unencumbered assets. We are able to use our revolving credit facility on short notice, which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period-to-period depending on the timing of receipts and payments. Scheduled principal repayments that are due within one year amount to $22.5 million, and debt maturities that are due within one year amount to $92.6 million. The debt maturities are typically refinanced with mortgages of terms between five and ten years. Amounts payable outstanding at the end of any reporting period depend primarily on the timing of leasing costs and capital expenditures incurred, as well as the impact of transaction costs incurred on any acquisitions or dispositions completed during the reporting period. Our unencumbered assets pool as at December 31, 2017 is $113.2 million. With our balanced debt maturity schedule, undrawn credit facility of $123.0 million, cash and cash equivalents of $54.7 million and unencumbered assets pool, we have sufficient liquidity as at December 31, 2017.

The total debt as at December 31, 2017 is as follows:

		December 31, 2017		December 31, 2016
Total debt	**$**	**889,796**	$	868,347
Average term to maturity (years)		**3.8**		4.2

Financing activities

New mortgage financing is highlighted in the table below:

		Year ended December 31, 2017		
		Amount[1]	Term to maturity (years)	Weighted average face interest rate (%)
Mortgage financing	$	111,928	6.2	3.72%

(1) Excludes financing costs.

On April 3, 2017, we completed a $14.5 million financing on a portfolio of two properties located in Edmonton with a term of five years at a face interest rate of 3.98% and an effective interest rate of 4.17%.

On August 30, 2017, we completed a $45.0 million refinancing on a portfolio of six properties located in the Ontario and Eastern Canada regions with a term of seven years at a face interest rate of 3.44% and an effective interest rate of 3.57%.

On October 31, 2017, we assumed a $29.7 million mortgage at fair value on the purchase of a Nashville, Tennessee property with a term of 3.5 years at a face and effective interest rate of 4.00%.

On November 1, 2017, we extended the term of a $3.3 million mortgage. The debt has a term of three years at a face interest rate of 3.48% and an effective interest rate of 3.84%.

On November 22, 2017, we completed a $19.5 million refinancing for one property located in Ontario with a term of ten years at a face interest rate of 3.81% and an effective interest rate of 3.91%.

Revolving credit facility

On December 15, 2017, the Trust amended its revolving credit facility to: increase the borrowing capacity from $100 million to $125 million, add the ability to draw in U.S. dollars at an interest rate of U.S. LIBOR plus 1.70% or U.S. base rate plus 0.70%, increase the number of properties secured under the facility from 25 to 30, and extend the maturity date from June 30, 2019 to June 30, 2020. At December 31, 2017, no amounts were drawn from the revolving credit facility. The amounts available to be drawn at December 31, 2017 after the $2 million letter of credit and forward agreement reserve was $123 million (December 31, 2016 – $98 million).

Subsequent events

Subsequent to December 31, 2017, we closed a $48.0 million mortgage on a portfolio of 14 properties to refinance an existing $33.2 million mortgage. The mortgage is secured by properties in Calgary and has a term of five years at 3.58%. We also closed a $47.0 million mortgage on a portfolio of nine properties to refinance an existing $30.2 million mortgage on a portfolio of eight properties. The mortgage is secured by properties in Calgary and Halifax and has a term of five years at 3.73%. This financing activity addresses over 67% of the debt maturing in 2018.

Composition and continuity of debt

The composition of debt as at December 31, 2017 and the continuity of debt for the three months and year ended December 31, 2017 are as follows:

	Weighted average face interest rate	Three months ended December 31, 2017			
		Mortgages	Revolving credit facility	Convertible debentures	Total
Debt as at September 30, 2017	3.81%	$ 756,647	$ (437)	$ 127,731	$ 883,941
New debt placed[1]	3.90%	52,428	—	—	52,428
Scheduled repayments	—	(6,206)	—	—	(6,206)
Lump sum repayments[1]	5.34%	(19,674)	—	(19,420)	(39,094)
Other adjustments[2]	—	(941)	(588)	256	(1,273)
Debt as at December 31, 2017	3.75%	$ 782,254	$ (1,025)	$ 108,567	$ 889,796

(1) Includes the $3.3 million extension of debt on November 1, 2017. Refer to note 13 of the financial statements.

(2) Other adjustments include amortization of finance costs, amortization of fair value adjustments on assumed debt and foreign exchange adjustments.

	Weighted average face interest rate	Year ended December 31, 2017			
		Mortgages	Revolving credit facility	Convertible debentures	Total
Debt as at January 1, 2017	3.81%	$ 741,890	$ (625)	$ 127,082	$ 868,347
New debt placed[1]	3.72%	111,928	—	—	111,928
Scheduled repayments	—	(24,019)	—	—	(24,019)
Lump sum repayments[1]	4.59%	(46,184)	—	(19,420)	(65,604)
Other adjustments[2]	—	(1,361)	(400)	905	(856)
Debt as at December 31, 2017	3.75%	$ 782,254	$ (1,025)	$ 108,567	$ 889,796

(1) Includes the $3.3 million extension of debt on November 1, 2017. Refer to note 13 of the financial statements.

(2) Other adjustments include amortization of finance costs, amortization of fair value adjustments on assumed debt and foreign exchange adjustments.

Our current debt profile is balanced with maturities well-distributed over the next ten years. The following is our debt maturity profile as at December 31, 2017:

	Debt maturities	Scheduled principal repayments on non-maturing debt	Amount	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2018	$ 92,607	$ 22,519	$ 115,126	12.9	3.59	3.43
2019	163,225	20,686	183,911	20.5	5.29	4.66
2020	91,548	18,894	110,442	12.3	3.36	3.20
2021	142,990	15,926	158,916	17.8	3.73	4.10
2022	103,160	10,294	113,454	12.7	3.31	3.20
2023 and thereafter	194,566	18,021	212,587	23.8	3.66	3.53
Total	$ 788,096	$ 106,340	$ 894,436	100.0	3.92	3.77
Unamortized financing costs			(5,552)			
Unamortized fair value adjustments			912			
Total			$ 889,796			

Mortgages include $3.3 million of financing costs, net of $2.3 million of fair value adjustments. The revolving credit facility includes $1.0 million of financing costs. The convertible debenture includes $1.2 million of financing costs and a $1.4 million discount allocated to the conversion features on issuance and fair value adjustments. The fair value adjustments, discounts and financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Convertible debentures

The total principal amounts outstanding for all of our convertible debentures are as follows:

	Date issued	Maturity date	Conversion price	Outstanding principal December 31, 2017	Outstanding principal February 20, 2018	REIT Units if converted February 20, 2018
5.25% Debentures	December 13, 2012	December 31, 2019	$ 13.80	**$ 86,250**	$ 86,250	6,250,000
5.25% Debentures	December 19, 2012	December 31, 2019	13.80	**25,000**	25,000	1,811,594
Total				**$ 111,250**	$ 111,250	8,061,594

The fair value of the conversion feature of the convertible debentures is remeasured each period with fair value changes recorded in comprehensive income. At December 31, 2017, the conversion feature is valued at $2.3 million (December 31, 2016 – $3.3 million), and included in other non-current assets on the consolidated balance sheet.

Commitments and contingencies

We are contingently liable with respect to guarantees that are issued in the normal course of business and 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.

Dream Industrial did not enter into any operating or finance leases as lessee during this reporting period. As at December 31, 2017, the Trust has entered into lease agreements with tenants that may require leasing and tenant improvement costs of approximately $0.8 million (December 31, 2016 – $1.5 million).

OUR EQUITY

Our discussion of equity includes LP B Units, which are economically equivalent to REIT Units. However, pursuant to IFRS, the LP B Units are classified as a liability in our consolidated financial statements.

				Unitholders' equity
	December 31, 2017		December 31, 2016	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units	**75,104,843**	**$ 720,437**	59,633,237	$ 589,252
Retained earnings (deficit)	—	**(7,056)**	—	2,727
Accumulated other comprehensive loss	—	**(1,135)**	—	(869)
Total equity per consolidated financial statements	**75,104,843**	**712,246**	59,633,237	591,110
Add: LP B Units	**18,551,855**	**163,256**	18,551,855	158,247
Total equity(1)	**93,656,698**	**$ 875,502**	78,185,092	$ 749,357

(1) Total equity (non-GAAP measure) includes LP B Units.

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these Units and are used to provide voting rights with respect to Dream Industrial REIT to persons holding LP B Units. The LP B Units are held by wholly owned subsidiaries of Dream Office REIT. Both the REIT Units and the Special Trust Units entitle the holder to one vote for each Unit at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT Units at the option of the holder. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT Units. The REIT Units have economic and voting rights equivalent in all material respects to each other.

During the three months ended December 31, 2017, under the Distribution Reinvestment and Unit Purchase Plan ("DRIP") and the distribution reinvestment provisions of the amended and restated limited partnership agreement governing Dream Industrial LP, for LP B Units and REIT Units, the Trust issued 440,161 REIT Units (1,690,668 for the year ended December 31, 2017) to the subsidiaries of Dream Office REIT for a total cost of $4.1 million ($15.0 million for the year ended December 31, 2017). As at December 31, 2017, Dream Office REIT, directly and indirectly through its wholly owned subsidiaries, held 5,431,141 REIT Units and 18,551,855 LP B Units, representing approximately 25.6% ownership in the Trust.

The following table summarizes the changes in our outstanding equity:

	REIT Units	LP B Units	Total
Total Units outstanding on January 1, 2017	59,633,237	18,551,855	78,185,092
Units issued pursuant to public offering	9,890,000	—	9,890,000
Units issued pursuant to private placements	2,973,000	—	2,973,000
Units issued pursuant to DRIP	2,428,965	—	2,428,965
Units issued pursuant to Unit Purchase Plan	1,391	—	1,391
Units issued pursuant to Deferred Unit Incentive Plan (“DUIP”)	178,250	—	178,250
Total Units outstanding on December 31, 2017	75,104,843	18,551,855	93,656,698
Percentage of all Units	80.2%	19.8%	100.0%
Units issued pursuant to DRIP on January 15, 2018	219,706	—	219,706
Units issued pursuant to DUIP on January 24, 2018	87,163	—	87,163
Units issued pursuant to DRIP on February 15, 2018	260,227	—	260,227
Total Units outstanding on February 20, 2018(1)	75,671,939	18,551,855	94,223,794
Percentage of all Units	80.3%	19.7%	100.0%

(1) The date of this report.

On November 21, 2017, the Trust completed a public offering of 9,890,000 REIT Units, at a price of $8.75 per Unit, for gross proceeds of $86,538, including 1,290,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

On November 21, 2017, the Trust completed a private placement of 2,858,000 REIT Units to Dream Office LP, at a price of $8.75 per Unit, for gross proceeds of $25,008. On the same day, the Trust completed a private placement of 115,000 REIT Units to an affiliate of PAULS Corp, at a price of $8.75 per Unit, for gross proceeds of $1,006.

Short form base shelf prospectus

On September 15, 2017, the Trust filed and obtained receipts for a final short form base shelf prospectus which is valid for a 25-month period, during which time the Trust may, from time to time, offer and issue Units, subscription receipts, and debt securities convertible into or exchangeable for Units of the Trust, or any combination thereof, having an aggregate offering price of up to $1 billion. As at December 31, 2017, $86,538 of REIT Units have been issued under the short form base shelf prospectus.

Normal course issuer bid

In 2016, the Trust renewed its normal course issuer bid, which was effective from December 19, 2016 to December 18, 2017. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 5,803,445 REIT Units (representing 10% of the REIT’s public float of 58,034,459 REIT Units as at December 1, 2016) through the facilities of the Toronto Stock Exchange (the “TSX”) at prevailing market prices and in accordance with the rules and policies of the TSX. The actual number of REIT Units that may be purchased and the timing of any such purchases will be determined by the Trust, subject to a maximum daily purchase limitation of 29,969 REIT Units except where purchases are made in accordance with block purchase exemptions under applicable TSX rules. For the years ended December 31, 2017 and 2016, the Trust did not purchase for cancellation any Units. The normal course issuer bid expired on December 18, 2017 and was not subsequently renewed.

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, which allows for any unforeseen expenditures.

We currently pay monthly distributions of $0.058 per Unit, or $0.70 per Unit on an annual basis. For the quarter ended December 31, 2017, approximately 37.3% of our total Units were enrolled in the DRIP and the distribution reinvestment provisions of the amended and restated limited partnership agreement governing Dream Industrial LP.

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Annualized distribution rate	**$ 0.70**	$ 0.70	$ 0.70	$ 0.70	$ 0.70	$ 0.70	$ 0.70	$ 0.70
Monthly distribution rate	**$ 0.058**	$ 0.058	$ 0.058	$ 0.058	$ 0.058	$ 0.058	$ 0.058	$ 0.058
Period-end closing price	**$ 8.80**	$ 9.10	$ 8.70	$ 8.22	$ 8.53	$ 7.85	$ 8.73	$ 8.04
Annualized distribution yield on closing price (%)(1)	**8.0%**	7.7%	8.0%	8.5%	8.2%	8.9%	8.0%	8.7%

(1) Annualized distribution yield is calculated as the annualized distribution rate divided by the period-end closing price.

The table below summarizes the distributions for the three months and year ended December 31, 2017:

	Three months ended December 31, 2017			Year ended December 31, 2017		
	Declared distributions	3% bonus distributions[(1)]	Total	Declared distributions	3% bonus distributions[(1)]	Total
2017 distributions						
Paid in cash or reinvested in Units	$ 10,155	$ 116	$ 10,271	$ 51,757	$ 565	$ 52,322
Payable at December 31, 2017	5,496	—	5,496	5,496	—	5,496
Total distributions[(2)]	$ 15,651	$ 116	$ 15,767	$ 57,253	$ 565	$ 57,818
2017 reinvestment						
Reinvested to December 31, 2017	$ 3,879	$ 116	$ 3,995	$ 18,824	$ 565	$ 19,389
Reinvested on January 15, 2018	1,964	59	2,023	1,964	59	2,023
Total distributions reinvested	$ 5,843	$ 175	$ 6,018	$ 20,788	$ 624	$ 21,412
Distributions paid in cash	$ 9,808			$ 36,465		
Reinvestment to distribution ratio	37.3%			36.3%		
Ratio of distributions paid in cash	62.7%			63.7%		

(1) Unitholders registered in the DRIP are also eligible to receive a bonus distribution of Units equal to 3% of the amount of the cash distribution reinvested pursuant to the DRIP.

(2) Includes distributions on LP B Units.

Distributions declared for the three months ended December 31, 2017 were $15.7 million. Distributions declared for the year ended December 31, 2017 were $57.3 million. Of the distributions declared for the three months ended December 31, 2017, $5.8 million, or 37.3%, was reinvested in additional Units resulting in a ratio of distributions paid in cash of 62.7%. For the year ended December 31, 2017, $20.8 million, or approximately 36.3%, was reinvested in additional Units resulting in a ratio of distributions paid in cash of 63.7%.

OUR RESULTS OF OPERATIONS

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Investment properties revenue	**$ 44,728**	$ 42,715	**$ 172,350**	$ 174,689
Investment properties operating expenses	**(14,324)**	(13,939)	**(55,572)**	(57,302)
Net rental income	**30,404**	28,776	**116,778**	117,387
Other income				
Interest and fee income	**390**	41	**995**	68
	390	41	**995**	68
Other expenses				
General and administrative	**(2,483)**	(2,503)	**(9,052)**	(9,931)
Interest:				
Interest expense on debt	**(8,996)**	(8,762)	**(34,871)**	(35,363)
Subsidiary redeemable units	**(3,344)**	(3,311)	**(13,376)**	(13,050)
Depreciation and amortization	**(12)**	(14)	**(52)**	(54)
	(14,835)	(14,590)	**(57,351)**	(58,398)
Fair value adjustments and other items				
Fair value adjustments to investment properties	**(1,476)**	(7,784)	**(17,491)**	(32,033)
Fair value adjustments to financial instruments	**5,499**	(13,385)	**(4,869)**	(22,351)
Net losses on transactions and other activities	**(822)**	(2,630)	**(3,275)**	(7,912)
	3,201	(23,799)	**(25,635)**	(62,296)
Income (loss) before income taxes	**19,160**	(9,572)	**34,787**	(3,239)
Recovery (Deferred and current) income taxes	**306**	(30)	**(128)**	549
Net income (loss) for the period	**$ 19,466**	$ (9,602)	**$ 34,659**	$ (2,690)

Investment properties revenue

Investment properties revenue includes rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Investment properties revenue totalled $44.7 million for the quarter, an increase of $2.0 million, or 4.7%, over the prior year comparative quarter. The increase is due to the impact of acquired properties in 2017 and higher comparative properties revenue due to increased occupancy. For the year ended December 31, 2017, investment properties revenue decreased by $2.3 million, or 1.3%, compared to the prior year comparative period, due to the impact of sold properties during 2016, slightly offset by acquired properties during 2017 and higher comparative properties revenue.

Investment properties operating expenses

Operating expenses consist of occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants. Operating expenses fluctuate with changes in occupancy levels, expenses that are seasonal in nature, and the level of repairs and maintenance incurred during the period.

Investment properties operating expenses increased by $0.4 million, or 2.8%, compared to the prior year comparative quarter. The increase is primarily due to the impact of acquired properties in 2017. For the year ended December 31, 2017, investment properties operating expenses decreased by $1.7 million, or 3.0%, compared to the prior year comparative period due to the impact of sold properties in 2016.

Interest and fee income

Interest and fee income primarily consists of interest earned on a deposit related to the purchase of the distribution centre in Nashville, Tennessee. The deposit was applied to closing proceeds.

General and administrative expenses

General and administrative expenses comprise expenses related to corporate management, trustees' fees and expenses, investor relations and asset management fees. The following table summarizes our general and administrative expenses for the three months and year ended December 31:

	Three months ended December 31,				Year ended December 31,			
		2017		2016		**2017**		2016
Asset management fee	**$**	**1,039**	$	1,012	**$**	**4,047**	$	4,129
Deferred compensation expenses		**577**		347		**1,785**		1,421
Professional fees		**265**		425		**1,176**		1,548
General corporate expenses[(1)]		**602**		719		**2,044**		2,833
Total	**$**	**2,483**	$	2,503	**$**	**9,052**	$	9,931

(1) Includes corporate management and Board of Trustees' fees and expenses.

General and administrative expenses remained relatively stable compared to the prior year comparative quarter. General and administrative expenses decreased $0.9 million, or 8.9%, compared to the year ended December 31, 2016 primarily due to savings as a result of the cost reduction program implemented during the fourth quarter of 2016.

Interest expense – debt

Interest expense on debt increased by $0.2 million, or 2.7%, compared to the prior year comparative quarter, primarily due to acquired properties in the fourth quarter of 2017. Interest expense decreased by $0.5 million, or 1.4%, compared to the year ended December 31, 2016, primarily due to de-leveraging following the 2016 dispositions. This was offset by additional refinancing and mark-to-market amortizations on matured mortgages.

Fair value adjustments to investment properties

During the three months and year ended December 31, 2017, the Trust recorded a fair value loss of $1.5 million and $17.5 million to investment properties, respectively. On a regional basis, for the three months ended December 31, 2017, there was a fair value loss of $4.2 million in Western Canada, $3.1 million loss in Eastern Canada and $1.6 million loss in the U.S. The loss was offset by a fair value gain of $6.8 million in Ontario and $0.6 million gain in Québec. For the year ended December 31, 2017, there was a fair value loss of $22.6 million in Western Canada, $15.8 million loss in Eastern Canada, $6.1 million loss in Québec and $1.6 million loss in the U.S. The loss was offset by a $26.1 million gain in Ontario and a fair value gain of $2.5 million on assets held for sale.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments include fair value adjustments on the conversion feature of convertible debt, remeasurement of the carrying value of subsidiary redeemable units, remeasurement of the deferred trust units, and fair value adjustments on the interest rate swaps.

During the three months and year ended December 31, 2017, the Trust recorded a loss of $0.5 million and $1.0 million, respectively, on the remeasurement of the conversion feature related to convertible debentures, due to changes in the trading price of the convertible debentures.

During the three months and year ended December 31, 2017, the Trust recorded a gain of $5.6 million and loss of $5.0 million, respectively, on the remeasurement of the subsidiary redeemable units, due to changes in the trading price of REIT Units.

During the three months ended December 31, 2017, the Trust recorded a nominal gain on the remeasurement of deferred trust units. For the year ended December 31, 2017, the Trust recorded a loss of $0.6 million due to changes in the trading price of REIT Units.

The Trust entered into two interest rate swap agreements to effectively fix the interest rate on two variable rate mortgages for an initial notional value of $50 million in August 2015 and $45 million in August 2017, respectively. The Trust did not apply hedge accounting to these relationships; therefore the fair value adjustment on the interest rate swaps is recognized in net income. For the three months ended December 31, 2017, the fair value adjustment resulted in a gain of $0.4 million ($1.8 million for the year ended December 31, 2017).

Net losses on transactions and other activities

Net losses on transactions and other activities decreased by $1.8 million compared to the prior year comparative quarter ($4.6 million compared to the year ended December 31, 2016). The decrease is due to business transformation charges which have ceased since October 2016, lower internal leasing costs and charges on the cost reduction program, no debt settlement costs in 2017, the loss on sale of investment properties in 2016, and transaction costs recorded in 2016 relating to business combinations completed in previous years.

Related party transactions

Dream Industrial and its subsidiaries enter into transactions with related parties that are disclosed in Note 25 to the consolidated financial statements.

Net operating income ("NOI")

We define NOI as investment properties revenue less investment properties operating expenses. NOI is the same as net rental income presented in the consolidated financial statements.

NOI is an important measure used by management in evaluating property operating performance; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

	Three months ended December 31,				Year ended December 31,			
	2017		2016		**2017**		2016	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Western Canada	**$ 11,252**	**37%**	$ 11,055	38%	**$ 44,580**	**38%**	$ 45,293	39%
Ontario	**8,130**	**27%**	7,752	27%	**31,301**	**27%**	30,765	25%
Québec	**5,518**	**18%**	5,612	20%	**22,402**	**19%**	23,191	20%
Eastern Canada	**4,755**	**16%**	4,357	15%	**17,746**	**15%**	18,138	16%
U.S.	**749**	**2%**	—	—	**749**	**1%**	—	—
NOI	**$ 30,404**	**100%**	$ 28,776	100%	**$ 116,778**	**100%**	$ 117,387	100%
Net rental income reported per consolidated financial statements	**$ 30,404**		$ 28,776		**$ 116,778**		$ 117,387	

For the three months ended December 31, 2017, NOI increased by $1.6 million, or 5.7%, compared to the prior year comparative quarter. The increase is due to the impact of acquired properties in 2017, an increase in comparative properties NOI, and lower bad debt expense, slightly offset by the impact of sold properties in 2016. For the year ended December 31, 2017, NOI decreased by $0.6 million, or 0.5%, over the prior year comparative period, due to the impact of sold properties in 2016.

