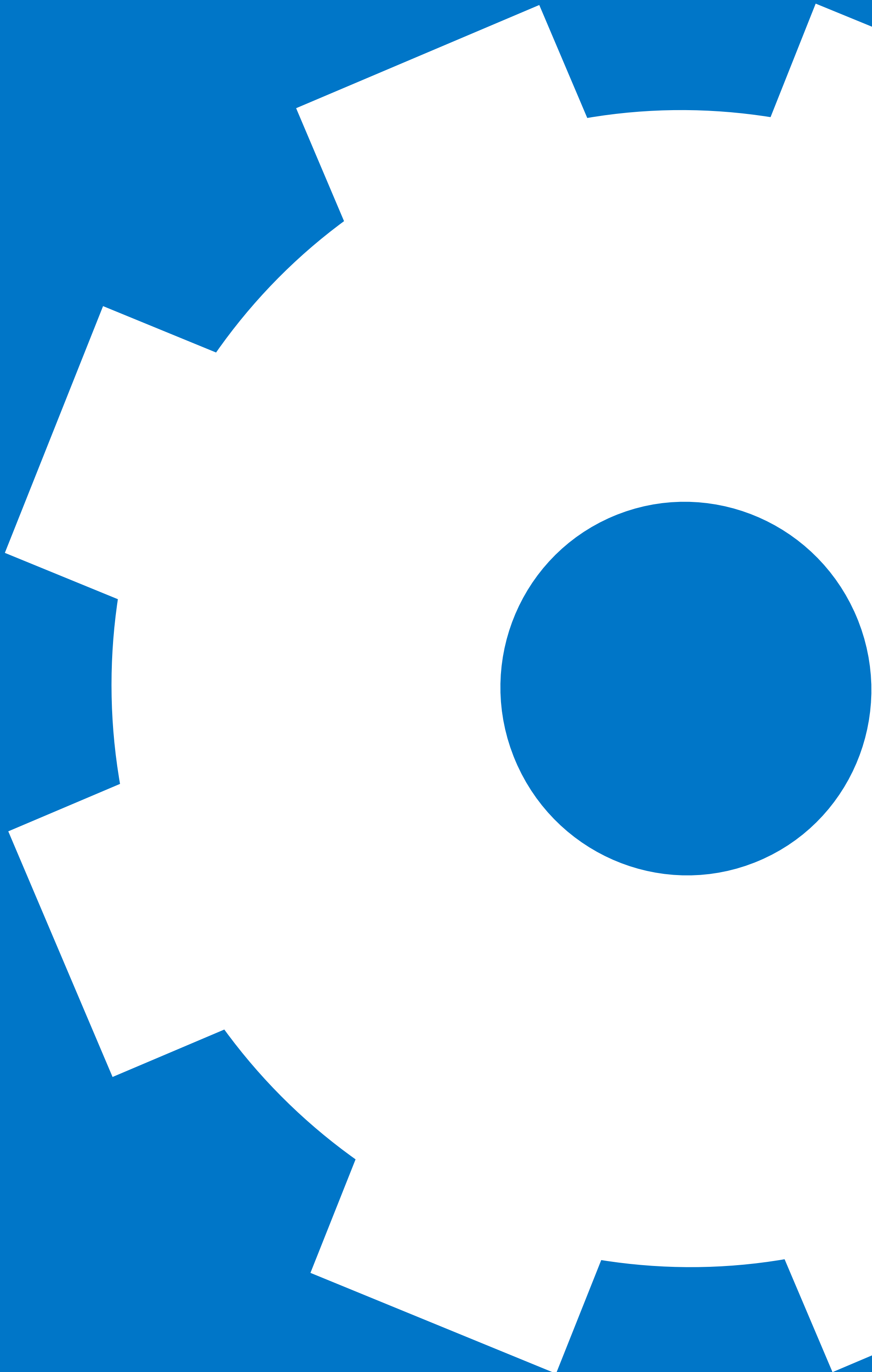