Comparative properties NOI

NOI shown below details comparative and other items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following table are properties acquired prior to January 1, 2016 and exclude the properties sold during 2016 and properties classified as held for sale as at December 31, 2017. Comparative properties NOI excludes lease termination fees, other rental income, NOI from acquisitions, straight-line rent, bad debt expenses and amortization of lease incentives.

	Three months ended December 31,				Year ended December 31,			
			Growth				Growth	
	2017	2016	$	%	**2017**	2016	$	%
Western Canada	**$ 11,097**	$ 11,248	$ (151)	(1)	**$ 44,581**	$ 45,309	$ (728)	(2)
Ontario	**8,033**	7,511	522	7	**31,410**	29,356	2,054	7
Québec	**5,550**	5,616	(66)	(1)	**22,528**	21,957	571	3
Eastern Canada	**4,792**	4,445	347	8	**18,052**	18,027	25	—
Comparative properties NOI	**29,472**	28,820	652	2	**116,571**	114,649	1,922	2
Lease termination fees	**30**	21	9		**90**	126	(36)	
Other rental income	**273**	150	123		**379**	448	(69)	
NOI from acquisitions	**983**	—	983		**983**	—	983	
Straight-line rent	**112**	180	(68)		**490**	1,278	(788)	
Bad debt expenses	**(164)**	(400)	236		**(346)**	(824)	478	
Amortization of lease incentives	**(334)**	(249)	(85)		**(1,155)**	(742)	(413)	
NOI excluding properties held for sale and sold properties	**$ 30,372**	$ 28,522	$ 1,850	6	**$ 117,012**	$ 114,935	$ 2,077	2
NOI from properties held for sale	**32**	(6)	38		**(234)**	184	(418)	
NOI from sold properties	**—**	260	(260)		**—**	2,268	(2,268)	
NOI	**$ 30,404**	$ 28,776	$ 1,628	6	**$ 116,778**	$ 117,387	$ (609)	(1)
Net rental income reported per consolidated financial statements	**$ 30,404**	$ 28,776			**$ 116,778**	$ 117,387		
Average occupancy (comparative properties)	**95.7%**	94.4%			**95.1%**	94.5%		
In-place rental rates (per sq. ft.) at period-end (comparative properties excluding committed space)	**$ 7.18**	$ 7.21			**$ 7.18**	$ 7.21		

For the three months ended December 31, 2017, comparative properties NOI increased by $0.7 million, or 2.3%, compared to the prior year comparative quarter. Ontario increased due to higher average occupancy, as well as higher recoveries on capital spending. Eastern Canada increased compared to the prior year comparative quarter due to an increase in average occupancy. Comparative properties NOI remained stable in Western Canada and Québec.

For the year ended December 31, 2017, comparative properties NOI increased by $1.9 million, or 1.7%, compared to the prior year. Ontario increased due to higher average occupancy, as well as higher recoveries on capital spending. This was offset by a decrease in Western Canada due to lower average occupancy. Québec increased due to higher average occupancy. Comparative properties NOI remained stable in Eastern Canada.

NOI prior quarter comparison

The comparative properties discussed in the following table include properties acquired prior to June 1, 2017 and excludes properties classified as assets held for sale at December 31, 2017.

Overall, the comparative properties NOI increased by $0.1 million, or 0.5%, when compared to the previous quarter. Comparative properties NOI remained stable across all regions.

	Three months ended			
	December 31, 2017	September 30, 2017	Growth $	Growth %
Western Canada	**$ 11,097**	$ 11,119	$ (22)	—
Ontario	**8,033**	7,967	66	1
Québec	**5,550**	5,544	6	—
Eastern Canada	**4,792**	4,708	84	2
Comparative properties NOI	**29,472**	29,338	134	—
Lease termination fees	**30**	—	30	
Other rental income	**273**	103	170	
Acquisitions	**983**	—	983	
Straight-line rent	**112**	(15)	127	
Bad debt expenses	**(164)**	(55)	(109)	
Amortization of lease incentives	**(334)**	(300)	(34)	
NOI excluding properties held for sale	**$ 30,372**	$ 29,071	$ 1,301	4
NOI from properties held for sale	**32**	(34)	66	
NOI	**$ 30,404**	$ 29,037	$ 1,367	5
Net rental income reported per consolidated financial statements	**$ 30,404**	$ 29,037		
Average occupancy (comparative properties)	**95.7%**	95.3%		
In-place rental rates (per sq. ft.) at period-end (comparative properties excluding committed space)	**$ 7.18**	$ 7.20		

Funds from operations and adjusted funds from operations

The following table presents a reconciliation of net income to FFO and AFFO:

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Net income (loss)	**$ 19,466**	$ (9,602)	**$ 34,659**	$ (2,690)
Add (deduct):				
Amortization of lease incentives	**334**	249	**1155**	742
Interest expense on subsidiary redeemable units	**3,344**	3,311	**13,376**	13,050
Fair value adjustments to investment properties	**1,476**	7,784	**17,491**	32,033
Fair value adjustments to financial instruments	**(5,499)**	13,385	**4,869**	22,351
Transaction costs	**—**	—	**—**	969
Net loss on sale of investment properties	**—**	130	**—**	817
Fair value adjustments of DUIP included in general and administrative expenses	**19**	2	**46**	(53)
Debt settlement costs	**—**	369	**—**	583
Internal leasing costs	**822**	1,019	**3,125**	4,056
(Recovery of) deferred income taxes	**(307)**	30	**(98)**	(549)
FFO	**$ 19,655**	$ 16,677	**$ 74,623**	$ 71,309
FFO	**$ 19,655**	$ 16,677	**$ 74,623**	$ 71,309
Add (deduct):				
Amortization of fair value adjustments on assumed debt	**(69)**	(175)	**(434)**	(1,162)
Deferred unit compensation expense excluding fair value adjustments	**558**	345	**1,739**	1,474
Straight-line rent	**(112)**	(180)	**(490)**	(1,278)
Investment in business transformation activities	**—**	42	**—**	417
	20,032	16,709	**75,438**	70,760
Deduct:				
Normalized initial direct leasing costs and non-recoverable recurring capital expenditures	**2,313**	2,221	**8,901**	8,941
AFFO	**$ 17,719**	$ 14,488	**$ 66,537**	$ 61,819

The Trust compares the normalized initial direct leasing costs and non-recoverable recurring capital expenditures used in the AFFO calculation against the actual building improvements and leasing costs incurred, adjusted for recoverable capital expenditures and costs incurred towards upgrades to its properties and major reconfiguration of units to obtain higher rental rates and attract and put in place high value tenancies. For the year ended December 31, 2017, the building improvements and leasing costs adjusted for $9.0 million of recoverable capital expenditures and $5.4 million in recoverable leasing costs, and upgrades and major reconfigurations were $10.0 million, compared to the normalized costs of $8.9 million. The difference is primarily as a result of the Trust’s concentrated efforts to increase leasing activities in Eastern and Western Canada. The average of the adjusted actual building improvement and leasing costs calculated based on the past three years was $9.2 million, which is in line with the normalized costs for the year ended December 31, 2017.

Funds from operations

	Three months ended December 31,				Year ended December 31,			
		2017		2016		**2017**		2016
FFO	**$**	**19,655**	$	16,677	**$**	**74,623**	$	71,309
FFO per Unit – basic(1)	**$**	**0.23**	$	0.21	**$**	**0.92**	$	0.92
FFO per Unit – diluted(1)	**$**	**0.23**	$	0.21	**$**	**0.91**	$	0.90

(1) The LP B Units are included in the calculation of basic and diluted FFO per Unit.

Basic FFO per Unit for the three months ended December 31, 2017 increased $0.02, or 6.1%, compared to the prior year comparative quarter. For the year ended December 31, 2017, basic FFO per Unit remained flat compared to the prior year comparative period.

Diluted FFO per Unit for the three months ended December 31, 2017 increased by $0.02, or 6.1%, compared to the prior year comparative quarter. For the year ended December 31, 2017, diluted FFO per Unit increased by $0.01, or 0.4%, compared to the prior year comparative period.

The movements in basic and diluted FFO for the three-month comparative period are due to the impact of 2017 acquired properties, higher comparative properties NOI and no business transformation and cost reduction program charges in 2017. The increase in basic and diluted FFO for the 12-month comparative period is due to savings in general and administrative expense and minimal business transformation and cost reduction program charges. The impact of 2016 sold properties is offset by higher comparative properties NOI, 2017 acquired properties, and interest expense savings.

Adjusted funds from operations

	Three months ended December 31,				Year ended December 31,			
		2017		2016		**2017**		2016
AFFO	**$**	**17,719**	$	14,488	**$**	**66,537**	$	61,819
AFFO per Unit – basic(1)	**$**	**0.21**	$	0.19	**$**	**0.82**	$	0.79
AFFO per Unit – diluted(1)	**$**	**0.20**	$	0.19	**$**	**0.81**	$	0.79

(1) The LP B Units are included in the calculation of basic and diluted AFFO per Unit.

Basic AFFO per Unit for the three months ended December 31, 2017 increased by $0.02, or 10.2%, compared to the prior year comparative quarter. Basic AFFO per Unit for the year ended December 31, 2017 increased by $0.03, or 3.1%, compared to the prior year comparative period.

Diluted AFFO per Unit for the three months ended December 31, 2017 increased by $0.01, or 9.7%, compared to the prior year comparative quarter. Diluted AFFO per Unit for the year ended December 31, 2017 increased by $0.02, or 2.9%, compared to the prior year comparative period.

The movements in basic and diluted AFFO per Unit were primarily due to the same factors impacting FFO per Unit and the exclusion of certain accounting adjustments, such as straight-line rent and fair value adjustments on assumed debt.

SELECTED ANNUAL INFORMATION

The following table provides selected financial information for the past three years:

	2017	2016	2015
Investment properties revenue	$ **172,350**	$ 174,689	$ 176,992
Income (loss) before income taxes	**34,787**	(3,239)	35,455
Net income (loss)	**34,659**	(2,690)	35,189
Total assets	**1,807,751**	1,658,076	1,720,920
Non-current financial liabilities	**957,650**	956,389	899,806
Distributions per Unit	**0.70**	0.70	0.70
Distributions declared[(1)]	**57,818**	54,617	53,965
Units outstanding			
REIT Units	**75,104,843**	59,633,238	58,645,223
LP B Units	**18,551,855**	18,551,855	18,551,855

(1) Includes distributions on LP B Units.

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2016:

Key leasing, financing and portfolio information

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Leasing								
Occupancy rate – including committed (period-end)	**96.6%**	96.7%	96.8%	96.0%	95.2%	94.5%	94.7%	94.7%
Occupancy rate – in-place (period-end)	**95.7%**	95.6%	94.9%	93.9%	93.8%	93.2%	93.7%	93.5%
Tenant renewal ratio	**74.0%**	77.7%	67.4%	84.6%	66.1%	72.3%	59.6%	69.2%
Average in-place base rent per sq. ft. (period-end) – Canada	$ **7.17**	$ 7.19	$ 7.19	$ 7.19	$ 7.19	$ 7.13	$ 7.14	$ 7.15
Average in-place base rent per sq. ft. (period-end) – U.S. (US$)	$ **4.08**	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Estimated market rent in excess of in-place rent (%) – Canada	**3.1%**	1.0%	1.0%	1.4%	1.3%	1.5%	1.4%	2.7%
Estimated market rent in excess of in-place rent (%) – U.S.	**0.7%**	—	—	—	—	—	—	—
Financing								
Weighted average face interest rate[(1)]	**3.75%**	3.81%	3.81%	3.81%	3.81%	3.83%	3.86%	3.87%
Interest coverage ratio (times)[(2)]	**3.3**	3.3	3.3	3.2	3.1	3.1	3.1	3.1
Level of debt (debt-to-total assets)[(2)]	**49.5%**	52.6%	52.4%	52.3%	52.6%	52.7%	53.3%	53.7%
Portfolio								
Number of properties[(3)]	**215**	212	212	213	213	217	219	219
GLA (in millions of sq. ft.)	**17.2**	16.1	16.1	16.2	16.2	16.6	17.0	17.0

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

(2) The calculation of the following non-GAAP measures – interest coverage ratio and level of debt (debt-to-total assets) – is included in the "Non-GAAP measures and other disclosures" section of the MD&A.

(3) Excludes property or properties held for sale at each quarter.

Results of operations

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment properties revenue	**$ 44,728**	$ 42,091	$ 42,664	$ 42,867	$ 42,715	$ 43,233	$ 44,704	$ 44,037
Investment properties operating expenses	**(14,324)**	(13,054)	(13,728)	(14,466)	(13,939)	(13,807)	(15,174)	(14,382)
Net rental income	**30,404**	29,037	28,936	28,401	28,776	29,426	29,530	29,655
Other income	**390**	548	32	25	41	4	7	16
Other expenses	**(14,835)**	(14,331)	(14,094)	(14,091)	(14,590)	(14,525)	(14,681)	(14,602)
Fair value adjustments and other items	**3,201**	(5,214)	(22,627)	(995)	(23,799)	(947)	(14,981)	(22,569)
Income (loss) before income taxes	**19,160**	10,040	(7,753)	13,340	(9,572)	13,958	(125)	(7,500)
Recovery of (deferred and current) income taxes	**306**	(949)	645	(130)	(30)	325	351	(97)
Net income (loss) for the period	**$ 19,466**	$ 9,091	$ (7,108)	$ 13,210	$ (9,602)	$ 14,283	$ 226	$ (7,597)
Other comprehensive income								
Unrealized loss on foreign exchange	**(1,079)**	—	—	—	—	—	—	—
Unrealized gain on interest rate swap	**70**	358	310	75	360	157	144	47
	(1,009)	358	310	75	360	157	144	47
Comprehensive income (loss) for the period	**$ 18,457**	$ 9,449	$ (6,798)	$ 13,285	$ (9,242)	$ 14,440	$ 370	$ (7,550)

Calculation of funds from operations

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss) for the period	**$ 19,466**	$ 9,091	$ (7,108)	$ 13,210	$ (9,602)	$ 14,283	$ 226	$ (7,597)
Add (deduct):								
Amortization of lease incentives	**334**	300	278	243	249	192	162	139
Interest expense on subsidiary redeemable units	**3,344**	3,344	3,344	3,344	3,311	3,246	3,247	3,246
Fair value adjustments to investment properties	**1,476**	(3,651)	13,606	6,060	7,784	18,648	2,465	3,136
Fair value adjustments to financial instruments	**(5,499)**	8,145	8,219	(5,996)	13,385	(19,497)	11,211	17,252
Net loss on sale of investment properties	**—**	—	—	—	130	472	145	70
Fair value adjustments of DUIP included in general and administrative expenses	**19**	34	6	(13)	2	(27)	10	(38)
Debt settlement costs (gains)	**—**	—	—	—	369	218	—	(4)
Internal leasing costs	**822**	720	802	781	1,019	981	1,035	1,021
Transaction costs	**—**	—	—	—	—	—	—	969
(Recovery of) deferred income taxes	**(307)**	725	(645)	130	30	(325)	(351)	97
FFO	**$ 19,655**	$ 18,708	$ 18,502	$ 17,759	$ 16,677	$ 18,191	$ 18,150	$ 18,291
FFO per Unit – basic[(1)]	**$ 0.23**	$ 0.23	$ 0.23	$ 0.23	$ 0.21	$ 0.23	$ 0.23	$ 0.24
FFO per Unit – diluted[(1)(2)]	**$ 0.23**	$ 0.23	$ 0.23	$ 0.22	$ 0.21	$ 0.23	$ 0.23	$ 0.23
FFO payout ratio[(3)]	**77.8%**	76.1%	76.1%	78.8%	82.5%	76.4%	76.4%	75.8%

(1) The LP B Units are included in the calculation of basic and diluted FFO per Unit.

(2) Diluted FFO per Unit in the fourth quarter 2017 excludes $1.9 million in interest on convertible debentures. For each preceding quarter, diluted FFO per Unit excludes $2.0 million in interest on convertible debentures.

(3) Payout ratios for FFO (non-GAAP measure) are calculated as the ratio of distribution rate to diluted FFO.

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Funds from operations (FFO)	**$ 19,655**	$ 18,708	$ 18,502	$ 17,759	$ 16,677	$ 18,191	$ 18,150	$ 18,291
Add (deduct):								
Amortization of fair value adjustment on assumed debt	**(69)**	(126)	(118)	(121)	(175)	(262)	(343)	(382)
Deferred unit compensation expense excluding fair value adjustments	**558**	496	369	316	345	374	373	382
Straight-line rent	**(112)**	15	(169)	(224)	(180)	(273)	(440)	(385)
Investment in business transformation activities	**—**	—	—	—	42	125	125	125
	20,032	19,093	18,584	17,730	16,709	18,155	17,865	18,031
Adjusted for:								
Normalized initial direct leasing costs and non-recoverable recurring capital expenditures	**2,313**	2,226	2,202	2,160	2,221	2,232	2,242	2,246
Adjusted funds from operations (AFFO)	**$ 17,719**	$ 16,867	$ 16,382	$ 15,570	$ 14,488	$ 15,923	$ 15,623	$ 15,785
AFFO per Unit – basic(1)	**$ 0.21**	$ 0.21	$ 0.21	$ 0.20	$ 0.19	$ 0.20	$ 0.20	$ 0.20
AFFO per Unit – diluted(1)(2)	**$ 0.20**	$ 0.21	$ 0.21	$ 0.20	$ 0.19	$ 0.20	$ 0.20	$ 0.20
AFFO payout ratio(3)	**85.8%**	84.1%	85.4%	88.8%	94.1%	86.2%	87.5%	86.6%
Weighted average Units outstanding for FFO and AFFO(4)								
Basic (in thousands)	**86,443**	80,030	79,437	78,681	78,099	77,875	77,717	77,456
Diluted (in thousands)	**96,025**	90,215	89,299	88,892	88,302	88,096	87,931	87,608

(1) The LP B Units are included in the calculation of basic and diluted AFFO per Unit.

(2) Diluted AFFO per Unit in the fourth quarter 2017 excludes $1.8 million in interest on convertible debentures. For each preceding quarter, diluted AFFO per Unit excludes $1.9 million in interest on convertible debentures.

(3) Payout ratios for AFFO (non-GAAP measure) are calculated as the ratio of distribution rate to diluted AFFO.

(4) A description of the weighted average number of Units (non-GAAP measure) can be found under the heading "Non-GAAP measures and other disclosures".

NON-GAAP MEASURES AND OTHER DISCLOSURES

The following 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.

In March 2017, the Real Property Association of Canada ("REALPAC") published two white papers, dated February 2017, on "FFO and AFFO" and "ACFO", with a recommended adoption date for fiscal years commencing on or after January 1, 2017 and with prior period amounts restated to conform to the new definition(s). The Trust is in the process of reviewing the white papers, and the impact to its disclosures, and expects to provide the results of the review in the first quarter of 2018.

Funds from operations

Management believes FFO is an important measure of our operating performance. This non-GAAP measure is a commonly used measure of performance of real estate operations; however, it does not represent net income or cash generated from (utilized in) operating activities, as defined by IFRS, and is not necessarily indicative of cash available to fund Dream Industrial REIT's needs. FFO is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

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

The Trust's calculation of FFO is consistent with REALPAC's FFO definition, except for the treatment of debt settlement costs (gains) in 2016.

Adjusted funds from operations

Management believes AFFO is an important measure of our economic performance. AFFO is commonly used for assessing real estate performance; however, it does not represent cash generated from (utilized in) operating activities, as defined by IFRS, and is not necessarily indicative of cash available to fund the Trust's needs. AFFO is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers. In calculating AFFO, we also normalize leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased.

In determining AFFO, the Trust assumes 8% of NOI, adjusted for straight-line rent, property management income and amortization of tenant inducements for normalized initial direct leasing costs and non-recoverable maintenance capital expenditures. Management uses 8% of NOI based on assessments of the condition of our properties, history from vendors, internal capital expenditure budgets, level of expiries and appraisal data, taking into account that these expenditures typically are not incurred at a rate that is consistent from period to period. We also evaluate the impact of leasing activity based on averages of our portfolio from time to time.

Management believes that the use of a capital reserve for the calculation of AFFO serves as a better proxy and reflection of average annual spending levels. The Trust is in the process of reviewing the capital reserve in conjunction with the review of the white papers and the impact to its AFFO calculation.

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

The Trust's calculation of AFFO is consistent with REALPAC's AFFO definition, except for the treatment of mark-to-market amortizations on debt, deferred compensation expenses, internal leasing costs and debt settlement costs (gains).

NOI

NOI is defined by the Trust as investment properties revenue, less investment properties operating expenses, plus the share of net rental income from investments in joint ventures, if any. This non-GAAP measure is an important measure used by the Trust in evaluating property operating performances; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers. As a result of the Trust not having any net rental income from investments in joint ventures during the periods ended December 31, 2017 and December 31, 2016, NOI is the same as net rental income presented in the consolidated financial statements.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", NOI has been reconciled to net rental income under the heading "Net operating income".

Stabilized NOI

Stabilized NOI for an individual property is defined by the Trust as investment properties revenue less investment properties operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. This non-GAAP measure is an important measure used by the Trust in determining the fair value of individual investment properties; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

Comparative properties NOI

Comparative properties NOI is an important non-GAAP measure used by management to evaluate the performance of the properties fully owned by the Trust in the current and comparative periods presented, excluding the properties held for sale at the period-end date. This non-GAAP measure is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers. Comparative properties NOI excludes lease termination fees, other rental income, straight-line rents, bad debt expenses and amortization of lease incentives.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", comparative properties NOI has been reconciled to net rental income under the headings "Comparative properties NOI" and "NOI prior quarter comparison".

Weighted average number of Units

The basic weighted average number of Units outstanding used in the FFO and AFFO calculations includes the weighted average of all REIT Units, LP B Units, and vested but unissued deferred trust units and income deferred trust units. The diluted weighted average number of Units assumes the conversion of the convertible debentures and includes the unvested deferred trust units and income deferred trust units. As at December 31, 2017, there were 761,924 deferred trust units and income deferred trust units outstanding.