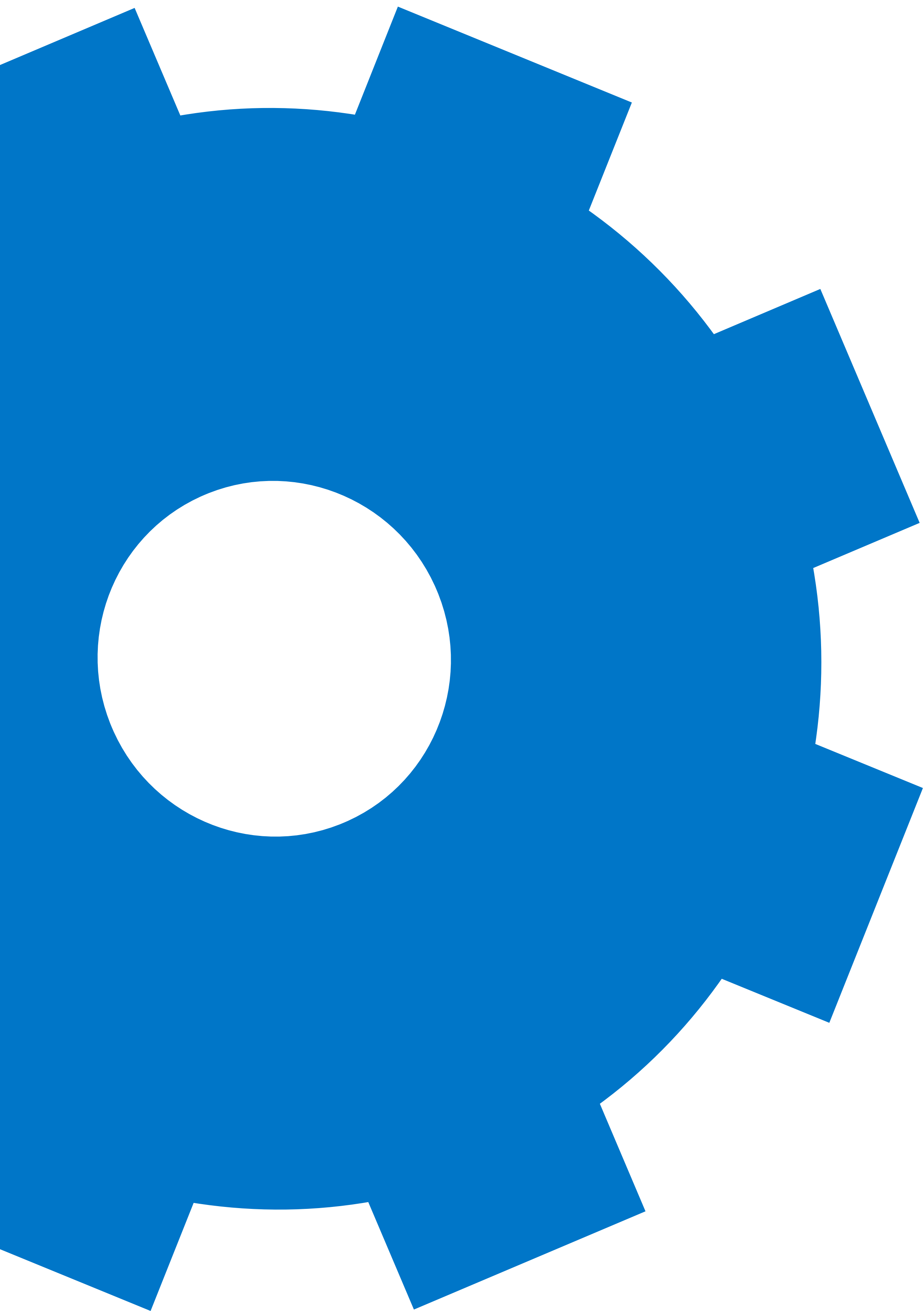
Annual Report 2014

Dream Industrial REIT



dream
industrial REIT



Letter to Unitholders

The Canadian industrial market is on solid footing. We ended 2014 with occupancy at 96% and an increase of our adjusted funds from operations ("AFFO") of 6.5% over the prior year.

I am pleased to join Dream Industrial REIT and report solid results for the fourth quarter of 2014, which completes the second full year of operations of the Trust. We closed 2014 with diluted AFFO of 79.1 cents per unit, which is 6.5% higher than the 2013 AFFO of 74.3 cents per unit. We continue to invest in our properties and strive to provide best-in-class service to our tenants.

2014 was a great year in terms of leasing momentum, with a total of 2.6 million square feet of deals completed. Portfolio occupancy, including lease commitments, increased to 96.0% by year-end compared to 95.7% at the end of 2013. This reflects the efforts of our leasing teams across the country, the strength of our core markets as well as the quality of our assets.

Our financial metrics for the fourth quarter of 2014 continued to improve. Diluted AFFO per unit of 20.2 cents represents a 3.1% increase over the prior quarter. At the same time, the Trust has further reduced its AFFO payout ratio to 86.6% from 89.3% at the end of Q3. Our debt metrics are stable at quarter-end, with debt-to-total assets of 52.9%, weighted average term to maturity of 3.9 years and $166 million of unencumbered assets. This provides us with the capacity and flexibility to acquire and successfully finance growth when appropriate to do so and in a way that will add value for our unitholders.

We are experiencing positive leasing in our Eastern markets, where our tenant base is benefiting from low oil prices, low interest rates, the low Canadian dollar and the strong U.S. economy. The drop in energy prices has us monitoring our Western markets, where our direct tenant exposure to the oil and gas business is limited. We have yet to see any negative impact on leasing or receivables. The geographic and tenant diversity of our portfolio leaves us well-positioned to withstand any potential economic volatility that 2015 may bring.

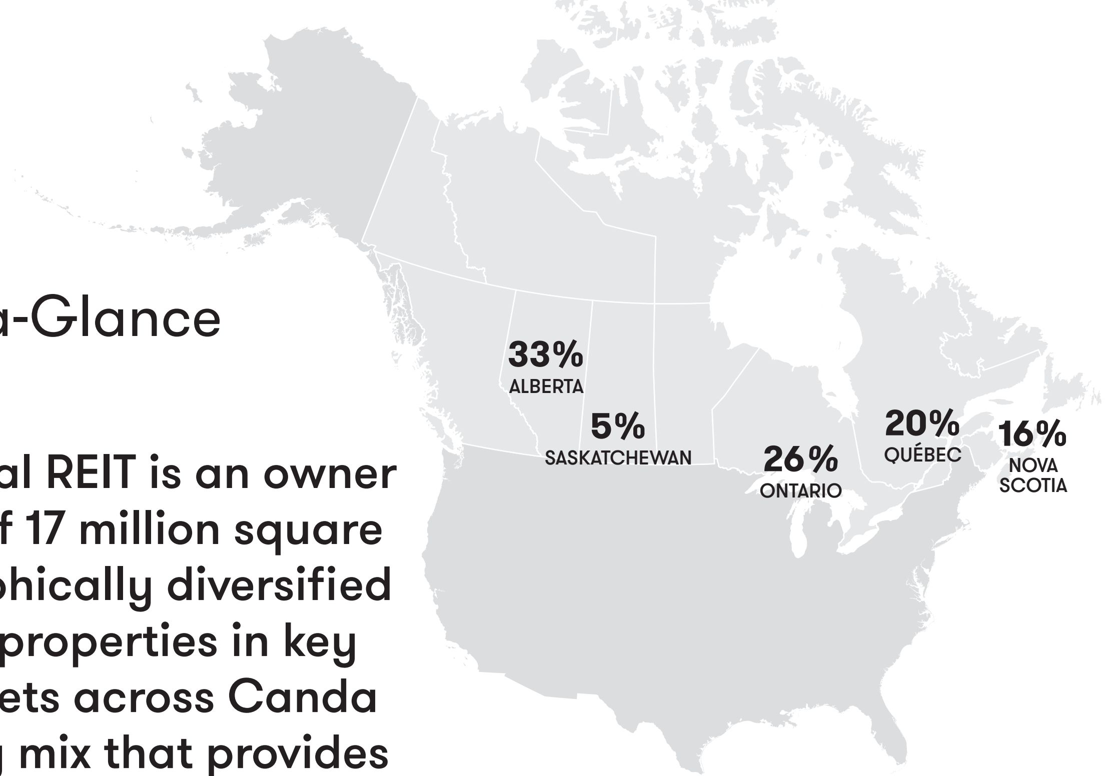
Fundamentally, the Canadian industrial market is on solid footing with an average availability rate of 5.5%. New supply under construction totals 19.5 million square feet, representing 1% of the total supply. The vast majority of new construction is on large-bay distribution space, and very little new supply is being constructed in any of our markets that is directly competitive with our multi-bay portfolio.

Overall, we will continue to execute on enhancing the strength of our business by driving organic net operating income growth and identifying opportunities to intensify tenants' use of our sites. We thank our unitholders for their continued support.