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Weighted average Units outstanding for basic per Unit amounts (in thousands)	**86,443**	78,099	**81,182**	77,790
Weighted average Units outstanding for diluted per Unit amounts (in thousands)	**96,025**	88,302	**91,196**	87,962

Level of debt (debt-to-total assets)

Management believes this non-GAAP measure is an important measure in the management of our debt levels. Level of debt is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers. Level of debt (debt-to-total assets) as shown on the next page is determined as total debt at principal amount outstanding divided by total assets.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the level of debt (debt-to-total assets):

Amounts per consolidated financial statements		December 31, 2017		December 31, 2016
Non-current debt	$	776,459	$	780,622
Current debt		113,337		87,725
Total debt		889,796		868,347
Add (deduct):				
Unamortized financing costs		5,552		5,932
Unamortized fair value adjustments		(912)		(1,346)
Total debt at principal amount outstanding		894,436		872,933
Total assets	$	1,807,751	$	1,658,076
Debt-to-total assets		49.5%		52.6%

Debt-to-adjusted EBITDA

Management believes this non-GAAP measure is an important measure in determining the time it takes the Trust, based on its operating performance, to repay its debt. Debt-to-adjusted EBITDA is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

Debt-to-adjusted EBITDA as shown below is determined as total debt at principal amount outstanding divided by annualized adjusted EBITDA for the quarter. Adjusted EBITDA is calculated as net income before taxes adjusted for fair value adjustments to investment properties and financial instruments, net losses on transactions and other activities, interest expense, depreciation and amortization, and other items included in investment properties revenue.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the debt-to-adjusted EBITDA:

Amounts per consolidated financial statements		Three months ended December 31, 2017		Three months ended December 31, 2016
Non-current debt	$	776,459	$	780,622
Current debt		113,337		87,725
Total debt		889,796		868,347
Add (deduct):				
Unamortized financing costs		5,552		5,932
Unamortized fair value adjustments		(912)		(1,346)
Total debt at principal amount outstanding	$	894,436	$	872,933
Income (loss) before income taxes	$	19,160	$	(9,572)
Add (deduct):				
Fair value adjustments to investment properties		1,476		7,784
Fair value adjustments to financial instruments		(5,499)		13,385
Net losses on transactions and other activities		822		2,630
Interest – debt		8,996		8,762
Interest – subsidiary redeemable units		3,344		3,311
Depreciation and amortization		12		14
Other items included in investment properties revenues[1]		(81)		(361)
Adjusted EBITDA – quarterly	$	28,230	$	25,953
Normalized NOI of acquired properties for the quarter[2]		618		—
Adjusted EBITDA – quarterly		28,848		25,953
Adjusted EBITDA – annualized	$	115,392	$	103,812
Debt-to-adjusted EBITDA (years)		7.8		8.4

(1) Includes adjustments for lease termination fees, other items that are non-recurring in nature, straight-line rent, amortization of lease incentives and NOI from sold properties.

(2) Represents the incremental NOI had the acquisitions occurred on October 1, 2017, determined using average daily NOI times the number of days the Trust did not own the properties.

Interest coverage ratio

Management believes this non-GAAP measure is an important measure in determining our ability to cover interest expense based on our operating performance. It is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers. Interest coverage ratio as shown below is calculated as net rental income plus interest and fee income, less general and administrative expenses, plus deferred unit compensation expense, all divided by interest expense on total debt excluding amortization of financing costs and fair value adjustments. Interest expense on subsidiary redeemable units is excluded as it represents distributions on units; however, pursuant to IFRS, the distributions are presented as interest expense.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the interest coverage ratio:

	Three months ended December 31,		Year ended December 31,	
Amounts per consolidated financial statements	**2017**	2016	**2017**	2016
Net rental income	**$ 30,404**	$ 28,776	**$ 116,778**	$ 117,387
Add (deduct):				
Interest and other	**390**	41	**995**	68
General and administrative expenses	**(2,483)**	(2,503)	**(9,052)**	(9,931)
Deferred unit compensation expense	**577**	347	**1,785**	1,421
Adjusted net rental income	**$ 28,888**	$ 26,661	**$ 110,506**	$ 108,945
Interest expense	**8,996**	8,762	**34,871**	35,363
Amortization of financing costs	**(429)**	(401)	**(1,655)**	(1,503)
Amortization of fair value adjustments	**69**	175	**434**	1,162
Interest expense incurred, at contractual rate	**$ 8,636**	$ 8,536	**$ 33,650**	$ 35,022
Interest coverage ratio (times)	**3.3**	3.1	**3.3**	3.1

Adjusted cash generated from (utilized in) operating activities

In any given period, actual distributions declared may differ from cash generated from (utilized in) operating activities, primarily due to seasonal fluctuations in non-cash working capital and the impact and timing of lease incentives and initial direct leasing costs. The Trust determines distributions and the distribution rate by, among other considerations, its assessment of cash flow as determined using adjusted cash generated from (utilized in) operating activities (a non-GAAP measure). Adjusted cash generated from (utilized in) operating activities excludes the fluctuations in non-cash working capital, transaction costs on business combinations, and investment in lease incentives and initial direct leasing costs. As such, the Trust believes the cash distributions are not an economic return of capital, but a distribution of sustainable adjusted cash generated from (utilized in) operating activities. Adjusted cash generated from (utilized in) operating activities is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers.

The Trust anticipates that actual distributions declared will, in the foreseeable future, continue to vary from net income as net income includes non-cash items such as fair value adjustments to investment properties and fair value adjustments to financial instruments. Accordingly, the Trust does not use net income as a proxy for distributions.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash generated from (utilized in) operating activities and distributions paid and payable, as well as the differences between net income and distributions paid and payable, in accordance with the guidelines.

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Net income (loss)	**$ 19,466**	$ (9,602)	**$ 34,659**	$ (2,690)
Cash generated from operating activities	**15,385**	11,094	**67,121**	58,585
Add (deduct):				
Investment in lease incentives and initial direct leasing costs	**2,101**	2,789	**9,390**	11,257
Change in non-cash working capital	**2,163**	2,148	**(2,491)**	(2,030)
Adjusted cash generated from operating activities	**19,649**	16,031	**74,020**	67,812
Distributions paid and payable(1)	**15,767**	13,766	**57,818**	54,617
Excess of adjusted cash generated from operating activities over distributions paid and payable	**3,882**	2,265	**16,202**	13,195
Excess (shortfall) of net income over distributions paid and payable	**3,699**	(23,368)	**(23,159)**	(57,307)
Excess (shortfall) of cash generated from (utilized in) activities over distributions paid and payable	**$ (382)**	$ (2,672)	**$ 9,303**	$ 3,968

(1) Includes distributions on LP B Units.

For the three months ended December 31, 2017, adjusted cash generated from operating activities exceeded distributions paid and payable by $3.9 million ($2.3 million for the three months ended December 31, 2016). For the year ended December 31, 2017, adjusted cash generated from operating activities exceeded distributions paid and payable by $16.2 million ($13.2 million for the year ended December 31, 2016).

For the three months ended December 31, 2017, net income exceeded distributions paid and payable by $3.7 million (shortfall of $23.4 million for the three months ended December 31, 2016). For the year ended December 31, 2017, distributions paid and payable exceeded net income by $23.2 million (exceeded by $57.3 million for the year ended December 31, 2016). Net income is net of distributions paid and payable on subsidiary redeemable units of $3.4 million for the three months ended December 31, 2017 ($13.4 million for the year ended December 31, 2017), which amounts are also included in distributions paid and payable.

The net income shortfalls for the year ended December 31, 2017 were primarily driven by fair value adjustments to financial instruments and investment properties. As this is a non-cash item and does not affect cash generated from operating activities and adjusted cash generated from operating activities, the Trust does not believe that the distributions for the affected periods represent a return of capital and accordingly, the Trust does not anticipate cash distributions will be suspended in the foreseeable future.

For the three months ended December 31, 2017, distributions paid and payable exceeded cash generated from operating activities by $0.4 million (exceeded by $2.7 million for the three months ended December 31, 2016). The Trust believes these shortfalls were primarily as a result of timing differences between the realization of working capital, investment in lease incentives and initial direct leasing costs, and the declaration of distributions, and thus, did not constitute an economic return of capital.

Of the distributions paid and payable for the three months ended December 31, 2017, $6.0 million ($21.4 million for the year ended December 31, 2017) was reinvested into the DRIP. Over time, reinvestments pursuant to the DRIP will increase the number of Units outstanding, which may result in upward pressure on the total amount of cash distributions. 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, which allows for any unforeseen expenditures and the variability in cash distributions as a result of additional Units issued pursuant to the Trust's DRIP.

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

For the December 31, 2017 financial year-end, the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), together with other members of management, have evaluated the design and operational effectiveness of Dream Industrial's disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). The Certifying Officers have concluded that the disclosure controls and procedures are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management to allow timely decisions of required disclosures by Dream Industrial and its consolidated subsidiary entities within the required time periods.

Dream Industrial REIT's internal control over financial reporting (as defined in NI 52-109) is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS. During the year ended December 31, 2017, Dream Industrial implemented the Internal Control – Integrated Framework (2013) ("COSO Framework"), as published by the Committee of Sponsoring Organizations of the Treadway Commission. Using the COSO Framework, the Certifying Officers, together with other members of management, have evaluated the design and operation of Dream Industrial's internal control over financial reporting. Based on that evaluation, the Certifying Officers have concluded that Dream Industrial's internal control over financial reporting was effective as at December 31, 2017.

There were no changes in Dream Industrial's internal control over financial reporting during the financial year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, Dream Industrial's internal control over financial reporting.

SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

We are exposed to various risks and uncertainties, many of which are beyond our control. For a full list and explanation of our material risks and uncertainties, please refer to our most recent Annual Report or our most recent Annual Information Form, filed on SEDAR at www.sedar.com.

REAL ESTATE OWNERSHIP

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of industrial properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash from operations and to make distributions and interest payments.

Certain significant expenditures (e.g., property taxes, maintenance costs, mortgage payments, insurance costs and related charges) must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction, or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. In the course of acquiring a property, undisclosed defects in design or construction or other risks might not have been recognized or correctly evaluated during the pre-acquisition due diligence process. These circumstances could lead to additional costs and could have an adverse effect on our proceeds from sales and rental income of the relevant properties.

ROLLOVER OF LEASES

Upon the expiry of any lease, there can be no assurance the lease will be renewed or the tenant replaced. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. Our cash flows and financial position would be adversely affected if our tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us.

CONCENTRATION OF PROPERTIES AND TENANTS

Currently, our properties are located in Canada and the U.S., and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in Canada and the U.S. These factors may differ from those affecting the real estate markets in other regions. Due to the concentrated nature of our properties, a number of our properties could experience any of the same conditions at the same time. If real estate conditions in Canada or the U.S. decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

FINANCING

We require access to capital to maintain our properties as well as to fund our growth strategy and significant capital expenditures. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing will be subject to a number of factors, including general market conditions; the market's perception of our growth potential; our current and expected future earnings; our cash flow and cash distributions and cash interest payments; and the market price of our Units.

A significant portion of our financing is debt. Accordingly, we are subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest, and that, on maturities of such debt, we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing debt. If we are unable to refinance debt at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to unitholders. Such losses could have a material adverse effect on our financial position or cash flows.

The degree to which we are leveraged could have important consequences to our operations. A high level of debt will: reduce the amount of funds available for the payment of distributions to unitholders and interest payments on our debentures; limit our flexibility in planning for and reacting to changes in the economy and in the industry, and increase our vulnerability to general adverse economic and industry conditions; limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments; place us at a competitive disadvantage compared to other owners of similar real estate assets that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then outstanding borrowings; and impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

INTEREST RATES

When entering into financing agreements or extending such agreements, we depend on our ability to agree on terms for interest payments that will not impair our desired profit, and on amortization schedules that do not restrict our ability to pay distributions on our Units and interest payments on our debentures. In addition to existing variable rate portions of our financing agreements, we may enter into future financing agreements with variable interest rates. An increase in interest rates could result in a significant increase in the amount we pay to service debt, which could limit our ability to pay distributions to unitholders and could impact the market price of the Units and/or the convertible debentures. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a significant negative effect on our ability to sell any of our properties.

CURRENCY RISK

Some of our investments and operations are conducted in U.S. dollars; however, we pay distributions to unitholders in Canadian dollars. As a result, fluctuations in the U.S. dollar against the Canadian dollar could have a material adverse effect on our financial results, which are denominated and reported in Canadian dollars, and on our ability to pay cash distributions to unitholders. The Trust's exposure to currency exchange risk could increase if the proportion of income from properties located in the U.S. increases as a result of future property acquisitions.

JOINT ARRANGEMENTS

We are a participant in jointly controlled entities and co-ownerships, combined ("joint arrangements") with third parties. A joint arrangement involves certain additional risks, including:

(i) the possibility that such third parties may at any time have economic or business interests or goals that will be inconsistent with ours, or take actions contrary to our instructions or requests or to our policies or objectives with respect to our real estate investments;

(ii) the risk that such third parties could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on us to maintain and operate such properties or repay the third parties' share of property debt guaranteed by us or for which we will be liable, and/or result in our suffering or incurring delays, expenses and other problems associated with obtaining court approval of the joint arrangement;

(iii) the risk that such third parties may, through their activities on behalf of or in the name of the joint arrangements, expose or subject us to liability; and

(iv) the need to obtain third parties' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint arrangements may be subject to rights of first refusal or first offer, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not desire to sell but may be forced to do so because we do not have the cash to purchase the other party's interests. Such rights may also inhibit our ability to sell an interest in a property or a joint arrangement within the time frame or otherwise on the basis we desire.

Our investment in properties through joint arrangements is subject to the investment guidelines set out in our Declaration of Trust.

CHANGES IN LAW

We are subject to applicable federal, provincial or state, municipal, local and common laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in such laws or regulations, or changes in their application, enforcement or regulatory interpretation, could result in changes in the legal requirements affecting us (including with retroactive effect). In addition, the political conditions in the jurisdictions in which we operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which we are subject in the jurisdictions in which we operate could materially affect our rights and title in and to the properties and the revenues we are able to generate from our investments.

TAX CONSIDERATIONS

We intend to continue to qualify as a "unit trust" and a "mutual fund trust" for purposes of the *Income Tax Act* (Canada). There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the unitholders. If we cease to qualify as a "mutual fund trust" under the *Income Tax Act* (Canada), the income tax considerations applicable to us would be materially and adversely different in certain respects, including that the Units may cease to be qualified investments for registered plans under the *Income Tax Act* (Canada).

Although we have been structured with the objective of maximizing after-tax distributions, tax charges and withholding taxes in various jurisdictions in which we invest will affect the level of distributions made to us by our subsidiaries. No assurance can be given as to the level of taxation suffered by us or our subsidiaries. Currently, our revenues are derived from our investments located in Canada and the U.S., which will subject us to legal and political risks specific to those countries, any of which could adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on the Units and our ability to implement our growth strategy. The taxable income portion of our distributions is affected by a variety of factors, including the amount of foreign accrual property income that we recognize annually, gains and losses, if any, from the disposition of properties and the results of our operations. These components will change each year and therefore, the taxable income allocated to our unitholders each year will also change accordingly.

ENVIRONMENTAL RISK

As an owner of real property, we are subject to various federal, provincial or state, and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental audit to be conducted. Although such an audit provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to obtain a Phase I Environmental Site Assessment, conducted by an independent and qualified environmental consultant, before acquiring any real property or any interest therein.

COMPETITION

The real estate markets in Canada and the U.S. are highly competitive and fragmented, and we compete for real property acquisitions with individuals, corporations, institutions and other entities that may seek real property investments similar to those we desire. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. If competing properties of a similar type are built in the area where one of our properties is located or if similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced.

Numerous other developers, managers and owners of properties will compete with us in seeking tenants. To the extent that our competitors own properties that are in better locations, of better quality or less leveraged than the properties owned by us, they may be in a better position to attract tenants who might otherwise lease space in our properties. To the extent that our competitors are better capitalized or financially stronger, they would be in a better position to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition.

INSURANCE

We carry general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in Canada and the U.S. and otherwise acceptable to our trustees. For the property risks, we carry “All Risks” property insurance including, but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24-month indemnity period). We also carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. However, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. We partially self-insure against terrorism risk for our entire portfolio. We have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We do not carry title insurance on all of our properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

CYBER SECURITY RISKS

As we continue to increase our dependence on information technologies to conduct our operations, the risks associated with cyber security also increase. We rely on management information systems and computer control systems. Business disruptions, utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm our operations and materially adversely affect our operating results. Cyber security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the misuse or loss of control over computer control systems, and breaches due to employee error. Our exposure to cyber security risks includes exposure through third parties on whose systems we place significant reliance for the conduct of our business. We have implemented security procedures and measures in order to protect our systems and information from being vulnerable to cyber-attacks. However, we may not have the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to our information and control systems could have severe financial and other business implications.

SECTION V – CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which 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 amount of the asset or liability affected.

Critical accounting judgments

Following are the critical judgments used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Investment properties

Critical judgments are made with respect to the fair values of investment properties. The fair values of investment properties are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified external valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property.

Business combinations

Accounting for business combinations under IFRS 3, "Business Combinations" ("IFRS 3"), only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by management in determining whether the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the Trust applies judgment when considering the following:

- Whether the investment property or properties are capable of producing outputs;
- Whether the market participant could produce outputs if missing elements exist.

In particular, the Trust considers the following:

- Whether employees were assumed in the acquisition;
- Whether an operating platform has been acquired.

Currently, the Trust classifies an acquisition as an asset acquisition when it acquires properties or a portfolio of properties, and does not assume employees or does not acquire an operating platform.

Estimates and assumptions

The Trust makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from those estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the valuation of investment properties at fair value include the receipt of contractual rents, expected future market rents, renewal rates, capital expenditures, discount rates that reflect current market uncertainties, capitalization rates and recent investment property transactions. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the DUIP, the conversion feature of the convertible debenture and the fair value disclosure of the mortgages, revolving credit facility and convertible debentures. The critical assumptions underlying the fair value measurements and disclosures include the market price of REIT Units and market interest rates.

For certain financial instruments, including cash and cash equivalents, amounts receivable, amounts payable and accrued liabilities, deposits, distributions payable and the revolving credit facility, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages are determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures uses quoted market prices from an active market.

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

The following are the accounting policy changes to be implemented by the Trust in future years:

Revenue recognition

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Trust will adopt the new standard on the required effective date using the modified retrospective method.

Within the scope of IFRS 15 are recoveries of operating expenses (common-area maintenance charges to tenants under the Trust's operating leases), administrative fees on tenant-specific chargebacks, and parking income. Performance obligations are satisfied over time. Rental revenue earned from these operating leases is outside the scope of IFRS 15 and will therefore not be impacted by the adoption. Management has determined that this standard has no material impact on the consolidated financial statements.

Financial instruments

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The entity's own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets, "fair value through other comprehensive income", will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

As part of the transition to IFRS 9, the Trust focused on identifying mortgages which were previously accounted for as a debt modification; IFRS 9 requires that a gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flow discounted at the original effective interest rate. The Trust also developed an impairment model that takes into consideration forward-looking information, as required by IFRS 9. Management has determined that this standard has no material impact on the consolidated financial statements.

Leases

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Uncertainty over income tax treatments

The IASB issued IFRIC Interpretation 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), in June 2017. IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12"), when there is uncertainty over income tax treatments, including whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The interpretation is applicable for financial years commencing on or after January 1, 2019. The Trust is analyzing the interpretation to determine the impact on the consolidated financial statements.

Additional information

Additional information relating to Dream Industrial REIT, including the latest Annual Information Form of Dream Industrial REIT, is available on SEDAR at www.sedar.com.

SECTION VI – SUPPLEMENTARY INFORMATION

The tables in this section include supplementary information on our portfolio as at December 31, 2017.

PROPERTY LIST AND SELECTED DATA

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
7140 40th Street SE, Calgary	100%	351,306	351,306	1978/2007	30.0	13.8	13.8	1	4.8	100.0%
1919 84th Avenue (Park 19) , Edmonton	100%	48,365	48,365	1975/1987	21.0	3.7	3.7	1	1.4	100.0%
2721 Hopewell Place NE, Calgary	100%	37,690	37,690	2006	22.0	1.9	1.9	1	4.8	100.0%
204 26229 Township Road 531A (Parkland County), Edmonton	100%	34,904	34,904	2005	24.0	9.0	9.0	1	2.2	100.0%
6908 6th Street SE (Glenmore Business Park), Calgary	100%	31,467	31,467	1978	18.0	3.2	3.2	1	1.7	100.0%
3917 81st Avenue, Edmonton	100%	30,353	30,353	2006	28.0	5.5	5.5	1	3.3	100.0%
2876 Sunridge Way NE (Sunridge Business Park), Calgary	100%	30,000	30,000	2000	16.0	2.3	2.3	1	2.9	100.0%
3250 Sunridge Way NE (Sunridge Business Park), Calgary	100%	27,180	27,180	2000	24.0	2.1	2.1	1	2.6	100.0%
9601 156th Avenue, Grand Prairie	100%	27,058	27,058	2005	24.0	27.3	27.3	1	2.2	100.0%
2240 Premier Way (GE Turbine), Edmonton	100%	26,381	26,381	2003	30.0	1.5	1.5	1	4.6	100.0%
1802 Stock Road, Regina	50%	46,157	23,079	2012	28.0	3.6	1.8	1	5.4	100.0%
7121 6th Street SE (Glenmore Business Park), Calgary	100%	19,274	19,274	1984	20.0	0.9	0.9	1	3.9	100.0%
120 Pond Street East, Brooks	100%	14,305	14,305	2006	24.0	5.2	5.2	1	3.8	100.0%
363 and 345 Maxwell Crescent, Regina	50%	23,415	11,708	1984/1997	24.0	3.4	1.7	1	3.2	100.0%
1105 Pettigrew Avenue, Regina	50%	12,234	6,117	1980/2012	18.0	2.1	1.1	1	0.3	100.0%
2190 Industrial Drive, Regina	50%	11,677	5,839	2006	18.0	2.7	1.4	1	4.4	100.0%
1640 Broder Street, Regina	50%	11,169	5,585	1989/1997	16.0	1.1	0.5	1	6.1	100.0%
Western Canada Single-tenant	**93.3%**	**782,935**	**730,611**		**26.1**	**89.3**	**82.9**	**17**	**3.9**	**100.0%**
310 Henderson Drive, Regina	100%	373,284	373,284	1976	24.0	24.0	24.0	2	5.8	100.0%
35th Street SE, 7803, Calgary	100%	189,047	189,047	1977	20.0	10.2	10.2	5	4.3	92.8%
15303 128th Avenue, Edmonton	100%	177,058	177,058	1977/2004	25.0	12.4	12.4	3	6.1	100.0%
611-615 71st Avenue SE & 7515 6th Street SE (Glenmore Business Park), Calgary	100%	167,779	167,779	1979	20.0	6.5	6.5	15	4.3	90.1%
628 668 Henderson Drive (Chestermere), Regina	100%	164,055	164,055	1975	19.0	9.1	9.1	21	2.6	96.2%
7504 30th Street SE, Calgary	100%	138,729	138,729	1976	22.0	6.0	6.0	2	4.7	100.0%
11445 163rd Street (Alberta Park), Edmonton	100%	131,227	131,227	1981	22.0	5.2	5.2	7	2.6	62.0%
9603-9699 45th Avenue NW, Edmonton	100%	110,397	110,397	1975	22.0	6.0	6.0	20	2.1	85.8%
603 Park Street, Regina	100%	109,774	109,774	1978	19.0	6.8	6.8	17	3.3	74.6%
3916 61st Avenue, Calgary	100%	99,978	99,978	1976	26.0	5.1	5.1	2	3.8	100.0%
7004-7042 30th Street SE, Calgary	100%	94,251	94,251	1976	18.0	5.3	5.3	6	7.0	78.3%
651 Henderson Drive (Henderson Business Centre), Regina	100%	90,259	90,259	1982	19.0	5.0	5.0	17	3.2	89.9%
26229 Township Road 531, Parkland County	100%	89,104	89,104	1968	24.7	6.5	6.5	12	1.6	95.4%
7008 5th Street SE (Glenmore Business Park), Calgary	100%	86,023	86,023	1975	17.0	3.7	3.7	6	2.9	93.6%
11404 Winterburn Rd NW, Edmonton	100%	80,815	80,815	2004	23.8	6.3	6.3	14	2.5	83.9%
7004 5th Street SE (Glenmore Business Park), Calgary	100%	79,414	79,414	1975	20.0	3.4	3.4	11	3.5	100.0%
9451 45th Avenue (Southwood Centre), Edmonton	100%	75,172	75,172	1998	28.0	4.5	4.5	2	3.0	100.0%
4710-4760 14th Street NE (McCall Industrial Park), Calgary	100%	73,031	73,031	1976	18.0	4.0	4.0	21	2.5	95.0%
2777 23rd Avenue NE (Sunridge Business Park), Calgary	100%	67,250	67,250	2001	24.0	3.8	3.8	3	2.7	90.2%
3510 29th Street NE (ACC Centre), Calgary	100%	65,022	65,022	1998	24.0	3.0	3.0	7	2.6	100.0%
7111 6th Street SE (Glenmore Business Park), Calgary	100%	64,939	64,939	1985	20.0	2.9	2.9	4	4.4	100.0%
3401 19th Street, Calgary	100%	63,950	63,950	1976	22.0	4.1	4.1	6	2.9	100.0%
2150 29th Street NE (Sunridge Business Park), Calgary	100%	59,814	59,814	1999	24.0	3.3	3.3	7	3.1	100.0%
7710 5th Street SE (Glenmore Business Park), Calgary	100%	58,786	58,786	1980	20.0	2.3	2.3	23	2.9	69.5%
550 71st Avenue SE (Glenmore Business Park), Calgary	100%	58,294	58,294	1982	12.0	2.6	2.6	10	3.3	100.0%
2175 29th Street NE (Sunridge Business Park), Calgary	100%	58,184	58,184	2000	24.0	3.5	3.5	3	4.4	100.0%
2256 29th Street NE (Sunridge Business Park), Calgary	100%	57,898	57,898	1998	24.0	3.5	3.5	4	2.0	100.0%
4403-4435 97th Street North West, Edmonton	100%	57,813	57,813	1975	24.0	3.2	3.2	5	4.4	100.0%
1139-1165 40th Avenue NE, Calgary	100%	57,479	57,479	1974	20.0	2.9	2.9	6	2.8	100.0%
2151 32nd Street NE (Sunridge Business Park), Calgary	100%	57,225	57,225	1999	24.0	3.4	3.4	6	2.6	100.0%
501-529 36th Avenue SE, Calgary	100%	57,200	57,200	1974	18.0	2.9	2.9	5	3.1	93.7%