Brent Chapman
President and Chief Executive Officer
March 15, 2015

Portfolio at-a-Glance

DECEMBER 31, 2014



Geographic Diversification
(% of Q4 2014 net operating income)

Dream Industrial REIT is an owner and operator of 17 million square feet of geographically diversified light industrial properties in key industrial markets across Canda with a property mix that provides both near-term rent growth opportunities for multi-tenant assets and lower management costs for single-tenant assets.

Photos: **1.** 970 Fraser Drive, Burlington | **2.** 2876 Sunridge Way, Calgary | **3.** 1421 rue Nobel, Sainte-Julie | **4.** 320 Wright Avenue, Halifax
5. 133 Ilsey Avenue, Halifax | **6.** 1870 boulevard Saint-Regis, Dollard-des-Ormeau

$1.7B
TOTAL ASSETS

96%
OCCUPANCY

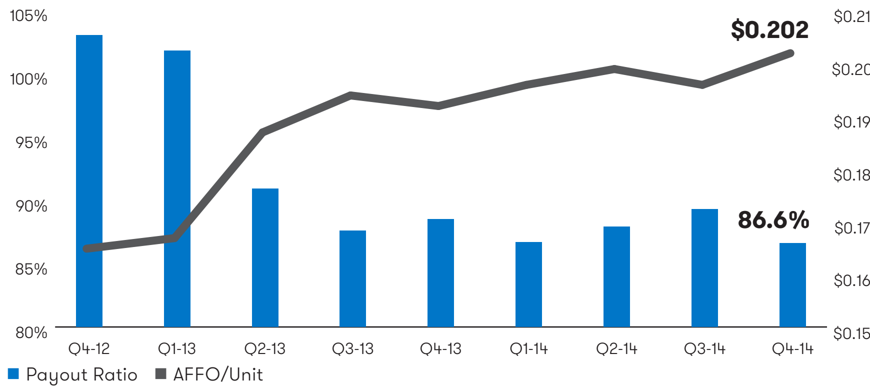
6.5%
YEAR-OVER-YEAR AFFO/UNIT GROWTH

216
PROPERTIES

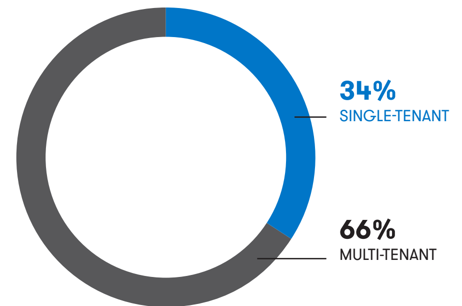
Diversified, High-Quality Tenants

TENANT	GROSS LEASABLE AREA (sq. ft.)	ANNUALIZED BASE RENT (%)	WEIGHTED AVERAGE REMAINING LEASE TERM (years)
Spectra/Premium Industries	642,368	3.6	10.4
TC Transcontinental	523,345	3.1	7.3
Gienow Windows & Doors Inc.	351,306	2.2	7.8
Molson Breweries Properties	225,000	2.1	8.0
The Brick Warehouse LP	327,000	2.0	9.4
Royal Group Inc.	346,035	1.7	3.0
Clean Harbors Industrial	113,506	1.6	3.7
United Agri Products Canada Inc.	275,335	1.2	8.8
Nellson Nutraceutical Canada	210,710	1.1	4.8
Array Canada Inc.	209,754	1.0	6.0
Total	**3,224,359**	**19.6**	**7.5**

Stable and Secure Distributions



Net Operating Income Breakdown
(Q4/2014)



17M
GROSS LEASABLE AREA
(sq. ft.)

4.4
AVERAGE REMAINING LEASE TERM (years)

1,300+
TENANTS

Table of Contents

Management's discussion and analysis 1

Management's responsibility for the consolidated financial statements 47

Independent auditor's report 48

Consolidated financial statements 49

Notes to the consolidated financial statements 53

Trustees IBC

Corporate information IBC

Photos:

1. 650 rue Bergeron, Drummondville
2. 3250 Sunridge Way, Calgary
3. 10001 Metropolitan East, Montréal
4. 2240 Premier Way, Edmonton

Management’s discussion and analysis

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except rental rates, unit and per unit amounts unless otherwise stated)

SECTION I – OVERVIEW AND FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW

Adjusted funds from operations (“AFFO”) per unit for the year was 79.1 cents, an increase of 4.8 cents, or 6.5%, over the prior year, which reflects growth in comparative property net operating income (“NOI”) as well as the effect of accretive acquisitions completed in the prior year and the third quarter of 2014. For the three months ended December 31, 2014, AFFO was 20.2 cents, an increase of 1 cent, or 5.2%, over the prior year comparative quarter, reflecting an increase in NOI resulting from comparative properties NOI growth and new acquisitions completed in September 2014, partially offset by an increase in interest expense and general and administrative expenses.