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2928 Sunridge Way NE (Sunridge Business Park), Calgary	100%	57,196	57,196	2003	24.0	4.1	4.1	4	2.9	100.0%
4504-4576 14th Street NE, Calgary	100%	57,155	57,155	1976	16.0	4.1	4.1	31	1.9	100.0%
6812 6th Street SE (Glenmore Business Park), Calgary	100%	56,970	56,970	1978	20.0	5.7	5.7	6	2.5	100.0%
2121 29th Street NE (Sunridge Business Park), Calgary	100%	56,889	56,889	2000	24.0	3.8	3.8	3	3.8	100.0%
402 McDonald Street (Imperial Business Centre), Regina	100%	56,138	56,138	1984	18.0	2.8	2.8	15	2.1	95.3%
2985 23rd Avenue NE (Sunridge Business Park), Calgary	100%	54,065	54,065	2000	24.0	3.0	3.0	3	2.4	100.0%
4402-4434 10th Street NE, Calgary	100%	53,992	53,992	1974	16.0	3.1	3.1	6	3.5	93.4%
7003 5th Street SE (Glenmore Business Park), Calgary	100%	52,825	52,825	1975	20.0	2.7	2.7	14	4.8	100.0%
16134-114th Avenue NW, Edmonton	100%	47,925	47,925	2006	26.8	4.4	4.4	9	2.3	100.0%
2886 Sunridge Way NE (Sunridge Business Park), Calgary	100%	44,433	44,433	2001	24.0	3.5	3.5	4	3.2	100.0%
610 70th Avenue SE (Glenmore Business Park), Calgary	100%	44,263	44,263	1985	20.0	3.5	3.5	12	3.0	100.0%
1512-1514 8th Street, Edmonton	100%	42,670	42,670	1980	20.0	10.2	10.2	1	2.3	83.5%
535-561 36th Avenue SE, Calgary	100%	41,440	41,440	1974	16.0	1.9	1.9	2	8.2	100.0%
5824 Burbank Road SE, Calgary	100%	39,845	39,845	1972	20.0	2.4	2.4	6	5.7	100.0%
310 Hoffer Drive (McDonald Business Centre), Regina	100%	38,050	38,050	1985	18.0	2.8	2.8	5	2.3	100.0%
4001 19th Street, Calgary	100%	36,939	36,939	1978	22.0	2.5	2.5	7	3.3	100.0%
6810 6th Street SE (Glenmore Business Park), Calgary	100%	31,726	31,726	1978	19.0	3.2	3.2	3	3.2	100.0%
6804-6818 30th Street SE, Calgary	100%	29,986	29,986	1976	16.0	1.2	1.2	4	3.4	100.0%
7131 6th Street SE (Glenmore Business Park), Calgary	100%	29,002	29,002	1982	20.0	1.3	1.3	2	3.6	100.0%
6023-6039 Centre Street South, Calgary	100%	28,795	28,795	1973	15.0	1.5	1.5	6	4.1	100.0%
4502-4516 10th Street NE, Calgary	100%	28,641	28,641	1974	16.0	1.4	1.4	5	2.1	75.4%
16104 114th Avenue NW, Edmonton	100%	28,624	28,624	1972	20.0	4.4	4.4	8	2.0	100.0%
3030 Sunridge Way NE (Sunridge Business Park), Calgary	100%	26,978	26,978	2000	24.0	2.1	2.1	6	3.4	100.0%
6043-6055 Centre Street South, Calgary	100%	25,234	25,234	1973	15.0	1.3	1.3	5	4.0	100.0%
530-544 38A Avenue SE, Calgary	100%	23,988	23,988	1974	16.0	1.2	1.2	6	2.3	87.5%
7007 5th Street SE (Glenmore Business Park), Calgary	100%	23,265	23,265	1974	19.0	1.2	1.2	3	2.0	100.0%
616 71st Avenue SE (Glenmore Business Park), Calgary	100%	21,957	21,957	1985	21.0	1.0	1.0	3	5.3	100.0%
1135-1149 45th Avenue NE, Calgary	100%	21,575	21,575	1974	16.0	1.3	1.3	5	3.5	75.0%
6910 6th Street SE (Glenmore Business Park), Calgary	100%	21,268	21,268	1978	16.0	2.1	2.1	4	1.2	100.0%
4620-4640 11th Street NE, Calgary	100%	21,171	21,171	1971	16.0	1.4	1.4	11	2.2	100.0%
102-114 61st Avenue SW, Calgary	100%	18,890	18,890	1973	14.0	1.1	1.1	4	4.1	100.0%
4001-4019 23rd Street NE, Calgary	100%	15,764	15,764	1976	16.0	1.1	1.1	5	4.4	100.0%
2915-2925 58th Avenue SE, Calgary	100%	15,599	15,599	1976	16.0	1.0	1.0	5	2.8	84.7%
3503-3521 62nd Avenue SE, Calgary	100%	13,413	13,413	1975	13.0	1.2	1.2	9	1.8	100.0%
125 McDonald Street, Regina	50%	14,080	7,041	1975	13.0	1.2	0.6	2	1.4	71.9%
Western Canada Multi-tenant	**99.8%**	**4,334,002**	**4,326,963**		**21.1**	**262.1**	**261.5**	**496**	**3.7**	**94.3%**
Western Canada	**98.8%**	**5,116,937**	**5,057,574**		**21.9**	**351.5**	**344.4**	**513**	**3.7**	**95.1%**
275 Wellington Street East, Aurora	100%	317,000	317,000	1986	27.0	16.3	16.3	1	4.2	100.0%
45 Progress Avenue, Toronto	100%	209,754	209,754	1965/2000	24.0	10.3	10.3	1	3.0	100.0%
3230 Mainway Drive, Burlington	100%	207,703	207,703	1965	21.0	9.9	9.9	1	7.8	100.0%
290 Humberline Drive, Etobicoke	100%	180,329	180,329	1981/2010	20.0	6.9	6.9	1	5.1	100.0%
750 Creditstone Road, Vaughan	100%	176,535	176,535	1999	24.0	9.0	9.0	1	7.0	100.0%
121 Pippin Road, Vaughan	100%	169,500	169,500	1999	24.0	8.6	8.6	1	2.0	100.0%
580 Industrial Road, London	100%	113,595	113,595	1972/2002	24.0	12.7	12.7	1	10.1	100.0%
441 Chrislea Road, Vaughan	100%	100,626	100,626	1998	22.0	4.1	4.1	1	1.8	100.0%
970 Fraser Drive, Burlington	100%	95,444	95,444	1999	28.0	6.9	6.9	1	10.0	100.0%
3 & 5 Blair Drive, Brampton	100%	82,232	82,232	2001	28.0	6.4	6.4	1	1.5	100.0%
274 Humberline Drive, Etobicoke	100%	80,540	80,540	1981	20.0	3.9	3.9	1	2.3	100.0%
2226 South Service Road West, Oakville	100%	79,174	79,174	1980	22.0	3.5	3.5	1	3.0	100.0%
439 Sovereign, London	100%	77,877	77,877	1988	22.0	5.6	5.6	1	0.8	100.0%
9305 Twin Oaks Drive, Windsor	100%	74,239	74,239	1996	28.0	5.2	5.2	1	2.6	100.0%
2 Lone Oak Court, Toronto	100%	72,197	72,197	2001	24.0	4.4	4.4	1	4.5	100.0%
6885-6895 Menway Court, Mississauga	100%	66,383	66,383	1988	20.0	3.4	3.4	1	2.2	100.0%
896 Meyerside Drive, Mississauga	100%	46,774	46,774	1986	20.0	2.4	2.4	1	8.4	100.0%
880 Rangeview Road, Mississauga	100%	45,600	45,600	1977/2005	24.0	3.2	3.2	1	4.8	100.0%
135 Pinebush Road, Cambridge	100%	44,470	44,470	2001	60.0	5.6	5.6	1	2.5	100.0%

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5905 Kennedy Road, Mississauga	100%	38,158	38,158	1988	22.0	2.1	2.1	1	3.1	100.0%
6045 Kestrel Road, Mississauga	100%	34,879	34,879	1986	20.0	1.8	1.8	1	1.3	100.0%
2946 Walker Road, Windsor	100%	32,264	32,264	1960	22.0	4.0	4.0	1	2.0	100.0%
781 Westgate Road, Oakville	100%	29,850	29,850	1985	22.0	4.2	4.2	1	2.7	100.0%
6520 Gottardo Court, Mississauga	100%	25,932	25,932	1987	18.0	1.2	1.2	1	4.0	100.0%
750 Barmac Drive, Toronto	100%	23,959	23,959	1979	18.0	1.5	1.5	1	1.2	100.0%
7420 Pacific Circle, Mississauga	100%	23,777	23,777	1987	18.0	1.2	1.2	1	1.5	100.0%
1300 Fewster Road, Mississauga	100%	23,500	23,500	1969	14.0	1.2	1.2	1	3.5	100.0%
5805 Kennedy Road, Mississauga	100%	21,780	21,780	1986	18.0	1.0	1.0	1	-	100.0%
5380 Timberlea Boulevard, Mississauga	100%	19,988	19,988	1986	18.0	1.0	1.0	1	2.1	100.0%
5462 Timberlea Boulevard, Mississauga	100%	17,708	17,708	1977	18.0	1.0	1.0	1	2.4	100.0%
5370 Timberlea Boulevard, Mississauga	100%	16,693	16,693	1986	18.0	0.8	0.8	1	2.2	100.0%
5750 Coopers Avenue, Mississauga	100%	16,366	16,366	1987	18.0	0.9	0.9	1	3.2	100.0%
5444 Timberlea Boulevard, Mississauga	100%	15,316	15,316	1977	18.0	0.9	0.9	1	2.6	100.0%
Ontario Single-tenant	**100%**	**2,580,142**	**2,580,142**		**23.7**	**151.1**	**151.1**	**33**	**4.3**	**100.0%**
6581-6601 Kitimat Road, Mississauga	100%	318,363	318,363	1986	25.0	16.9	16.9	15	2.0	100.0%
2360 Cornwall Road, Oakville	100%	199,736	199,736	2004	28.0	10.3	10.3	3	2.8	100.0%
45 A & B West Wilmot Street, Richmond Hill	100%	189,128	189,128	1986	19.0	8.0	8.0	37	2.9	99.4%
255 Wicksteed Avenue, Toronto	100%	177,562	177,562	1955	24.0	8.0	8.0	4	1.4	100.0%
2140-2150 Winston Park Drive, Mississauga	100%	172,331	172,331	1987	19.0	7.5	7.5	45	2.5	99.6%
90 Nolan Court, Markham	100%	124,890	124,890	1982	18.0	7.0	7.0	29	2.8	95.9%
55 Horner Avenue, Etobicoke	100%	94,695	94,695	1988	22.0	6.2	6.2	4	3.8	100.0%
4515/4525 Rhodes Drive, Windsor	100%	92,089	92,089	1999	22.0	9.0	9.0	7	2.0	100.0%
1111 Tristar Drive, Mississauga	100%	77,726	77,726	1986	22.0	3.7	3.7	2	2.1	100.0%
903-951 Matheson Boulevard, Mississauga	100%	77,420	77,420	1977	18.0	3.8	3.8	8	3.7	100.0%
1100 Courtney Park Drive, Mississauga	100%	72,393	72,393	1981	22.0	3.4	3.4	4	3.5	100.0%
100 Lingard Road, Cambridge	100%	70,154	70,154	2003	46.0	5.4	5.4	2	1.1	100.0%
5825-5895 Kennedy Road, Mississauga	100%	67,846	67,846	1988	15.0	3.4	3.4	8	5.0	100.0%
6400 Shawson Drive, Mississauga	100%	61,715	61,715	1981	22.0	2.9	2.9	3	6.0	100.0%
5554 Tomken Road, Mississauga	100%	61,245	61,245	1979	18.0	3.2	3.2	9	2.7	100.0%
6300 Viscount Road, Mississauga	100%	60,179	60,179	1966	16.0	4.3	4.3	4	1.9	99.7%
845 Harrington Court, Burlington	100%	56,410	56,410	1982	15.0	4.0	4.0	11	5.5	99.3%
Kennedy Coopers Complex, 5716 Coopers Avenue and 5825 Coopers Avenue, Mississauga	100%	53,695	53,695	1987	14.0	3.4	3.4	23	2.3	100.0%
855 Matheson Boulevard, Mississauga	100%	46,652	46,652	1986	18.0	2.0	2.0	11	2.0	87.2%
5448 Timberlea Boulevard, Mississauga	100%	32,025	32,025	1977	16.0	1.8	1.8	2	1.8	100.0%
5430 Timberlea Boulevard, Mississauga	100%	31,448	31,448	1977	17.0	1.8	1.8	2	4.5	100.0%
5466 Timberlea Boulevard, Mississauga	100%	28,657	28,657	1977	18.0	1.6	1.6	2	5.8	100.0%
135 East Beaver Creek, Richmond Hill	100%	28,506	28,506	1986	17.0	1.8	1.8	2	0.5	100.0%
5420 Timberlea Boulevard, Mississauga	100%	19,816	19,816	1977	18.0	1.1	1.1	2	3.3	100.0%
Ontario Multi-tenant	**100%**	**2,214,681**	**2,214,681**		**22.1**	**120.5**	**120.5**	**239**	**2.7**	**99.4%**
Ontario	**100%**	**4,794,823**	**4,794,823**		**23.0**	**271.6**	**271.6**	**272**	**3.6**	**99.7%**
1411, 1421 and 1451 Rue Ampère, Boucherville	100%	457,875	457,875	1998/2002	27.0	21.6	21.6	1	7.4	100.0%
1900 Dickson Street (Molson Distribution Centre), Montréal	100%	225,000	225,000	2003	26.0	17.1	17.1	1	5.0	100.0%
2350 de la Province, Longueuil	100%	222,464	222,464	1967	20.0	11.5	11.5	1	4.1	100.0%
1125 50th Avenue, Montréal	100%	210,710	210,710	2000	26.0	13.3	13.3	1	1.7	100.0%
8000 Avenue Blaise-Pascal, Montréal	100%	206,345	206,345	1993	23.0	13.8	13.8	1	4.2	100.0%
1313 Autoroute Chomedey, Laval	100%	184,493	184,493	1999	26.0	8.1	8.1	1	7.4	100.0%
650 Rue Bergeron, Drummondville	100%	181,000	181,000	2007	28.0	10.5	10.5	1	5.0	100.0%
2340 St. Laurent Boulevard, Ottawa	100%	114,724	114,724	1989	24.0	6.2	6.2	1	7.3	100.0%
101 Autoroute 440, Laval	100%	68,444	68,444	1977	22.0	4.6	4.6	1	5.4	100.0%
1805 50^{e} Avenue, Lachine	100%	60,750	60,750	1986	19.0	2.3	2.3	1	3.4	100.0%
1421 Rue Nobel, Sainte-Julie	100%	50,878	50,878	1998	22.0	4.3	4.3	1	3.8	100.0%
3700-3720 AutoRoute des Laurentides, Laval	100%	49,500	49,500	2002	24.0	3.6	3.6	1	4.6	100.0%
1870 Boulevard Saint-Régis, Dollard-des-Ormeaux	100%	40,231	40,231	1984	22.0	1.8	1.8	1	3.4	100.0%
29 Rue de Varennes, Gatineau	100%	23,959	23,959	2006	20.0	3.4	3.4	1	3.1	100.0%
361 Boulevard Montpellier, St-Laurent	100%	19,220	19,220	1987	18.0	1.2	1.2	1	8.8	100.0%
Québec Single-tenant	**100%**	**2,115,593**	**2,115,593**		**24.7**	**123.3**	**123.3**	**15**	**5.3**	**100.0%**

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2995 Boulevard le Corbusier, Laval	100%	130,824	130,824	1975	24.0-29.0	4.7	4.7	6	4.7	99.6%
5000-5070 Rue Fairway, Montréal	100%	106,119	106,119	1978	18.0	5.5	5.5	4	1.1	87.1%
1700-1764 50e Avenue, Lachine	100%	94,569	94,569	1989	24.0	4.2	4.2	1	0.1	38.3%
1100-1154 Rue Berlier, Laval	100%	91,843	91,843	1975	18.0	4.5	4.5	8	2.3	100.0%
9070, 9100 and 9300 Cavendish Boulevard, Montréal	100%	89,322	89,322	1987	18.0	7.5	7.5	5	3.2	83.6%
333 Chemin du Tremblay, Boucherville	100%	86,842	86,842	1987	18.0	3.8	3.8	5	4.3	100.0%
1876-1936 32e Avenue, Lachine	100%	84,659	84,659	1987	18.0	4.7	4.7	3	1.8	100.0%
1500 Rue Nobel, Boucherville	100%	82,081	82,081	1989	18.0	4.1	4.1	7	2.3	100.0%
2000 32e Avenue, Lachine	100%	81,288	81,288	1985	18.0	4.8	4.8	4	2.7	89.4%
1628-1692 50th Avenue, Montréal	100%	79,094	79,094	1975	19.0	4.3	4.3	6	2.7	100.0%
1151-1179 Autoroute 440, Laval	100%	78,938	78,938	1975	19.0	3.9	3.9	13	3.5	89.8%
10001-10091 Renaude-Lapointe, Montréal	100%	77,846	77,846	1987	18.0	3.7	3.7	3	4.5	96.5%
2101 Rue Nobel, Sainte-Julie	100%	73,411	73,411	1992	20.0	4.8	4.8	4	1.9	70.4%
1950 32e Avenue, Montréal	100%	71,923	71,923	1988	18.0	4.5	4.5	7	3.2	100.0%
1825-1865 32e Avenue, Montréal	100%	71,616	71,616	1986	18.0	4.9	4.9	9	4.0	100.0%
4370-4400 Chemin Bois-Franc and 5776, 5778-5782 Thimens Boulevard, Montréal	100%	68,575	68,575	1987	18.0	3.9	3.9	3	3.6	85.2%
4605-4645 Rue Fairway & 1405-1465 46e Avenue, Lachine	100%	60,728	60,728	1974	19.0	4.0	4.0	4	5.1	96.9%
1010 Rue Berlier & 2854-2870 Boulevard Industriel, Laval	100%	58,622	58,622	1975	19.0	3.1	3.1	7	2.3	100.0%
1025-1087 Autoroute 440, Laval	100%	56,622	56,622	1979	18.0	2.8	2.8	11	2.4	100.0%
585-625 Avenue Meloche, Dorval	100%	54,667	54,667	1981	18.0	2.7	2.7	2	5.5	100.0%
135 Chemin du Tremblay, Boucherville	100%	49,808	49,808	1989	16.0	2.4	2.4	10	1.2	100.0%
Québec Multi-tenant	**100%**	**1,649,397**	**1,649,397**		**17.1**	**88.8**	**88.8**	**122**	**3.1**	**91.5%**
Québec	**100%**	**3,764,990**	**3,764,990**		**21.3**	**212.1**	**212.1**	**137**	**4.4**	**96.3%**
58 Wright Avenue (Burnside Business Park), Dartmouth	100%	43,000	43,000	1972	24.0	2.4	2.4	1	3.5	100.0%
50 Garland Avenue (Burnside Business Park), Dartmouth	100%	35,574	35,574	2006	10.0	2.5	2.5	1	9.3	89.6%
80 Thornhill Drive (Burnside Business Park), Dartmouth	100%	10,090	10,090	1984	20.0	1.1	1.1	1	1.8	100.0%
Eastern Canada Single-tenant	**100%**	**88,664**	**88,664**		**17.9**	**6.0**	**6.0**	**3**	**5.5**	**95.8%**
202 Brownlow Avenue (Burnside Business Park), Dartmouth	100%	213,416	213,416	1986	18.0	13.8	13.8	55	3.2	86.8%
320-340 Wright Avenue (Burnside Business Park), Dartmouth	100%	170,329	170,329	2007	24.0	10.6	10.6	12	3.2	100.0%
201 Brownlow Avenue (Burnside Business Park), Dartmouth	100%	160,105	160,105	1988	16.0	10.7	10.7	33	3.5	98.0%
7 Mellor Avenue, Dartmouth	100%	122,490	122,490	2007	24.0	7.2	7.2	12	3.2	100.0%
10 Morris Drive (Burnside Business Park), Dartmouth	100%	118,741	118,741	1979	18.0	7.5	7.5	23	2.9	94.9%
71 Thornhill Drive, Dartmouth	100%	100,322	100,322	1980	28.0	5.2	5.2	2	2.6	100.0%
131-135 Ilsley Avenue (Burnside Business Park), Dartmouth	100%	98,186	98,186	1984	18.0	6.6	6.6	16	4.6	99.0%
121 Ilsley Avenue, Dartmouth	100%	96,943	96,943	1983	19.0	8.0	8.0	18	4.8	87.6%
75 Akerley Boulevard, Dartmouth	100%	96,228	96,228	1982	19.0	7.8	7.8	19	2.3	95.6%
222 Edinburgh Drive, Moncton	100%	94,411	94,411	1977/1999	22.0	7.7	7.7	6	2.6	63.7%
11 Morris Drive (Burnside Business Park), Dartmouth	100%	89,891	89,891	1977	18.0	5.0	5.0	17	3.4	86.7%
120 Troop Avenue (Burnside Business Park), Dartmouth	100%	87,214	87,214	2004	24.0	5.7	5.7	6	3.9	100.0%
100 Ilsley Avenue (Burnside Business Park), Dartmouth	100%	76,178	76,178	1984	14.0	6.1	6.1	16	3.3	97.2%
100 Wright Avenue (Burnside Business Park), Dartmouth	100%	76,149	76,149	1979	18.0	4.4	4.4	11	2.9	93.3%
55 Akerley Boulevard, Dartmouth	100%	75,398	75,398	1975	19.0	5.8	5.8	8	6.3	100.0%
51 Raddall Avenue (Burnside Business Park), Dartmouth	100%	70,177	70,177	1986	18.0	4.7	4.7	10	3.9	94.0%
170 Joseph Zatzman Drive (Burnside Business Park), Dartmouth	100%	67,182	67,182	1981	16.0	4.0	4.0	13	2.4	76.8%
50 Akerley Boulevard (Burnside Business Park), Dartmouth	100%	62,765	62,765	1983	18.0	1.6	1.6	11	2.5	93.4%
10 Vidito Drive, Dartmouth	100%	61,988	61,988	1980	22.0	2.7	2.7	2	5.2	100.0%
101 Thornhill Drive (Burnside Business Park), Dartmouth	100%	61,570	61,570	1982	18.0	3.8	3.8	7	5.2	93.4%
105 Akerly Boulevard (Burnside Business Park), Dartmouth	100%	57,949	57,949	1983	18.0	3.3	3.3	7	3.3	100.0%
30-58 Mosher Drive (Burnside Business Park), Dartmouth	100%	56,937	56,937	1972	18.0	2.6	2.6	3	0.7	80.1%
29-59 Mosher Drive (Burnside Business Park), Dartmouth	100%	54,367	54,367	1974	18.0	3.6	3.6	3	4.0	94.3%
50 Troop Avenue (Burnside Business Park), Dartmouth	100%	53,879	53,879	2001	24.0	3.6	3.6	2	2.2	82.3%
32 Troop Avenue (Burnside Business Park), Dartmouth	100%	47,790	47,790	2000	24.0	3.3	3.3	4	2.2	100.0%

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
109 Ilsley Avenue (Burnside Business Park), Dartmouth	100%	45,009	45,009	1987	16.0	3.1	3.1	14	3.2	83.2%
81 Wright Avenue (Burnside Business Park), Dartmouth	100%	44,366	44,366	1986	20.0	3.6	3.6	4	1.6	100.0%
95 Akerley Boulevard, Dartmouth	100%	38,106	38,106	1980	14.0	2.1	2.1	14	2.6	100.0%
30 Simmonds Drive (Burnside Business Park), Dartmouth	100%	37,877	37,877	1982	16.0	2.8	2.8	7	3.0	100.0%
40 Thornhill Drive (Burnside Business Park), Dartmouth	100%	32,139	32,139	1982	16.0	3.8	3.8	10	2.5	100.0%
50 Thornhill Drive (Burnside Business Park), Dartmouth	100%	32,065	32,065	1983	16.0	3.8	3.8	10	2.1	86.3%
60 Thornhill Drive (Burnside Business Park), Dartmouth	100%	32,002	32,002	1986	16.0	2.0	2.0	6	5.1	92.3%
10 Thornhill Drive, Dartmouth	100%	28,642	28,642	1983	15.0	3.4	3.4	10	2.3	100.0%
16 Garland Avenue (Burnside Business Park), Dartmouth	100%	10,888	10,888	2008	14.0	1.5	1.5	4	2.0	100.0%
Eastern Canada Multi-tenant	**100%**	**2,571,699**	**2,571,699**		**19.4**	**171.4**	**171.4**	**395**	**3.3**	**93.2%**
Eastern Canada	**100%**	**2,660,363**	**2,660,363**		**19.3**	**177.4**	**177.4**	**398**	**3.4**	**93.3%**
Total Canadian Portfolio	**99.6%**	**16,337,113**	**16,277,750**		**21.7**	**1,013**	**1,006**	**1,320**	**3.8**	**96.4%**
445 Couchville Industrial Blvd., Nashville, TN	100%	717,160	717,160	2010	32.0	16.5	16.5	1	8.3	100.0%
7730 American Way, Orlando, FL	100%	193,133	193,133	1997	25.0	20.6	20.6	1	5.2	100.0%
United States Single-tenant	**100%**	**910,293**	**910,293**		**30.5**	**37.1**	**37.1**	**2**	**7.6**	**100.0%**
United States	**100%**	**910,293**	**910,293**		**30.5**	**37.1**	**37.1**	**2**	**7.6**	**100.0%**
Total Portfolio Multi-tenant buildings	**99.9%**	**10,769,779**	**10,762,740**		**20.3**	**643.0**	**642.2**	**1,252**	**3.3**	**94.7%**
Total Portfolio Single-tenant buildings	**99.2%**	**6,477,627**	**6,425,303**		**20.9**	**406.8**	**400.4**	**70.0**	**5.1**	**99.9%**
Total Portfolio	**99.7%**	**17,247,406**	**17,188,043**		**20.5**	**1,049.7**	**1,042.6**	**1,322**	**4.0**	**96.6%**

LARGEST TENANTS BY GLA(1)

Tenant	Total area in square feet	Properties	City	Province/State
Nisson North America Inc.	717,160	445 Couchville Industrial Blvd.	Nashville	Tennessee
Spectra Premium Industries Inc.	656,013	1411, 1421 and 1451 Rue Ampère	Boucherville	Québec
		1313 Autoroute Chomedey	Laval	Québec
TC Transcontinental	523,345	275 Wellington Street East	Aurora	Ontario
		8000 Avenue Blaise-Pascal	Montréal	Québec
Gienow Windows & Doors Inc.	370,691	7140 40th Street SE	Calgary	Alberta
		628-668 Henderson Drive	Regina	Saskatchewan
United Agri Products Canada Inc.	275,335	310 Henderson Drive	Regina	Saskatchewan
Nellson Nutraceutical Canada	234,555	1125 50th Avenue	Montréal	Québec
		5000 Rue Fairway & 1645 50e Avenue	Montréal	Québec
Molson Breweries Properties	225,000	1900 Dickson Street (Molson Distribution Centre)	Montréal	Québec
Hasbro Canada Corporation	222,464	2350 Rue de la Province	Longueuil	Québec
Array Canada Inc.	209,754	45 Progress Avenue	Toronto	Ontario
Pioneer Distribution Inc.	207,703	3230 Mainway Drive	Burlington	Ontario
Quietflex Manufacturing Company	193,133	7730 American Way	Orlando	Florida
McKesson Canada Corporation	181,000	650 Rue Bergeron	Drummondville	Québec
Alumicor Limited	180,329	290 Humberline Drive	Etobicoke	Ontario
Royal Group Inc.	176,535	750 Creditstone Road	Vaughan	Ontario
North American Profiles Canada Ltd.	169,500	121 Pippin Road	Vaughan	Ontario
RockTenn-Preprint Canada	134,863	7420 Pacific Circle	Mississauga	Ontario
		6581-6601 Kitimat Road	Mississauga	Ontario
DIRTT Environmental Solutions	122,419	7504 30th Street SE	Calgary	Alberta
Lowe-Martin Company Inc.	114,724	2340 St. Laurent Boulevard	Ottawa	Ontario
Colabor Limited Partnership	113,595	580 Industrial Road	London	Ontario
Legendary Logistics Inc.	104,260	2360 Cornwall Road	Oakville	Ontario
Aquarium Services Warehouse Outlets Inc.	100,626	441 Chrislea Road	Vaughan	Ontario
Total	**5,233,004**			

(1) Represents all tenants with GLA greater than 100,000 square feet.

Management's responsibility for consolidated financial statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dream Industrial Real Estate Investment Trust. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments as appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, which comprises trustees, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The Audit Committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the Audit Committee, with or without management present.

"Brian Pauls"
Brian Pauls
Chief Executive Officer

"Lenis Quan"
Lenis Quan
Chief Financial Officer

Toronto, Ontario, February 20, 2018

Independent Auditor's Report

To the Unitholders of Dream Industrial Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Dream Industrial Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of net income (loss) and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2017 and December 31, 2016 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dream Industrial Real Estate Investment Trust and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario,
February 20, 2018

Consolidated balance sheets

(in thousands of Canadian dollars)	Note	**December 31, 2017**	December 31, 2016
Assets			
NON-CURRENT ASSETS			
Investment properties	8	**$ 1,722,988**	$ 1,634,315
Other non-current assets	10	**6,634**	3,716
		1,729,622	1,638,031
CURRENT ASSETS			
Amounts receivable	12	**3,143**	4,088
Prepaid expenses and other assets		**5,135**	5,362
Cash and cash equivalents		**54,651**	6,595
		62,929	16,045
Assets held for sale	20	**15,200**	4,000
Total assets		**$ 1,807,751**	$ 1,658,076
Liabilities			
NON-CURRENT LIABILITIES			
Debt	13	**$ 776,459**	$ 780,622
Subsidiary redeemable units	14	**163,256**	158,247
Deferred Unit Incentive Plan	15	**5,278**	4,350
Other non-current liabilities	16	**12,657**	13,170
		957,650	956,389
CURRENT LIABILITIES			
Debt	13	**113,337**	87,725
Amounts payable and accrued liabilities	17	**24,518**	22,852
		137,855	110,577
Total liabilities		**1,095,505**	1,066,966
Equity			
Unitholders' equity	18	**720,437**	589,252
Retained earnings (deficit)	18	**(7,056)**	2,727
Accumulated other comprehensive loss	18, 19	**(1,135)**	(869)
Total equity		**712,246**	591,110
Total liabilities and equity		**$ 1,807,751**	$ 1,658,076

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Trustees of Dream Industrial Real Estate Investment Trust:

"Vincenza Sera"	***"Sheldon Wiseman"***
Vincenza Sera	**Sheldon Wiseman**
Trustee	Trustee

Consolidated statements of net income (loss) and comprehensive income (loss)

(in thousands of Canadian dollars)	Note	Year ended December 31, 2017	2016
Investment properties revenue		**$ 172,350**	$ 174,689
Investment properties operating expenses		**(55,572)**	(57,302)
Net rental income		**116,778**	117,387
Other income			
Interest and fee income	25	**995**	68
		995	68
Other expenses			
General and administrative		**(9,052)**	(9,931)
Interest:			
Interest expense on debt	21	**(34,871)**	(35,363)
Subsidiary redeemable units	21	**(13,376)**	(13,050)
Depreciation and amortization		**(52)**	(54)
		(57,351)	(58,398)
Income before fair value adjustments and other items, and income taxes		**60,422**	59,057
Fair value adjustments and other items			
Fair value adjustments to investment properties	8, 20	**(17,491)**	(32,033)
Fair value adjustments to financial instruments	22	**(4,869)**	(22,351)
Net losses on transactions and other activities	23	**(3,275)**	(7,912)
		(25,635)	(62,296)
Income (loss) before income taxes		**34,787**	(3,239)
Recovery (Deferred) and current income taxes	11	**(128)**	549
Net income (loss) for the year		**$ 34,659**	$ (2,690)
Other comprehensive gain (loss)			
Unrealized loss on foreign exchange	19	**$ (1,079)**	$ —
Unrealized gain on effective interest rate hedge	19	**813**	708
		(266)	708
Comprehensive income (loss) for the year		**$ 34,393**	$ (1,982)

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(in thousands of Canadian dollars, except number of Units)	Note	Number of Units		Unitholders' equity		Retained earnings (deficit)		Accumulated other comprehensive loss		Total
		Attributable to unitholders of the Trust								
Balance at January 1, 2017		**59,633,237**	**$**	**589,252**	**$**	**2,727**	**$**	**(869)**	**$**	**591,110**
Net income for the year		**—**		**—**		**34,659**		**—**		**34,659**
Distributions paid and payable		**—**		**—**		**(44,442)**		**—**		**(44,442)**
Public offering of REIT Units	18	**9,890,000**		**86,538**		**—**		**—**		**86,538**
REIT Units issued from private placements	18	**2,973,000**		**26,014**		**—**		**—**		**26,014**
Distribution Reinvestment Plan(1)	18	**2,428,965**		**21,110**		**—**		**—**		**21,110**
REIT Units issued for vested deferred trust units	15	**178,250**		**1,557**		**—**		**—**		**1,557**
Unit Purchase Plan	18	**1,391**		**12**		**—**		**—**		**12**
Issue costs		**—**		**(4,046)**		**—**		**—**		**(4,046)**
Other comprehensive loss	19	**—**		**—**		**—**		**(266)**		**(266)**
Balance at December 31, 2017		**75,104,843**	**$**	**720,437**	**$**	**(7,056)**	**$**	**(1,135)**	**$**	**712,246**

(1) Includes REIT units issued under the Distribution Reinvestment and Unit Purchase Plan ("DRIP") for LP B Units.

(in thousands of Canadian dollars, except number of Units)	Note	Number of Units		Unitholders' equity		Retained earnings		Accumulated other comprehensive loss		Total
		Attributable to unitholders of the Trust								
Balance at January 1, 2016		58,645,223	$	581,476	$	46,984	$	(1,577)	$	626,883
Net income for the year		—		—		(2,690)		—		(2,690)
Distributions paid and payable		—		—		(41,567)		—		(41,567)
Distribution Reinvestment Plan(1)	18	876,787		6,919		—		—		6,919
REIT Units issued for vested deferred trust units	15	109,488		875		—		—		875
Unit Purchase Plan	18	1,739		14		—		—		14
Issue costs		—		(32)		—		—		(32)
Other comprehensive income	19	—		—		—		708		708
Balance at December 31, 2016		59,633,237	$	589,252	$	2,727	$	(869)	$	591,110

(1) Includes REIT Units issued under the Distribution Reinvestment and Unit Purchase Plan ("DRIP") for LP B Units.

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)	Note	Year ended December 31, 2017	2016
Generated from (utilized in) operating activities			
Net income (loss) for the year		**$ 34,659**	$ (2,690)
Non-cash items:			
Depreciation and amortization	26	**2,428**	1,137
Other adjustments	26	**36,933**	57,462
Investment in lease incentives and initial direct leasing costs	8	**(9,390)**	(11,257)
Interest paid on subsidiary redeemable units	21	**—**	11,903
Change in non-cash working capital	26	**2,491**	2,030
		67,121	58,585
Generated from (utilized in) investing activities			
Additions to property and equipment		**(38)**	(28)
Investment in building improvements	8	**(15,030)**	(18,522)
Acquisitions of investment properties	7	**(63,819)**	—
Deposit on acquisition of investment properties	10	**(2,208)**	—
Transaction costs paid		**(2,216)**	(1,795)
Net proceeds from disposal of investment properties		**—**	69,962
		(83,311)	49,617
Generated from (utilized in) financing activities			
Mortgage financings, net of financing costs	13	**78,375**	144,440
Draw on revolving credit facility	13	**40,400**	38,250
Repayment of revolving credit facility	13	**(40,400)**	(55,000)
Financing costs incurred for amended credit facility	13	**(650)**	—
Mortgage principal repayments	13	**(24,019)**	(24,377)
Mortgage lump sum repayments	13	**(42,932)**	(158,315)
Repayment of convertible debentures	13	**(19,420)**	—
Distributions paid on Units	17	**(35,804)**	(35,706)
Interest paid on subsidiary redeemable units	21	**—**	(11,903)
Cash proceeds on issue of Units	18	**112,564**	—
Financing and Unit issue costs paid		**(3,706)**	(18)
		64,408	(102,629)
Change in cash and cash equivalents		**48,218**	5,573
Foreign exchange loss on cash held in foreign currency		**(162)**	—
Cash and cash equivalents, beginning of year		**6,595**	1,022
Cash and cash equivalents, end of year		**$ 54,651**	$ 6,595

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

(All dollar amounts in thousands of Canadian dollars, except as otherwise noted)

Note 1

ORGANIZATION

Dream Industrial Real Estate Investment Trust ("Dream Industrial REIT", "Dream Industrial" or "the Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dream Industrial include the accounts of Dream Industrial and its subsidiaries. Dream Industrial's portfolio comprises industrial properties located in key markets across Canada and the U.S. A subsidiary of Dream Industrial performs the property management function.

The Trust's registered office is 30 Adelaide Street East, Suite 301, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "DIR.UN". Dream Industrial's consolidated financial statements for the year ended December 31, 2017 were authorized for issuance by the Board of Trustees on February 20, 2018, after which date they may be amended only with the Board of Trustees' approval.

Throughout the Notes, reference is made to the following:

- "REIT Units", meaning the REIT Units
- "Special Trust Units", meaning units that are exchangeable for REIT Units, including the LP B Units
- "Units", meaning REIT Units and Special Trust Units, collectively

For simplicity, throughout the Notes, reference is made to "subsidiary redeemable units", meaning the LP B Units of Dream Industrial LP ("DILP"). Subsidiary redeemable units are classified as liabilities.

At December 31, 2017, Dream Office Real Estate Investment Trust ("Dream Office REIT"), directly and indirectly through its subsidiaries, held 18,551,855 (December 31, 2016 – 18,551,855) subsidiary redeemable units, being all of the subsidiary redeemable units of the Trust. At December 31, 2017, Dream Office REIT, directly and indirectly through its subsidiaries, held 5,431,141 REIT Units (December 31, 2016 – 882,473).

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all years presented, unless otherwise stated.

Basis of presentation

The Trust prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dream Industrial and its subsidiaries. Subsidiaries are all wholly owned entities (including structured entities) over which the Trust has control. The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

Joint arrangements

The Trust enters into joint arrangements through co-ownerships. A joint arrangement is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. Joint arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as joint ventures. In a co-ownership arrangement, the Trust owns jointly one or more investment properties with another party and has direct rights to the investment property and obligations for the liabilities relating to the co-ownership.

The Trust reports its interests in co-ownerships by accounting for its share of the assets, liabilities, revenues and expenses. Under this method, the Trust's consolidated financial statements reflect only the Trust's share of the assets, liabilities, revenues and expenses of the co-ownership in the respective lines in the consolidated financial statements.

Note 3

ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

Investment properties

Investment properties are initially recorded at cost, including related transaction costs when incurred in connection with asset acquisitions, and include industrial properties held to earn rental income and/or for capital appreciation. Investment properties and properties under development are measured at fair value, determined based on available market evidence, at the consolidated balance sheet dates. Related fair value gains and losses are recorded in fair value adjustments to investment properties in the period in which they arise in the consolidated statement of net income. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet date, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition, and which is subject to similar leases and other contracts. The Trust has concluded that there is insufficient market evidence on which to base investment property valuation using this approach, and has therefore determined that the use of the income approach is more appropriate. The income approach is one in which the fair value is estimated by capitalizing the net rental income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method, whereby the stabilized net operating income is capitalized at the requisite overall capitalization rate; and/or the discounted cash flow method, in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Management applies judgment in determining the value which is most representative of the fair value for its investment properties. Active properties under development are measured using a discounted cash flow model, net of costs to complete, as at the consolidated balance sheet date. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

Initial external direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Internal leasing costs are expensed in the period incurred. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction of investment properties revenue.

Other non-current assets

Other non-current assets include deposits, financial assets, and property and equipment. Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their expected useful lives of four to ten years. The residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year-end. Cost includes expenditures that are directly attributable to the acquisition and expenditures for replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to net income during the financial period in which they are incurred.

Other non-current assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of net income in the year the asset is derecognized.

Business combinations

The purchase method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Trust's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust's share of the net assets acquired, the difference is recognized directly in the profit or loss for the period as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

Revenue recognition

The Trust accounts for tenant leases as operating leases, given that it has retained substantially all of the risks and benefits of ownership of its investment properties. Revenues from investment properties include base rents, recoveries of operating expenses including property taxes, lease termination fees, parking income and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred and collectibility is reasonably assured. Other revenues are recorded as earned.

Distributions

Distributions to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction of retained earnings.

Income taxes

Dream Industrial is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes is required on such amounts. The Trust expects to continue to distribute its taxable income and to qualify as a real estate investment trust ("REIT") for the foreseeable future.

For all U.S. subsidiaries and one Canadian subsidiary, income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for the expected future tax consequences of temporary differences between the carrying value of balance sheet items and their corresponding tax values. Deferred income taxes are computed using substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle.

Unit-based compensation plan

As described in Note 15, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the grant of deferred trust units and income deferred trust units to trustees, employees and affiliates and their service providers (including the asset manager). Over the vesting period, deferred units are recorded as a liability, and compensation expense is recognized at amortized cost based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding REIT Units, with changes in fair value being recognized in comprehensive income as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are only settled in REIT Units.

Cash and cash equivalents

Cash and cash equivalents include all short-term investments with an original maturity of three months or less and exclude cash subject to restrictions that prevent its use for current purposes. Deposits are included in other non-current assets.

Financial instruments

Designation of financial instruments

The following summarizes the Trust's classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets		
Amounts receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages	Other liabilities	Amortized cost
Convertible debentures – host instrument	Other liabilities	Amortized cost
Convertible debentures – conversion feature	Fair value through profit or loss	Fair value
Subsidiary redeemable units	Other liabilities	Amortized cost
Revolving credit facility	Other liabilities	Amortized cost
Tenant security deposits	Other liabilities	Amortized cost
DUIP	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost
Interest rate swap	Cash flow hedge/fair value through profit or loss	Fair value

Financial assets

The Trust classifies its non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs, and are subsequently measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of net income and comprehensive income within investment properties operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in the consolidated statements of net income and comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Trust transfers substantially all risks and rewards of ownership.

Financial liabilities

The Trust classifies its financial liabilities on initial recognition as either fair value through profit or loss or other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value (less any related transaction costs). Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive income over the expected life of the obligation. The Trust's financial liabilities that are classified as fair value through profit or loss are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in fair value recognized in comprehensive income.

Mortgages are initially recognized at fair value less any related transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, mortgages are recognized at amortized cost.

On issuance, convertible debentures are separated into two financial liability components: the host instrument and the conversion feature. This presentation is required because the conversion feature permits the holder to convert the debenture into REIT Units, which, except for the available exemption under International Accounting Standard ("IAS") 32, "Financial Instruments: Presentation" ("IAS 32"), would normally be presented as a financial liability because of the redemption feature attached to the REIT Units. Both components are measured based on their respective estimated fair values at the date of issuance. The fair value of the host instrument is net of any related transaction costs. The fair value of the host instrument is estimated based on the present value of future interest and principal payments due under the terms of the debenture using a discount rate for similar debt instruments without a conversion feature. Subsequent to initial recognition, the host instrument is accounted for at amortized cost. The conversion feature is accounted for at fair value with changes in fair value recognized in comprehensive income each period. When the holder of a convertible debenture converts its interest into REIT Units, the host instrument and conversion feature are reclassified to unitholders' equity in proportion to the units converted over the total equivalent units outstanding.

Deferred units and the subsidiary redeemable units are measured at amortized cost because they are settled in REIT Units, which in accordance with IAS 32 are considered liabilities. To give effect to measuring these at amortized cost, IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), requires that the deferred units and subsidiary redeemable units are remeasured each period based on the fair value of REIT Units, with changes in the liabilities recorded in comprehensive income. Distributions paid on subsidiary redeemable units are recorded as interest expense in comprehensive income and as a financing activity in the consolidated statements of cash flows. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Interest on debt

Interest on debt includes coupon interest, amortization of discounts, premiums and mark-to-market adjustments allocated to debt, and amortization of ancillary costs incurred in connection with the arrangement of borrowings. Finance costs are amortized to interest expense unless they relate to a qualifying asset.

Equity

The Trust presents REIT Units as equity, notwithstanding the fact that the Trust's REIT Units meet the definition of a financial liability. Under IAS 32, the REIT Units are considered a puttable financial instrument because of the holder's option to redeem REIT Units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date and 100% of the closing market price on the redemption date. The total amount payable by Dream Industrial in any calendar month will not exceed $50 unless waived by Dream Industrial's Board of Trustees at their sole discretion. The Trust has determined that the REIT Units can be presented as equity and not financial liabilities because the REIT Units have all of the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- REIT Units entitle the holder to a pro rata share of the Trust's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets;
- REIT Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Trust to redeem the REIT Units for cash or another financial asset, the REIT Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments;
- The total expected cash flows attributable to the REIT Units over their lives are based substantially on the profit or loss, and the change in the recognized net assets and unrecognized net assets of the Trust over the life of the REIT Units.

REIT Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of REIT Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

Provisions

Provisions for legal claims are recognized when the Trust has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Assets held for sale

Assets and liabilities (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Investment properties continue to be measured at fair value and the remainder of the disposal group is stated at the lower of the carrying amount and fair value less costs to sell.

Foreign currencies

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Trust and the presentation currency for the consolidated financial statements.

Assets and liabilities related to properties held in a foreign entity with a functional currency other than the Canadian dollar are translated at the rate of exchange at the consolidated balance sheet dates. Revenue and expenses are translated at average rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income (loss).

Note 4

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which 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 amount of the asset or liability affected.

Critical accounting judgments

Following are the critical judgments used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Investment properties

Critical judgments are made with respect to the fair values of investment properties. The fair values of investment properties are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified external valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property.

Business combinations

Accounting for business combinations under IFRS 3, “Business Combinations” (“IFRS 3”), only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by management in determining whether the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the Trust applies judgment when considering the following:

- Whether the investment property or properties are capable of producing outputs;
- Whether the market participant could produce outputs if missing elements exist.

In particular, the Trust considers the following:

- Whether employees were assumed in the acquisition;
- Whether an operating platform has been acquired.

Currently, the Trust classifies an acquisition as an asset acquisition when it acquires properties or a portfolio of properties, and does not assume employees or does not acquire an operating platform.

Estimates and assumptions

The Trust makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from those estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

Valuation of investment properties

Critical assumptions relating to the valuation of investment properties at fair value include the receipt of contractual rents, expected future market rents, renewal rates, capital expenditures, discount rates that reflect current market uncertainties, capitalization rates and recent investment property transactions. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the DUIP, the conversion feature of the convertible debenture and the fair value disclosure of the mortgages, revolving credit facility and convertible debentures. The critical assumptions underlying the fair value measurements and disclosures include the market price of REIT Units and market interest rates.

For certain financial instruments, including cash and cash equivalents, amounts receivable, amounts payable and accrued liabilities, deposits, distributions payable and the revolving credit facility, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages are determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures uses quoted market prices from an active market.

Functional currency

The Trust makes judgments in defining the functional currency of consolidated entities based on the primary economic environment in which the entity operates. In particular, the Trust considers:

- the currency that mainly influences the pricing of revenues and cash inflows;
- the currency of the country whose regulation and competition mainly determine the pricing of revenues and cash inflows;
- the currency in which funds from financing activities are generated;
- the currency in which receipts of operating activities are usually retained.

The Trust reassesses the functional currency of consolidated entities if significant changes in economic facts, events and conditions indicate that the functional currency has changed.

Note 5

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Trust has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

Statement of cash flows

IAS 7, "Statement of Cash Flows" ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning on or after January 1, 2017. The amendment has no material impact on the consolidated statements of cash flows.

Note 6

FUTURE ACCOUNTING POLICY CHANGES

The following are the accounting policy changes to be implemented by the Trust in future years:

Revenue recognition

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Trust will adopt the new standard on the required effective date using the modified retrospective method.

Within the scope of IFRS 15 are recoveries of operating expenses (common-area maintenance charges to tenants under the Trust's operating leases), administrative fees on tenant-specific chargebacks, and parking income. Performance obligations are satisfied over time. Rental revenue earned from these operating leases is outside the scope of IFRS 15 and will therefore not be impacted by the adoption. Management has determined that this standard has no material impact on the consolidated financial statements.

Financial instruments

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The entity's own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets, "fair value through other comprehensive income", will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

As part of the transition to IFRS 9, the Trust focused on identifying mortgages which were previously accounted for as a debt modification; IFRS 9 requires that a gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flow discounted at the original effective interest rate. The Trust also developed an impairment model that takes into consideration forward-looking information, as required by IFRS 9. Management has determined that this standard has no material impact on the consolidated financial statements.

Leases

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Uncertainty over income tax treatments

The IASB issued IFRIC Interpretation 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), in June 2017. IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12"), when there is uncertainty over income tax treatments, including whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The interpretation is applicable for financial years commencing on or after January 1, 2019. The Trust is analyzing the interpretation to determine the impact on the consolidated financial statements.

Note 7

INVESTMENT PROPERTY ACQUISITIONS

Detailed below are the investment property acquisitions completed during the year ended December 31, 2017:

Year ended December 31, 2017	Interest acquired (%)		Purchase price[1]	Date acquired
7803 35th Street SE, Calgary, Alberta	100.0	$	17,288	October 5, 2017
445 Couchville Industrial Blvd., Nashville, Tennessee	100.0		62,184	October 31, 2017
7730 American Way, Orlando, Florida	100.0		15,846	December 28, 2017
Total		$	95,318	

(1) Includes transaction costs.

The consideration for the acquired properties consists of:

		December 31, 2017
Cash paid	$	63,819
Transaction costs		1,894
Assumed mortgages at fair value		29,676
Assumed non-cash working capital		(71)
Total consideration for investment properties	$	95,318

There were no property acquisitions during the year ended December 31, 2016.

On October 5, 2017, the Trust acquired a multi-tenant industrial property in Calgary, Alberta, for $17,288, including transaction costs. The property is 92.8% occupied with a weighted average remaining lease term of 4.3 years.

On October 31, 2017, the Trust acquired a single-tenant distribution centre in Nashville, Tennessee, from Dream Office REIT for $62,184, including transaction costs and an assumed mortgage of $29,676. The property is 100% occupied with a remaining lease term of 8.3 years.

On December 28, 2017, the Trust acquired a single-tenant distribution centre in Orlando, Florida, for $15,846, including transaction costs. The property is 100% occupied with a remaining lease term of 5.2 years.

Note 8
INVESTMENT PROPERTIES

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Balance at beginning of year		**$ 1,634,315**	$ 1,700,992
Additions:			
Investment property acquisitions[1]	7	**95,318**	200
Building improvements		**15,030**	18,522
Lease incentives and initial direct leasing costs		**9,390**	11,257
Total additions to investment properties		**119,738**	29,979
Investment properties classified as held for sale and disposed	20	**(8,700)**	(65,432)
Gains (losses) included in net income:			
Fair value adjustments to investment properties[2]		**(19,991)**	(31,760)
Straight-line rent		**490**	1,278
Amortization of lease incentives		**(1,155)**	(742)
Total losses included in net income		**(20,656)**	(31,224)
Losses included in other comprehensive income (loss):			
Foreign currency translation loss		**(1,709)**	—
Total losses included in other comprehensive income (loss)		**(1,709)**	—
Balance at end of year		**$ 1,722,988**	$ 1,634,315

(1) 2016 balance relates to post-closing adjustment on 2015 acquisition.

(2) Change in unrealized losses included in net income (loss) for the years ended December 31, 2017 and December 31, 2016 were $17,491 and $38,770, respectively. Unrealized losses include fair value adjustments on assets held for sale.

As at December 31, 2017, investment properties with a fair value of $1,436,582 (December 31, 2016 – $1,353,915) are pledged as first-ranking and/or second-ranking collateral for mortgages. As at December 31, 2017, investment properties with a fair value of $188,415 (December 31, 2016 – $163,190) are pledged as security for the Trust's revolving credit facility.

Note 9
JOINT ARRANGEMENTS

		Ownership interest (%)	
Name	Location	**December 31, 2017**	December 31, 2016
Saskatchewan Portfolio	Regina	**50**	50

The following amounts represent the ownership interest in the assets, liabilities, revenues and expenses of the co-owned properties in which the Trust participates.

	December 31, 2017	December 31, 2016
Non-current assets	**$ 9,085**	$ 9,325
Current assets	**566**	347
Total assets	**9,651**	9,672
Non-current liabilities	**5,581**	5,810
Current liabilities	**732**	752
Total liabilities	**6,313**	6,562
Net assets	**$ 3,338**	$ 3,110

	Year ended December 31,	
	2017	2016
Net rental income	**$ 727**	$ 725
Other revenue and expenses, fair value adjustments and other items	**(467)**	(499)
Share of net income from investments in co-owned properties	**$ 260**	$ 226

Note 10

OTHER NON-CURRENT ASSETS

	Note		**December 31, 2017**		December 31, 2016
Conversion feature on the convertible debentures	13	**$**	**2,305**	$	3,329
Fair value of interest rate swaps	13		**1,675**		—
Deposits on investment property			**2,208**		—
Deferred income tax assets	11		**122**		29
Other non-current assets			**324**		358
Total		**$**	**6,634**	$	3,716

Note 11

INCOME TAXES

DIR Industrial Properties Inc., one of the Trust's Canadian subsidiaries, is subject to corporate income taxes.

On October 31, 2017 and December 28, 2017, the Trust acquired two U.S. properties. In order to facilitate the acquisitions, a wholly owned U.S. subsidiary was incorporated.

On December 22, 2017, Public law no. 115-97, also known as the *Tax Cuts and Jobs Act* (*TCJA*), was enacted in the U.S. One of the changes introduced by *TCJA* was the reduction of the federal corporate income tax rate from graduated rates with a maximum rate of 35% to a flat rate of 21% for the taxation years starting January 1, 2018. As a result of the decrease in tax rate, the Trust is expecting the timing differences associated with the U.S. properties to be realized at a much lower tax rate in the future. The closing deferred tax liability and assets were recalculated at the lower expected federal tax rate.

The following table reconciles the expected income taxes based upon the 2017 and 2016 statutory rates and the income tax expense recognized during the years ended December 31, 2017 and December 31, 2016:

	Year ended December 31,			
		2017		2016
Income (loss) before income taxes	**$**	**34,787**	$	(3,239)
Income (loss) not subject to taxation		**(34,946)**		(898)
Income (loss) in subsidiary corporations		**(159)**		(4,137)
Tax calculated at the Canadian statutory tax rate of 30.0% (2016 – 30.1%) and U.S. statutory rate of 39.2%		**(119)**		(1,245)
Increase resulting from:				
Adjustment in expected future tax rates		**158**		—
Other items		**89**		696
(Recovery of) deferred and current income taxes[1]	**$**	**128**	$	(549)

(1) At December 31, 2017, current income taxes are $226 (December 31, 2016 – $nil).

Deferred income tax assets (liabilities) consisted of the following:

		December 31, 2017		December 31, 2016
Deferred tax liability related to difference in tax and book basis of investment properties	**$**	**(2,368)**	$	(2,285)
Deferred tax asset related to difference in tax and book basis of financial instruments		**54**		164
Deferred tax asset related to tax loss carry-forwards		**2,432**		2,141
Deferred tax asset related to difference in tax and book basis of deferred financing costs		**4**		9
Total deferred income tax assets	**$**	**122**	$	29

Note 12
AMOUNTS RECEIVABLE

		December 31, 2017		December 31, 2016
Trade receivables	$	**2,011**	$	2,143
Less: Provision for impairment of trade receivables		**(911)**		(830)
Trade receivables, net		**1,100**		1,313
Other amounts receivable		**2,043**		2,775
Amounts receivable	$	**3,143**	$	4,088

The movement in the provision for impairment of trade receivables during the years ended December 31 is as follows:

	Year ended December 31,			
		2017		2016
As at January 1	$	**830**	$	416
Provision for impairment of trade receivables		**346**		824
Receivables written off during the year as uncollectible		**(265)**		(410)
As at December 31	$	**911**	$	830

The carrying value of amounts receivable approximates fair value due to their current nature. As at December 31, 2017, trade receivables of approximately $212 (December 31, 2016 – $511) were past due but not considered impaired, as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

The Trust leases industrial properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining terms are as follows:

		December 31, 2017
2018	$	111,311
2019 to 2022		285,098
2023 to 2032		70,720
Total	$	467,129

Note 13
DEBT

		December 31, 2017		December 31, 2016
Mortgages(1)	$	**782,254**	$	741,890
Revolving credit facility(1)(2)		**(1,025)**		(625)
Convertible debentures		**108,567**		127,082
Total		**889,796**		868,347
Less: Current portion		**(113,337)**		(87,725)
Non-current debt	$	**776,459**	$	780,622

(1) Secured by charges on specific investment properties (refer to Note 8). Amount available to be drawn under the revolving credit facility as at December 31, 2017 is $123,000 (December 31, 2016 – $98,000).

(2) Credit facility balances at December 31, 2017 and December 31, 2016 consist of financing cost additions and amortization of finance costs.

Continuity of debt

The following table shows the continuity of debt for the years ended December 31, 2017 and December 31, 2016:

				December 31, 2017
	Mortgages	**Revolving credit facility**	**Convertible debentures**	**Total**
Debt as at January 1, 2017	**$ 741,890**	**$ (625)**	**$ 127,082**	**$ 868,347**
New debt placed	**79,000**	**40,400**	**—**	**119,400**
New debt assumed on investment property acquisitions	**29,676**	**—**	**—**	**29,676**
Financing costs additions	**(625)**	**(650)**	**—**	**(1,275)**
Scheduled repayments	**(24,019)**	**—**	**—**	**(24,019)**
Lump sum repayments	**(42,932)**	**(40,400)**	**(19,420)**	**(102,752)**
Other adjustments(1)	**(736)**	**250**	**905**	**419**
Debt as at December 31, 2017	**$ 782,254**	**$ (1,025)**	**$ 108,567**	**$ 889,796**

(1) Other adjustments are non-cash and include amortization of finance costs of $1,655, amortization of fair value gains on assumed debt of $434, and foreign exchange gains of $802.

				December 31, 2016
	Mortgages	Revolving credit facility	Convertible debentures	Total
Debt as at January 1, 2016	$ 780,948	$ 15,893	$ 126,260	$ 923,101
New debt placed	145,750	39,000	—	184,750
Financing costs additions	(1,310)	(750)	—	(2,060)
Scheduled repayments	(24,377)	—	—	(24,377)
Lump sum repayments	(158,315)	(55,000)	—	(213,315)
Other adjustments(1)	(806)	232	822	248
Debt as at December 31, 2016	$ 741,890	$ (625)	$ 127,082	$ 868,347

(1) Other adjustments are non-cash and include amortization of finance costs of $1,503 and amortization of fair value gains on assumed debt of $1,255.

Mortgage financing activities

The Trust completed the following financings for the years ended December 31:

	Year ended December 31, 2017			Year ended December 31, 2016		
	Amount(1)	**Term to maturity (years)**	**Weighted average face interest rate (%)**	Amount(1)	Term to maturity (years)	Weighted average face interest rate (%)
Mortgage financing activities	**$ 111,928**	**6.2**	**3.72**	$ 145,750	8.8	3.30

(1) Excludes financing costs.

On April 3, 2017, we completed a $14.5 million refinancing on a portfolio of two properties located in Edmonton with a term of five years at a face interest rate of 3.98% and an effective interest rate of 4.17%.

On August 30, 2017, we completed a $45.0 million refinancing on a portfolio of six properties located in the Ontario and Eastern Canada regions with a term of seven years at a face interest rate of 3.44% and an effective interest rate of 3.57%. The mortgage was entered into with an interest rate swap described in the Interest Rate Swap section below.

On October 31, 2017, we assumed a $29.7 million mortgage at fair value on the purchase of a Nashville, Tennessee property with a term of 3.5 years and a face and effective interest rate of 4.00%.

On November 1, 2017, we extended the term of a $3.3 million mortgage. The debt has a term of three years at a face interest rate of 3.48% and an effective interest rate of 3.84%. The extension of this debt is considered a loan modification under IFRS and this activity is not included in the above table for the year ended December 31, 2017.

On November 22, 2017, we completed a $19.5 million refinancing for one property located in Ontario with a term of ten years and a face interest rate of 3.81% and an effective interest rate of 3.91%.

Convertible debentures

	Carrying value December 31, 2017	Carrying value December 31, 2016
5.25% Debentures	**$ 108,567**	$ 107,340
6.75% Debentures	**—**	19,742
Total	**$ 108,567**	$ 127,082

	Date issued	Maturity date	Original principal issued	Interest rate	Outstanding principal amount December 31, 2017	Outstanding principal amount December 31, 2016
5.25% Debentures	December 13, 2012	December 31, 2019	$ 86,250	5.25%	**$ 86,250**	$ 86,250
5.25% Debentures	December 19, 2012	December 31, 2019	25,000	5.25%	**25,000**	25,000
6.75% Debentures	May 15, 2013	November 30, 2017	20,125	6.75%	**—**	19,420
			$ 131,375		**$ 111,250**	$ 130,670

The 5.25% Debentures are convertible at any time by the holder into 72.4638 REIT Units per one thousand dollars of face value, representing a conversion price of $13.80 per unit. On or after December 31, 2015, but prior to December 31, 2017, the 5.25% Debentures were redeemable by the Trust at a price equal to the principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of 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, and with no constraints on the traded price of the Units thereafter but prior to December 31, 2019. Interest on the 5.25% Debentures is payable at a rate of 5.25% semi-annually on June 30 and December 31.

On November 30, 2017, the Trust repaid the 6.75% Debentures with an aggregate principal amount of $19,420.

Revolving credit facility

On December 15, 2017, the Trust amended its revolving credit facility to: increase the borrowing capacity from $100,000 to $125,000, add the ability to draw in U.S. dollars, increase the number of properties secured under the facility from 25 to 30, and extend the maturity date to June 2020. The following table summarizes certain details of the Trust's revolving credit facility as at December 31:

December 31, 2017	**Borrowing capacity**	**Letter of credit and forward agreement**	**Principal amount outstanding**	**Available to be drawn(1)**	**Interest rate(2)**	**Maturity date**
Revolving credit facility(3)	**$ 125,000**	**$ 2,000**	**$ —**	**$ 123,000**	**—**	**June 30, 2020**

(1) Formula-based amount available to be drawn as at December 31, 2017.

(2) Bankers' acceptance ("BA") rate plus 1.70% or Canadian prime plus 0.70% or U.S. LIBOR plus 1.70% or U.S. base rate plus 0.70%.

(3) Thirty properties are secured as first-ranking mortgages on the facility.

December 31, 2016	Borrowing capacity	Letter of credit and forward agreement	Principal amount outstanding	Available to be drawn(1)	Interest rate(2)	Maturity date
Revolving credit facility(3)	$ 100,000	$ 2,000	$ —	$ 98,000	—	June 30, 2019

(1) Formula-based amount available to be drawn as at December 31, 2016.

(2) Bankers' acceptance ("BA") rate plus 1.70% or the bank's prime rate plus 0.70%.

(3) Twenty-five properties are secured as first-ranking mortgages on the facility.

The following table summarizes the weighted average effective interest rates and maturity for debt outstanding as at December 31:

	Weighted average effective interest rates[1]			Debt amount	
	December 31, 2017	December 31, 2016	Maturity dates	**December 31, 2017**	December 31, 2016
Fixed rate					
Mortgages	**3.57%**	3.51%	2017–2027	**$ 782,254**	$ 741,890
Convertible debentures	**6.10%**	6.13%	2017–2019	**108,567**	127,082
Total fixed rate debt	**3.88%**	3.89%		**890,821**	868,972
Variable rate					
Revolving credit facility	**—**	—	2020	**(1,025)**	(625)
Total variable rate debt	**—**	—		**(1,025)**	(625)
Total debt	**3.88%**	3.89%		**$ 889,796**	$ 868,347

(1) The effective interest rate method includes the impact of fair value adjustments on assumed debt and financing costs.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Revolving credit facility	Convertible debentures	Total
2018	$ 115,126	$ —	$ —	$ 115,126
2019	72,661	—	111,250	183,911
2020	110,442	—	—	110,442
2021	158,916	—	—	158,916
2022	113,454	—	—	113,454
2023 and thereafter	212,587	—	—	212,587
	783,186	—	111,250	894,436
Unamortized financing costs	(3,285)	(1,025)	(1,242)	(5,552)
Unamortized fair value adjustments	2,353	—	(1,441)	912
	(932)	(1,025)	(2,683)	(4,640)
Total	$ 782,254	$ (1,025)	$ 108,567	$ 889,796

Other financial instruments

The following table lists the fair value of financial instruments:

	December 31, 2017	December 31, 2016
Fair value of interest rate swaps – financial liabilities	**$ 57**	$ 1,006
Fair value of interest rate swaps – financial assets	**(1,675)**	—
Conversion feature on the convertible debentures	**(2,305)**	(3,329)
Total	**$ (3,923)**	$ (2,323)

Interest rate swaps

On August 30, 2017, the Trust completed the financing of a maturing mortgage on a portfolio of six of its properties at a variable interest rate of one-month BA rate plus 1.36% for an initial term of seven years. In order to manage the interest rate risk on the variable interest rate, the Trust entered into a seven-year interest rate swap agreement for an initial notional amount of $45 million, which effectively fixed the interest rate at 3.44%. At December 31, 2017, the aggregate fair value of the interest rate swap was a $344 financial asset. The Trust did not apply hedge accounting to this relationship, and therefore the change in fair value of the swap is recognized in net income (loss).

On August 26, 2015, the Trust completed the financing of maturing mortgages on a portfolio of 11 of its properties located in Québec at a variable interest rate of the one-month BA rate plus 1.45% for an initial term of seven years. In order to manage the interest rate risk on the variable interest rate, the Trust entered into a seven-year interest rate swap agreement for an initial notional value of $50 million, which effectively fixed the interest rate at 2.93%. At December 31, 2017, the fair value of the interest rate swap was a $1,331 financial asset (December 31, 2016 – $137 financial liability). The Trust did not apply hedge accounting to this relationship, and therefore the change in fair value of the swap is recognized in net income (loss).

On February 24, 2014, the Trust completed the financing of maturing mortgages on a portfolio of eight of its properties located in Halifax at a variable interest rate of the monthly Canadian Dealer Offered Rate ("CDOR") plus 1.4% for an initial term of five years. In order to manage the interest rate risk on the variable interest rate, the Trust entered into a five-year interest rate swap agreement with a Canadian chartered bank for an initial notional value of $56 million, which effectively fixed the interest rate at 3.31%. The Trust has applied hedge accounting to this relationship, and therefore the change in fair value of the effective portion of the hedging derivative is recognized in accumulated other comprehensive loss in the consolidated statements of changes in equity. The effectiveness of the hedging relationship is reviewed on a quarterly basis. The Trust has assessed that there is no ineffectiveness in the cash flow hedge of its interest rate exposure. At December 31, 2017, the fair value of the interest rate swap was a $57 financial liability (December 31, 2016 – $869 financial liability). The associated unrealized gains or losses that are recognized in accumulated other comprehensive loss will be reclassified in the same period during which the interest payments on the hedged item affect net income.

The following table summarizes the details of the interest rate swaps that are outstanding at December 31, 2017:

Transaction date		Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument classification		Fair value
February 24, 2014	$	47,413	3.31%	March 1, 2019	Cash flow hedge	$	57
August 26, 2015		46,640	2.93%	September 1, 2022	Fair value through profit or loss		(1,331)
August 30, 2017		44,715	3.44%	August 30, 2024	Fair value through profit or loss		(344)
Non-current debt	$	138,768	3.22%			$	(1,618)

Conversion feature on the convertible debentures

The movement in the conversion feature on the convertible debentures for the period is as follows:

	Note		**December 31, 2017**		December 31, 2016
Opening balance		**$**	**(3,329)**	$	—
Fair value adjustment on conversion feature of the convertible debentures	22		**1,024**		(3,329)
Ending balance		**$**	**(2,305)**	$	(3,329)

Note 14

SUBSIDIARY REDEEMABLE UNITS

DILP, a subsidiary of Dream Industrial, is authorized to issue an unlimited number of LP B Units. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to the REIT Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on REIT Units. Subsidiary redeemable units may be surrendered or indirectly exchanged for REIT Units on a one-for-one basis at the option of the holder, generally at any time, subject to certain restrictions.

The Trust has the following subsidiary redeemable units outstanding:

		Year ended December 31, 2017			Year ended December 31, 2016		
	Note	**Number of units issued and outstanding**		**Amount**	Number of units issued and outstanding		Amount
Opening balance		**18,551,855**	**$**	**158,247**	18,551,855	$	133,202
Remeasurement of carrying value	22	**—**		**5,009**	—		25,045
Ending balance		**18,551,855**	**$**	**163,256**	18,551,855	$	158,247

During the year ended December 31, 2017, the Trust recorded $13,376 (December 31, 2016 – $13,050) in distributions on the subsidiary redeemable units, which are included as interest expense in the consolidated statements of net income (loss) and comprehensive income (loss) (see Note 21). During 2017, all subsidiary redeemable units that are held by the wholly owned subsidiaries of Dream Office REIT were enrolled in the DRIP.

Holders of the LP Class A Units are entitled to vote at meetings of the limited partners of DILP, and each Unit entitles the holder to a distribution equal to distributions on the subsidiary redeemable units. As at December 31, 2017, all issued and outstanding LP Class A Units are owned directly by Dream Industrial and have been eliminated in the consolidated balance sheets.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled on surrender or exchange of such subsidiary redeemable units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT Units that may be obtained on the surrender or exchange of the subsidiary redeemable units to which they relate. As at December 31, 2017, 18,551,855 (December 31, 2016 – 18,551,855) Special Trust Units were issued and outstanding.

Note 15

DEFERRED UNIT INCENTIVE PLAN

The DUIP provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit, and the related distribution of income deferred trust units, vests evenly over a three- or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to defer receipt of REIT Units, such REIT Units will be issued immediately on vesting. As at December 31, 2017, up to a maximum of 1,500,000 (December 31, 2016 – 1,500,000) deferred trust units were issuable under the DUIP.

The movement in DUIP balance was as follows:

	Note		
As at January 1, 2017		$	4,350
Compensation expense during the year			1,785
REIT Units issued for vested deferred trust units(1)			(1,505)
Remeasurement of carrying value	22		648
As at December 31, 2017		$	5,278

(1) Excludes $52 of REIT Units issued for vested deferred trust units as part of the fourth quarter 2016 cost reduction program.

During the year ended December 31, 2017, $1,785 of compensation expense was recorded (December 31, 2016 – $1,421) and included in general and administrative expenses. For the same period, a fair value loss of $648 (December 31, 2016 – $997) was recognized in fair value adjustments to financial instruments representing the remeasurement of the DUIP liability for the year.

On February 21, 2017, 103,050 deferred trust units were granted to senior management and employees of the Trust. Of the units granted, 50,000 units relate to key management personnel. The grant date value of these deferred trust units was $8.75 per Unit granted.

On March 31, 2017, 6,997 deferred trust units were granted to trustees who elected to receive their 2017 quarterly fees in the form of deferred trust units rather than in cash. The grant date value of these deferred trust units was $8.22 per Unit granted.

On May 2, 2017, 40,000 deferred trust units were granted to trustees. The grant date value of these deferred trust units was $8.53 per Unit granted.

On June 30, 2017, 6,119 deferred trust units were granted to trustees who elected to receive their 2017 quarterly fees in the form of deferred trust units rather than in cash. The grant date value of these deferred trust units was $8.75 per Unit granted.

On September 30, 2017, 5,600 deferred trust units were granted to trustees who elected to receive their 2017 quarterly fees in the form of deferred trust units rather than in cash. The grant date value of these deferred trust units was $9.15 per Unit granted.

On December 31, 2017, 5,816 deferred trust units were granted to trustees who elected to receive their 2017 quarterly fees in the form of deferred trust units rather than in cash. The grant date value of these deferred trust units was $8.81 per Unit granted.

	Total Units
Outstanding and payable at January 1, 2016	581,126
Granted during the year	247,237
REIT Units issued	(109,488)
Cancelled upon termination	(789)
Fractional units paid in cash	(40)
Outstanding and payable at January 1, 2017	718,046
Granted during the year[1]	229,813
REIT Units issued	(178,250)
Cancelled upon termination	(7,622)
Fractional units paid in cash	(63)
Outstanding and payable at December 31, 2017	761,924
Vested but not issued at December 31, 2017	283,996

(1) Includes 62,231 income deferred trust units granted during the year.

Note 16

OTHER NON-CURRENT LIABILITIES

	Note	**December 31, 2017**	December 31, 2016
Tenant security deposits		**$ 12,600**	$ 12,164
Fair value of interest rate swaps	13	**57**	1,006
Total		**$ 12,657**	$ 13,170

Note 17

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables	**$ 1,029**	$ 1,146
Accrued liabilities and other payables	**12,632**	12,416
Accrued interest	**3,404**	3,477
Rent received in advance	**3,072**	2,335
Distributions payable	**4,381**	3,478
Total	**$ 24,518**	$ 22,852

The following table breaks down distribution payments for the years ended December 31:

	2017	2016
Paid in cash	**$ 35,804**	$ 35,706
Paid by way of reinvestment in REIT Units[1]	**7,735**	5,804
Less: Payable at December 31, 2016 (December 31, 2015)	**(3,478)**	(3,421)
Plus: Payable at December 31, 2017 (December 31, 2016)	**4,381**	3,478
Total	**$ 44,442**	$ 41,567

(1) Excludes REIT Units issued under the DRIP for LP B Units; see Note 21 for additional information.

On December 18, 2017, the Trust announced a cash distribution of $0.05833 per REIT Unit for the month of December 2017. The December 2017 distribution was paid on January 15, 2018 to unitholders on record as at December 29, 2017. For the REIT Units, total distributions of $3,498 were issued in cash and $883 of distributions were reinvested in additional REIT Units (98,685 Units). On February 15, 2018, the January 2018 distribution was paid. Total distributions of $3,222 were issued in cash and $1,177 of distributions were reinvested in additional REIT Units (135,553 Units).

Dream Industrial's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The basis of determination for distributions is defined in the Declaration of Trust and the percentage is determined by the Board of Trustees, at their sole discretion, based on appropriate considerations given the circumstances of the Trust at the time. In addition, the Board of Trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust, to the extent such amounts have not already been paid, allocated or distributed. The Trust declared distributions of $0.70 for the year ended December 31, 2017 ($0.70 for the year ended December 31, 2016).

Note 18

EQUITY

	December 31, 2017			December 31, 2016		
	Number of Units		**Amount**	Number of Units		Amount
REIT Units	**75,104,843**	**$**	**720,437**	59,633,237	$	589,252
Retained earnings (deficit)	—		**(7,056)**	—		2,727
Accumulated other comprehensive loss	—		**(1,135)**	—		(869)
Total	**75,104,843**	**$**	**712,246**	59,633,237	$	591,110

Dream Industrial REIT Units

Dream Industrial is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The Special Trust Units may be issued only to holders of subsidiary redeemable units.

REIT Units represent an undivided beneficial interest in Dream Industrial and in distributions made by Dream Industrial. No REIT Unit has preference or priority over any other. Each REIT Unit entitles the holder to one vote at all meetings of unitholders.

Public offering and private placements of REIT Units

On November 21, 2017, the Trust completed a public offering of 9,890,000 REIT Units, at a price of $8.75 per Unit for gross proceeds of $86,538, including 1,290,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

On November 21, 2017, the Trust completed a private placement of 2,858,000 REIT Units to Dream Office LP at a price of $8.75 per Unit for gross proceeds of $25,008. On the same day the Trust completed a private placement of 115,000 REIT Units to an affiliate of PAULS Corp, LLC ("PAULS Corp"), at a price of $8.75 per Unit for gross proceeds of $1,006.

Total costs related to the offering and private placements totalled $4,024 and were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allows holders of REIT Units or subsidiary redeemable units, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dream Industrial reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 3.0% of each cash distribution that is reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the REIT Units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

For the year ended December 31, 2017, 2,428,965 (December 31, 2016 – 876,787) REIT Units were issued under the DRIP and $21,110 (December 31, 2016 – $6,919) was recorded as distributions in the consolidated statements of changes in equity. Subsequent to the year-end and prior to when the consolidated statements were authorized for issuance, we issued 479,933 REIT Units under the DRIP. This includes DRIP on REIT Units and DRIP on subsidiary redeemable units.

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT Units that may be acquired. The price per unit is calculated in the same manner as the DRIP. No commissions, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the year ended December 31, 2017, 1,391 (December 31, 2016 – 1,739) REIT Units were issued under the Unit Purchase Plan for proceeds of $12 (December 31, 2016 – $14).

Normal course issuer bid

In 2016, the Trust renewed its normal course issuer bid, which was effective from December 19, 2016 to December 18, 2017. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 5,803,445 REIT Units (representing 10% of the REIT's public float of 58,034,459 REIT Units as at December 1, 2016) through the facilities of the Toronto Stock Exchange (the "TSX") at prevailing market prices and in accordance with the rules and policies of the TSX. The actual number of REIT Units that may be purchased and the timing of any such purchases will be determined by the Trust, subject to a maximum daily purchase limitation of 29,969 REIT Units except where purchases are made in accordance with block purchase exemptions under applicable TSX rules. For the years ended December 31, 2017 and 2016, the Trust did not purchase for cancellation any Units. The normal course issuer bid expired on December 18, 2017 and was not subsequently renewed.

Short form base shelf prospectus

On September 15, 2017, the Trust filed and obtained receipts for a final short form base shelf prospectus which is valid for a 25-month period, during which time the Trust may, from time to time, offer and issue Units, subscription receipts, and debt securities convertible into or exchangeable for Units of the Trust, or any combination thereof, having an aggregate offering price of up to $1 billion. As at December 31, 2017, $86,538 of REIT Units have been issued under the short form base shelf prospectus.

Note 19

ACCUMULATED OTHER COMPREHENSIVE LOSS

			2017			2016
	Opening balance January 1	**Net change during the year**	**Closing balance December 31**	Opening balance January 1	Net change during the year	Closing balance December 31
Unrealized gain (loss) on interest rate swaps, net of taxes	**$ (869)**	**$ 813**	**$ (56)**	$ (1,577)	$ 708	$ (869)
Unrealized foreign currency translation (loss), net of taxes	**—**	**(1,079)**	**(1,079)**	—	—	—
Accumulated other comprehensive loss	**$ (869)**	**$ (266)**	**$ (1,135)**	$ (1,577)	$ 708	$ (869)

Note 20

ASSETS HELD FOR SALE AND DISPOSITIONS

Assets held for sale

As at December 31, 2017, management had committed to a plan to sell two investment properties. These properties are classified as assets held for sale.

	December 31, 2017	December 31, 2016
Investment properties	**$ 15,200**	$ 4,000
Assets held for sale	**$ 15,200**	$ 4,000

The following table summarizes the movements in investment properties classified as assets held for sale during the years ended December 31, 2017 and December 31, 2016:

	Note	**Year ended December 31, 2017**	Year ended December 31, 2016
Balance at beginning of year		**$ 4,000**	$ 8,550
Add (deduct):			
Capitalized costs		**—**	171
Investment properties classified as held for sale and disposed	8	**8,700**	65,432
Fair value adjustments to investment properties		**2,500**	(273)
Investment properties disposed during the year		**—**	(69,880)
Balance at end of year		**$ 15,200**	$ 4,000

Dispositions

There were no dispositions during the year ended December 31, 2017. The following dispositions were completed during the year ended December 31, 2016:

		Gross proceeds[1]		(Loss) gain on sale[2]		Mortgage discharged	Date disposed
722 Edinburgh Drive, Moncton	$	1,625	$	(70)	$	981	March 30, 2016
1155 Autoroute Chomedey, Laval		6,750		(145)		—	June 6, 2016
38 Rue de Valcourt, Gatineau		850		(20)		—	July 29, 2016
10001 Metropolitan Boulevard East, Montréal		37,500		(452)		16,633	August 4, 2016
215 Cutler Avenue, Dartmouth[3]		920		(1)		—	October 6, 2016
700 Ormont Drive, Toronto		7,700		548		3,800	November 1, 2016
5900 Finch Avenue East, Scarborough		12,585		(555)		5,935	December 6, 2016
3800 Trans-Canada Highway, Pointe-Claire		2,750		(122)		—	December 16, 2016
Total	$	70,680	$	(817)	$	27,349	

(1) Gross proceeds before transaction costs.

(2) Carrying value of assets approximated gross proceeds. The loss on sale arose entirely from transaction costs with the exception of 700 Ormont Drive where gross proceeds included an $800 reimbursement in relation to capital repairs.

(3) Vacant land.

Note 21

INTEREST

Interest on debt

Interest on debt incurred and charged to comprehensive income is recorded as follows:

	Year ended December 31,			
		2017		2016
Interest expense incurred, at contractual rate	**$**	**33,650**	$	35,022
Amortization of financing costs		**1,655**		1,503
Amortization of fair value adjustments		**(434)**		(1,162)
Interest expense		**34,871**		35,363
Add/deduct:				
Amortization of financing costs		**(1,655)**		(1,503)
Amortization of fair value adjustments		**434**		1,162
Change in accrued interest		**73**		158
Cash interest paid	**$**	**33,723**	$	35,180

Certain debt assumed in connection with acquisitions have been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the expected remaining term of the debt using the effective interest rate method. Non-cash adjustments to interest expense are recorded as part of depreciation and amortization in the consolidated statements of cash flows.

Interest on subsidiary redeemable units

Interest payments charged to comprehensive income consisting of distributions to holders of subsidiary redeemable units are recorded as follows:

	Year ended December 31,			
		2017		2016
Paid in cash	**$**	**—**	$	11,903
Paid by way of reinvestment in REIT Units		**13,376**		1,115
Less: Interest payable at December 31, 2016 (December 31, 2015)		**(1,114)**		(1,082)
Plus: Interest payable at December 31, 2017 (December 31, 2016)		**1,114**		1,114
Total	**$**	**13,376**	$	13,050

The interest payable at December 31, 2017 was paid on January 15, 2018 through the issuance of 121,021 REIT Units. On February 15, 2018, the January 2018 distribution was paid through the issuance of 124,674 REIT Units.

Note 22
FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Year ended December 31, 2017	2016
Fair value adjustment on conversion feature of the convertible debentures	**$ (1,024)**	$ 3,329
Remeasurement of carrying value of subsidiary redeemable units	**(5,009)**	(25,045)
Remeasurement of carrying value of DUIP	**(648)**	(997)
Fair value adjustment on interest rate swap	**1,812**	362
Total	**$ (4,869)**	$ (22,351)

Note 23
NET LOSSES ON TRANSACTIONS AND OTHER ACTIVITIES

	Note	Year ended December 31, 2017	2016
Investment in business transformation	25	**$ —**	$ (417)
Internal leasing costs		**(3,125)**	(4,056)
Debt settlement costs		**—**	(583)
Net loss on sale of investment properties	20	**—**	(817)
Cost reduction program charge		**(150)**	(1,070)
Transaction costs		**—**	(969)
Total		**$ (3,275)**	$ (7,912)

Note 24
SEGMENTED INFORMATION

For the year ended December 31, 2017, the Trust's investment properties were segmented into geographic components, namely Western Canada, Ontario, Québec, Eastern Canada, and the U.S. In 2017 the Trust added the U.S. segment to reflect the Trust's strategic expansion into the U.S. For the year ended December 31, 2016, the Trust's segments were Western Canada, Ontario, Québec and Eastern Canada.

The Trust did not allocate interest expense to these segments since financing is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, other income, other expenses, fair value adjustments to financial instruments, net losses on transactions and other activities, excluding internal leasing costs and income taxes were not allocated to the segment expenses.

Year ended December 31, 2017	Western Canada	Ontario	Québec	Eastern Canada	U.S.	Segment total	Other[1]	Total
Operations								
Investment properties revenue	**$ 65,310**	**$ 44,815**	**$ 30,007**	**$ 31,387**	**$ 831**	**$ 172,350**	**$ —**	**$ 172,350**
Investment properties operating expenses	**(20,730)**	**(13,514)**	**(7,605)**	**(13,641)**	**(82)**	**(55,572)**	**—**	**(55,572)**
Net rental income	**44,580**	**31,301**	**22,402**	**17,746**	**749**	**116,778**	**—**	**116,778**
Other income[2]	**—**	**—**	**—**	**—**	**731**	**731**	**264**	**995**
Other expenses	**—**	**—**	**—**	**—**	**—**	**—**	**(57,351)**	**(57,351)**
Fair value adjustments and other items	**(23,725)**	**27,793**	**(6,632)**	**(16,428)**	**(1,624)**	**(20,616)**	**(5,019)**	**(25,635)**
Income (loss) before income taxes	**20,855**	**59,094**	**15,770**	**1,318**	**(144)**	**96,893**	**(62,106)**	**34,787**
Deferred and current income taxes	**—**	**—**	**—**	**—**	**—**	**—**	**(128)**	**(128)**
Net income (loss) for the year	**$ 20,855**	**$ 59,094**	**$ 15,770**	**$ 1,318**	**$ (144)**	**$ 96,893**	**$ (62,234)**	**$ 34,659**

(1) Includes other income, other expenses, fair value adjustments to financial instruments, and net losses on transactions and other activities, excluding internal leasing costs and income taxes, which are not monitored at a regional level.

(2) U.S. other income consists of interest-bearing deposit income related to the purchase of the Nashville property.

Year ended December 31, 2016	Western Canada	Ontario	Québec	Eastern Canada	U.S.	Segment total	Other(1)	Total
Operations								
Investment properties revenue	$ 65,757	$ 45,228	$ 31,562	$ 32,142	$ —	$ 174,689	$ —	$ 174,689
Investment properties operating expenses	(20,464)	(14,463)	(8,371)	(14,004)	—	(57,302)	—	(57,302)
Net rental income	45,293	30,765	23,191	18,138	—	117,387	—	117,387
Other income	—	—	—	—	—	—	68	68
Other expenses	—	—	—	—	—	—	(58,398)	(58,398)
Fair value adjustments and other items	(31,066)	5,823	4,654	(15,500)	—	(36,089)	(26,207)	(62,296)
Income (loss) before income taxes	14,227	36,588	27,845	2,638	—	81,298	(84,537)	(3,239)
Recovery and current income taxes	—	—	—	—	—	—	549	549
Net income (loss) for the year	$ 14,227	$ 36,588	$ 27,845	$ 2,638	$ —	$ 81,298	$ (83,988)	$ (2,690)

(1) Includes other income, other expenses, fair value adjustments to financial instruments, and net losses on transactions and other activities, excluding internal leasing costs and income taxes, which are not monitored at a regional level.

Investment properties

Year ended December 31, 2017	**Western Canada**	**Ontario**	**Québec**	**Eastern Canada**	**U.S.**	**Total**
Investment properties	**$ 638,535**	**$ 465,585**	**$ 294,110**	**$ 250,030**	**$ 74,728**	**$ 1,722,988**
Total capital expenditures and leasing costs(1)	**7,059**	**6,176**	**4,243**	**6,942**	**—**	**24,420**

(1) Includes building improvements and lease incentives and initial direct leasing costs.

Year ended December 31, 2016	Western Canada	Ontario	Québec	Eastern Canada	U.S.	Total
Investment properties	$ 636,855	$ 442,260	$ 296,190	$ 259,010	$ —	$ 1,634,315
Total capital expenditures and leasing costs(1)	8,665	9,057	4,591	7,466	—	29,779

(1) Includes building improvements and lease incentives and initial direct leasing costs.

Note 25

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dream Industrial and its subsidiaries enter into transactions with related parties. Dream Industrial, DILP (a wholly owned subsidiary of the Trust), Dream Industrial Management LP (a wholly owned subsidiary of DILP), Dream Industrial Management Corp. and Dream Office Management Corp. (a subsidiary of Dream Office REIT) are parties to an administrative services agreement (the "Services Agreement") which is automatically renewed on October 4 of every year for additional one-year terms unless terminated by any party.

Dream Asset Management Corporation

Dream Industrial also has an asset management agreement (the "Asset Management Agreement") with Dream Asset Management Corporation ("DAM"), formerly known as Dundee Realty Corporation, a subsidiary of Dream Unlimited Corp., pursuant to which DAM provides certain asset management services to Dream Industrial and its subsidiaries, which is in effect until October 4, 2022.

The Asset Management Agreement provides for a range of asset management services for the following fees:

- Base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties;
- Incentive fee equal to 15% of Dream Industrial's adjusted funds from operations per unit in excess of $0.80 per unit, increasing annually by 50% of the increase in the consumer price index;
- Capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1.0 million, excluding work done on behalf of tenants or any maintenance capital expenditures;
- Acquisition fee equal to: (a) 1.0% of the purchase price of a property on the first $100 million of properties acquired in each fiscal year; (b) 0.75% of the purchase price of a property on the next $100 million of properties acquired in each fiscal year; and (c) 0.50% of the purchase price of a property in excess of $200 million of properties acquired in each fiscal year.
- Financing fee equal to the actual expenses incurred by DAM in supplying services relating to financing transactions.

The Trust and DAM are party to an amended Shared Services and Cost Sharing Agreement as of January 1, 2016. According to the terms of the amended arrangement, DAM will continue to provide administrative and support services on an as-needed basis and will be reimbursed on a cost recovery basis for any expenses incurred. The Trust will continue to reimburse DAM for any shared costs allocated in each calendar year. This amended agreement provides for the automatic reappointment of DAM for additional one-year terms commencing on January 1 unless and until terminated in accordance with its terms or by mutual agreement of the parties.

Effective January 1, 2016, Dream Technology Ventures LP ("DTV LP"), a limited partnership, was established by a wholly owned subsidiary of DAM acting as general partner and DAM, Dream Office LP, DILP, Dream Global REIT and Dream Alternatives Master LP as limited partners. Each of the limited partners, including the Trust, contribute capital to DTV LP to fund costs incurred relating to technology personnel and technology related platforms. In addition, the Trust is party to a licensing agreement in respect of the use of the developed technology. The Trust accounts for its investment in DTV LP on an equity basis. At December 31, 2017, the Trust's investment in DTV LP was $14 (December 31, 2016 – $98), which was recorded under other non-current assets.

Effective November 2016, Dream Industrial Management LP ("DIMLP") entered into a Property Management Agreement with a subsidiary of DAM for DIMLP to manage one property on behalf of DAM.

Dream Office REIT

As at December 31, 2017, Dream Office REIT, directly and indirectly through its wholly owned subsidiaries, held 5,431,141 REIT Units and 18,551,855 LP B Units, representing approximately 25.6% ownership in the Trust.

As described in Note 7, on October 31, 2017, the Trust completed the purchase of a single-tenant distribution centre from Dream Office REIT. On August 1, in relation to the purchase, the Trust made an interest bearing refundable deposit of $30,150, which was applied to closing proceeds. During the year, $731 of interest income was included in interest and fee income related to this deposit.

As described in Note 18, on November 21, 2017, the Trust completed a private placement of 2,858,000 units to Dream Office LP. The units issued were enrolled in the DRIP.

PAULS Corp, LLC ("PAULS Corp")

Effective January 1, 2018, Brian Pauls was appointed as the Trust's Chief Executive Officer. Mr. Pauls is also a senior member of the management team at PAULS Corp, a Denver-based real estate firm.

DAM, our asset manager, has engaged PAULS Real Property Management, LLC, an affiliate of PAULS Corp, to assist the Trust in sourcing and completing acquisitions in the U.S. DAM pays PAULS Real Property Management, LLC a portion of the acquisition fee it receives from the Trust for each successful acquisition.

Through its relationships in the U.S., PAULS Corp assisted the Trust with its December 28, 2017 acquisition described in Note 7. PAULS Corp assisted the Trust with the negotiation and entered into a purchase and sale agreement with the vendor on behalf of the Trust. Following the execution of the purchase and sale agreement, the Trust assumed the purchase and sale agreement from PAULS Corp and completed the purchase of the property.

As described in Note 18, on November 21, 2017, the Trust completed a private placement of 115,000 Units to an affiliate of PAULS Corp.

Effective December 28, 2017, Dream Industrial US Holdings Inc. entered into a Property Management Agreement with PAULS Real Property Management, LLC to manage the property acquired on December 28, 2017 and the three properties acquired on January 16, 2018.

Related party transactions

Fees and cost reimbursements with related parties were as follows:

	Note		Year ended December 31, 2017		2016
Incurred under the Asset Management Agreement:					
Base annual management fee (included in general and administrative expenses)		**$**	**4,047**	$	4,129
Acquisition fee (included in acquisition related costs/investment properties)[(1)]			**934**		—
Expense reimbursements related to financing arrangements			**391**		555
Total costs incurred under the Asset Management Agreement to DAM		**$**	**5,372**	$	4,684
Incurred under the Shared Services and Cost Sharing Agreement:					
Investment in business transformation	23	**$**	**—**	$	417
Strategic services and other			**681**		1,011
Total costs incurred under the Shared Services and Cost Sharing Agreement to DAM		**$**	**681**	$	1,428
Amounts received and receivable from DAM:					
Cost reimbursed under the Property Management Agreement					
Property management fee		**$**	**87**	$	—
Total cost reimbursements under the Property Management Agreement with DAM		**$**	**87**	$	—
Amounts paid and payable to Dream Office REIT:					
Costs reimbursed under the Services Agreement		**$**	**2,726**	$	3,682
Distributions paid and payable to Dream Office REIT on subsidiary redeemable units	14		**13,376**		13,050
Distributions paid and payable to Dream Office REIT on REIT Units			**1,585**		66
Amounts paid and payable to Dream Office REIT		**$**	**17,687**	$	16,798

(1) A portion of this fee is paid by DAM to PAULS Real Property Management, LLC for any U.S. acquisitions it is involved in.

The following table summarizes the outstanding payables to and receivables from related parties as at:

		December 31, 2017		December 31, 2016
Amounts payable and accrued liabilities to DAM for:				
Asset Management Agreement	**$**	**(631)**	$	(491)
Shared Services and Cost Sharing Agreement		**(151)**		(168)
Total payable to DAM	**$**	**(782)**	$	(659)
Amounts payable and accrued liabilities to Dream Office REIT for:				
Services Agreement	**$**	**(302)**	$	(430)
Distributions on subsidiary redeemable units[(1)]		**(1,114)**		(1,114)
Distributions on REIT Units		**(317)**		(51)
Total payable to Dream Office REIT	**$**	**(1,733)**	$	(1,595)
Amounts receivable from Dream Office REIT for:				
Funds Dream Office REIT received on behalf of Dream Industrial REIT	**$**	**299**	$	—
Total receivable from Dream Office REIT	**$**	**299**	$	—
Amounts payable and accrued liabilities to PAULS Real Property Management, LLC for:				
Expense reimbursements related to property acquisitions	**$**	**(30)**	$	—
Total payable to PAULS Real Property Management, LLC	**$**	**(30)**	$	—

(1) Distributions on subsidiary redeemable units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP") starting December 2016. Under this plan, distributions were reinvested for additional REIT Units. Prior to this, distributions were paid in cash.

Compensation of key management personnel is as follows:

		Year ended December 31, 2017		2016
Unit-based awards granted during the year[(1)]	**$**	**992**	$	942
Trustees' fees paid in cash		**162**		98
Total	**$**	**1,154**	$	1,040

(1) Deferred trust units granted to officers and trustees vest over a five-year period with one-fifth of the deferred trust units vesting each year. Amounts are determined based on the grant date fair value of deferred trust units multiplied by the number of deferred trust units granted in the period.

Note 26

SUPPLEMENTARY CASH FLOW INFORMATION

The components of depreciation and amortization, net, under operating activities include:

		Year ended December 31,	
	Note	**2017**	2016
Amortization of lease incentives	8	**$ 1,155**	$ 742
Amortization of financing costs	21	**1,655**	1,503
Depreciation of property and equipment		**52**	54
Amortization of fair value adjustments on assumed debt	21	**(434)**	(1,162)
Total		**$ 2,428**	$ 1,137

The components of other adjustments under operating activities include:

		Year ended December 31,	
	Note	**2017**	2016
Deferred unit compensation expense	15	**$ 1,785**	$ 1,421
Straight-line rent	8	**(490)**	(1,278)
Fair value adjustments to investment properties	8, 20	**17,491**	32,033
Fair value adjustments to financial instruments	22	**4,869**	22,351
Transaction costs	23	**—**	969
Net loss on sale of investment properties	20	**—**	817
Deferred income taxes	11	**(98)**	(549)
Debt settlement gain	23	**—**	583
Non-cash interest on subsidiary redeemable units	21	**13,376**	1,115
Other adjustments to operating activities		**$ 36,933**	$ 57,462

The components of the changes in non-cash working capital under operating activities include:

	Year ended December 31,	
	2017	2016
Decrease (increase) in amounts receivable	**$ 941**	$ (81)
Decrease (increase) in prepaid expenses and other assets	**225**	(239)
Decrease in other non-current assets	**84**	29
Increase in amounts payable and accrued liabilities	**868**	1,044
Increase in tenant security deposits	**373**	1,277
Change in non-cash working capital	**$ 2,491**	$ 2,030

The following amounts were paid on account of interest:

		Year ended December 31,	
	Note	**2017**	2016
Interest:			
Debt	21	**$ 33,723**	$ 35,180
Subsidiary redeemable units	21	**—**	11,903
Total		**$ 33,723**	$ 47,083

Note 27

COMMITMENTS AND CONTINGENCIES

Dream Industrial REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that 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 the consolidated financial statements of Dream Industrial.

Purchase and other obligations

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $780 (December 31, 2016 – $1,485).

Note 28

CAPITAL MANAGEMENT

The primary objectives of the Trust's capital management are to ensure its operations are adequately funded in a cost efficient manner and to remain compliant with its banking covenants.

The Trust's capital consists of debt, including mortgages, revolving credit facility, convertible debentures, subsidiary redeemable units and unitholders' equity. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage and debt-to-total assets ratios. Other significant indicators include weighted average interest rate, average term to maturity of debt and variable rate debt as a portion of total debt. These indicators assist the Trust in assessing whether the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions and capital expenditures and for evaluating the need to raise funds for further expansion. Various mortgages have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These include loan-to-value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership level, and all have been complied with.

The Trust's equity consists of REIT Units, in which the carrying value is impacted by earnings and unitholder distributions. The Trust endeavours to make annual distributions of $0.70 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, total distributions as a percentage of distributable income and distributable income per unit.

The Trust monitors capital primarily using a debt-to-total assets ratio and a debt-to-adjusted EBITDA ratio, which are calculated as the amount of outstanding debt divided by total assets and the amount of outstanding debt to adjusted EBITDA. During the year, the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The DILP Partnership Agreement limits the Trust's interest coverage ratio to no less than 1.4 times. The interest coverage ratio, for the purpose of the DILP Partnership Agreement, is calculated as net rental income from continuing operations, plus interest and fee income, less general and administrative expense from continuing operations, all divided by interest expense on total debt. Interest expense on subsidiary redeemable units is excluded as it represents distributions on units; however, pursuant to IFRS, the distributions are presented as interest expense. For the year ended December 31, 2017, the Trust's interest coverage ratio was 3.1 times (December 31, 2016 – 3.0 times), reflecting its ability to cover interest expense requirements.

		Year ended December 31,	
	Note	**2017**	2016
Investment properties revenue		**$ 172,350**	$ 174,689
Investment properties operating expenses		**(55,572)**	(57,302)
Net rental income		**116,778**	117,387
Add (deduct):			
Interest and fee income		**995**	68
General and administrative expenses		**(9,052)**	(9,931)
		$ 108,721	$ 107,524
Interest expense – debt	21	**$ 34,871**	$ 35,363
Interest coverage ratio (times)		**3.1**	3.0

Note 29

FINANCIAL INSTRUMENTS

Risk management

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risks.

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has some exposure to interest rate risk primarily as a result of the Trust's fixed rate debt and the expected requirement to refinance debt in the year of maturity. The Trust is exposed to the variability in market interest rates on maturing debt to be renewed. The Trust has no variable rate debt as at December 31, 2017.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate financial assets and fixed rate debt due to mature in 2018. A 1% change is considered a reasonable level of fluctuation.

		Interest rate risk			
		-1%		+1%	
	Carrying amount	Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents[1]	$ 54,651	$ (547)	$ (547)	$ 547	$ 547
Financial liabilities					
Fixed rate debt due to mature in a year	$ 92,607	$ 926	$ 926	$ (926)	$ (926)

(1) Cash and cash equivalents are short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. These balances generally receive interest income less than 1%. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

The Trust is exposed to foreign exchange risk as it relates to its U.S. investments due to fluctuations in the exchange rate between the Canadian and U.S. dollars. Changes in the exchange rate may result in a reduction in other comprehensive income (loss). For the year ended December 31, 2017, a $0.05 change in the value of the U.S. dollar relative to the Canadian dollar would result in a $2,638 change to comprehensive income (loss). The Trust's objective in managing foreign exchange risk is to mitigate the exposure from fluctuations in the exchange rate by maintaining U.S.-denominated debt against its U.S. assets.

Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risk by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash and cash equivalents, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

Liquidity risk is the risk the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. As at December 31, 2017, current liabilities exceeded current assets by $59,726. The Trust's main sources of liquidity are its revolving credit facility and unencumbered assets. The Trust uses its revolving credit facility on short notice which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period to period depending on the timing of receipts and payments. The Trust manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. Scheduled principal repayments that are due within one year amount to $22,519 and debt maturities that are due within one year amount to $92,607. The debt maturities are typically refinanced with mortgages of terms between five and ten years. The Trust's unencumbered assets pool as at December 31, 2017 is $113,191.

Derivative and hedging activity

The Trust uses interest rate swaps to manage its cash flow risk associated with changes in interest rates on variable rate debt. Refer to Note 13 for further details.

Note 30

FAIR VALUE MEASUREMENTS

Quoted prices in active markets represent a Level 1 valuation. When quoted prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, either directly or indirectly, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements during the year.

The following tables summarize fair value measurements recognized in the consolidated balance sheets by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

	Carrying value as at December 31, 2017	**Fair value as at December 31, 2017**		
		Level 1	**Level 2**	**Level 3**
Recurring measurements				
Non-financial assets				
Investment properties	**$ 1,722,988**	**$ —**	**$ —**	**$ 1,722,988**
Financial assets				
Conversion feature on the convertible debentures	**2,305**	**—**	**—**	**2,305**
Fair value of interest rate swaps	**1,675**	**—**	**—**	**1,675**
Financial liabilities				
Fair value of interest rate swaps	**57**	**—**	**—**	**57**

	Carrying value as at December 31, 2016	Fair value as at December 31, 2016		
		Level 1	Level 2	Level 3
Recurring measurements				
Non-financial assets				
Investment properties	$ 1,634,315	$ —	$ —	$ 1,634,315
Financial assets				
Conversion feature on the convertible debentures	3,329	—	—	3,329
Financial liabilities				
Fair value of interest rate swaps	1,006	—	—	1,006

Financial instruments carried at amortized cost where carrying value does not approximate fair value are noted below:

	Carrying value as at December 31, 2017	**Fair value as at December 31, 2017**		
		Level 1	**Level 2**	**Level 3**
Fair values disclosed				
Mortgages	**$ 782,254**	**$ —**	**$ —**	**$ 780,631**
Convertible debentures	**108,567**	**—**	**—**	**114,668**

	Carrying value as at December 31, 2016	Fair value as at December 31, 2016		
		Level 1	Level 2	Level 3
Fair values disclosed				
Mortgages	$ 741,265	$ —	$ —	$ 740,633
Convertible debentures	127,082	—	—	136,564

Amounts receivable, cash and cash equivalents, tenant security deposits, amounts payable and accrued liabilities are carried at amortized cost, which approximates fair value due to their short-term nature. Subsidiary redeemable units and the Deferred Unit Incentive Plan are carried at amortized cost, which approximates fair value as they are readily redeemable financial instruments.

Investment properties

Fair value for investment properties is calculated using the overall capitalization rate and discounted cash flow methods, which result in these measurements being classified as Level 3 in the fair value hierarchy. In applying the overall capitalization rate method the stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate capitalization rate ("cap rate"). In applying the discounted cash flow method, the cash flows of a specific property are projected assuming a ten-year holding period. The estimated sale value at the end of the holding period is then calculated by dividing the projected net rental income for year 11 by a terminal rate. These projected cash flows are then added together and discounted at a discount rate reflecting the risks of the property being valued. The following are the significant assumptions used under the two methods in determining the value:

- Cap rate – based on actual location, size and quality of the investment property and taking into account any available market data at the valuation date;
- Stabilized NOI – revenues less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Terminal rate – taking into account assumptions regarding vacancy rates and market rents; and
- Cash flows – based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

Investment properties are valued on a highest-and-best-use basis.

Significant unobservable inputs in Level 3 valuations are as follows:

	December 31, 2017			December 31, 2016		
	Range (%)		**Weighted average**	Range (%)		Weighted average
Stabilized NOI	**n/a**	**$**	**117,598**	n/a	$	113,956
Cap rate	**4.00–9.25**		**6.59%**	5.50–9.25		6.71%
Discount rate	**5.00–9.00**		**7.47%**	6.25–9.00		7.58%
Terminal rate	**4.50–8.00**		**6.73%**	5.75–8.00		6.92%
Cash flows	**n/a**	**$**	**105,497**	n/a	$	104,969

Generally, under the overall capitalization rate method, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in the cap rate will result in a decrease to the fair value of an investment property. The cap rate magnifies the effect of a change in stabilized NOI, with a lower cap rate resulting in a greater impact to the fair value of an investment property than a higher cap rate. Under the discounted cash flow method, an increase in cash flows will result in an increase to the fair value of an investment property. An increase in the discount rate will result in a decrease to the fair value of an investment property. An increase in the terminal rate will result in a decrease to the fair value of an investment property. The terminal rate magnifies the effect of a change in cash flows and discount rates, with a lower terminal rate resulting in a greater impact to the fair value of an investment property.

If the cap rate were to increase by 25 basis points ("bps"), the value of investment properties would decrease by $60,881 (December 31, 2016 – $56,569). If the cap rate were to decrease by 25 bps, the value of investment properties would increase by $65,510 (December 31, 2016 – $60,776).

Valuation process

Management is responsible for determining the fair value measurements included in the consolidated financial statements. The Trust includes a valuation team that prepares a valuation of each investment property every quarter. On a quarterly basis, the Trust engages independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the investment properties to complete valuations of several properties. Each property is valued by an independent valuer on a rotational basis. For properties subject to an independent valuation report, the valuation team verifies all major inputs to the valuation and reviews the results with the independent valuers. The valuation team directly reports the results to the Chief Financial Officer ("CFO") and Chief Executive Officer ("CEO") for approval. Discussion of valuation processes, key inputs and results are held between the CFO, the CEO and the valuation team at least once every quarter, in line with the Trust's quarterly reporting. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the CFO, the CEO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Investment properties with an aggregate fair value of $605,950 for the year ended December 31, 2017 (for the year ended December 31, 2016 – $706,760) were valued by qualified external valuation professionals.

Convertible debentures

The convertible debentures have two components of value – a conventional bond and a call on the equity of the Trust through conversion. Based on its terms (see Note 13), the conversion feature is an embedded derivative and has been separated from the host contract and classified as a financial asset through profit and loss.

The fair value of the conversion feature on the convertible debentures was determined using critical inputs, some of which are not directly observable based on market data. The critical inputs are the unit price and the units' distribution yield, the underlying unit volatility, the risk-free rate and the assumed credit spread.

A qualified independent valuation professional calculates the fair value measurement for the financial asset classified as Level 3. The valuation processes and results are determined and reviewed by senior management.

The significant inputs used in the fair value measurement of the conversion feature as at December 31 are the following:

- Volatility: historical volatility as at December 31 was derived from the historical prices of the Trust with maturity equal to the term to maturity of the convertible debentures.
- Credit spread: the credit spread of the convertible debentures was imputed from the traded price of the convertible debentures as at December 31.

	December 31, 2017		December 31, 2016	
	Credit spread	**Volatility**	Credit spread	Volatility
5.25% Debentures	**1.622%**	**15.840%**	2.259%	17.743%

A higher volatility will increase the value of the conversion option. A lower credit spread will decrease the value of the conversion option.

The following table shows the changes in fair value of the conversion option from a 5% increase or decrease in volatility and a 100 bps increase or decrease in credit spread, all other inputs being constant.

	Impact of change to volatility		Impact of change to credit spread	
	+5%	-5%	+100 bps	-100 bps
Increase/(decrease) in fair value as at December 31, 2017	**$ 2**	**$ —**	**$ 1,562**	**$ (1,615)**
Increase/(decrease) in fair value as at December 31, 2016	$ 85	$ (10)	$ 2,048	$ (2,148)

Interest rate swaps

The fair value measurement of the interest rate swaps was valued by qualified independent valuation professionals based on the present value of the estimated future cash flows determined using observable yield curves.

Mortgages

The fair value of the mortgage payable as at December 31, 2017 has been calculated by discounting the expected cash flows of each debt using a weighted average discount rate of 3.59% (December 31, 2016 – 3.41%). This discount rate is determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the Trust's specific credit risk. In determining the adjustment for credit risk, the Trust considers market conditions, the value of the investment properties that the mortgage is secured by and other indicators of the Trust's creditworthiness.

Convertible debentures

The fair value of convertible debentures as at December 31, 2017 and December 31, 2016 is based on the convertible debentures' trading price on or about December 31, 2017 and December 31, 2016, respectively, adjusted for the value of the separated conversion feature.

Revolving credit facility

The fair value of the revolving credit facility as at December 31, 2017 and December 31, 2016 approximates the carrying value due to their short-term nature.

Note 31

SUBSEQUENT EVENTS

On January 16, 2018, the Trust completed the acquisition of a portfolio of four industrial properties, totalling approximately 2.0 million square feet, located in the Southeastern U.S. from a publicly traded U.S. REIT. As described in Note 7, the acquisition of the first property closed on December 28, 2017. The remaining three properties closed on January 16, 2018 for $112,623, excluding transaction costs. The acquisition was funded through: the proceeds of the public offering and private placement of REIT Units as described in Note 18; working capital; and the Trust's revolving credit facility.

On January 12 and 17, 2018, the Trust completed the financings of two mortgages secured by portfolios of assets located in Calgary and Halifax. The new mortgages totalled $95 million at an average rate of 3.65% for a term of five years.


dream

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Listing Symbols:
REIT Units: DIR.UN
5.25% Convertible Debentures: DIR.DB

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide unitholders with a convenient way of investing in additional units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, you may invest in additional units in two ways:

Distribution reinvestment: Unitholders will have cash distributions from Dream Industrial REIT reinvested in additional units as and when cash distributions are made. If you register in the DRIP you will also receive a "bonus" distribution of units equal to 3% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every $1.00 of cash distributions reinvested by you under the Plan, $1.03 worth of units will be purchased.

Cash purchase: Unitholders may invest in additional units by making cash purchases. To enroll, contact:

Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Services

Or call their Customer Contact Centre at
1 800 564-6253 (toll free) or (514) 982-7555.

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