Funds from operations (“FFO”) per unit for the quarter was 24.0 cents, an increase of 0.7 cents, or 3.0%, over the prior year comparative quarter. The increase resulted from the same factors as the increase in AFFO per unit. For the year ended December 31, 2014, FFO per unit was 94.4 cents, an increase of 3 cents, or 3.3%, over 2013, also reflecting growth in NOI and accretive acquisitions completed in the prior year and Q3 2014.

AFFO and FFO per unit increased compared to the third quarter of 2014 by 0.6 cents, or 3.1%, and 0.7 cents, or 3.0%, respectively. This results from average occupancy in the portfolio for the fourth quarter increasing to 94.6% compared to 93.9% in the third quarter, as well as the effects of the full quarter results from the acquisitions completed in September 2014.

Occupancy (including commitments on vacant space) increased from 95.5% at the end of the third quarter to 96.0% at the end of the year. A total of 848,000 square feet of new and renewal leases commenced in the quarter, and expiries totalled 637,000 square feet. Approximately 70% of our expiries renewed during the quarter, which is within our typical renewal ratio of 70% to 75%. For the full year 2014, our renewal ratio was 67%. Our occupancy includes 140,000 square feet of commitments on vacant space, of which 87% will commence during Q1 2015.

In-place rent was $7.05 per square foot compared to $7.03 at September 30, 2014, which we estimate is approximately $0.31, or 4.4%, below the current rental market rates. The multi-tenant nature of two-thirds of our portfolio and its associated relatively short weighted average lease term of 3.6 years provides the Trust with a good opportunity for rent growth in the short to medium term.

Our portfolio size totalled 16.9 million square feet after classifying four properties as held for sale. Total investment properties amounted to $1.7 billion, reflecting a weighted average capitalization rate of 6.71% on stabilized NOI, which is essentially stable compared with the September 30, 2014 capitalization rates.

As at December 31, 2014, the ratio of secured debt, excluding convertible debentures, to total assets was 45.4%. Debt-to-total assets stood at 52.9% at December 31, 2014, including the convertible debentures. The weighted average remaining term on our debt was 3.9 years and the weighted average face interest rate on our debt was 4.07%, which is higher than we are currently seeing in the market for comparable mortgage debt.

Overall, the Trust has performed in line with management’s expectations for the quarter and the full year.

OUTLOOK

After just over two full years of operations, we have solidified Dream Industrial REIT as a Canadian pure-play industrial REIT while strengthening our footprint in key industrial markets and delivering solid operational results through our national platform. Market fundamentals for industrial real estate continued to improve nationally and in most of our major markets. During 2014, all of our major markets experienced positive absorption, with availability and vacancy rates decreasing to 5.5% and 3.7%, respectively.

As discussed in the section Financial overview, we experienced an increase in average occupancy across all of our regions, closing the year at 96.0% total occupancy. The fourth quarter of 2014 was our strongest quarter yet on the leasing front, with 848,000 square feet of new and renewal leasing.

Since the year-end, we completed the disposition of four properties in Calgary for gross proceeds of $10.9 million, which were used to repay existing debt. These dispositions are consistent with our strategy to recycle capital and improve the quality of our portfolio.

In January 2015, we obtained a financing commitment for a $33 million mortgage for a term of seven years at a rate of 2.63% secured by a portfolio of four properties in Regina. Net proceeds of approximately $22.9 million after repayment of an existing mortgage will be used to repay amounts drawn on the credit facility.

As of the date of this MD&A, we have obtained leasing commitments for over one million square feet of new and renewal leasing commencing in 2015, which represents approximately 40% of our 2.8 million square feet of expiries for the year.

In 2015, we will continue to be focused on growing our AFFO and enhancing the quality and stability of our cash flows by:

- Enhancing our operations and strengthening our relationships with tenants in order to grow NOI internally;
- Leveraging the decreasing vacancy in our markets to capture rental rate increases;
- Recycling capital from non-core assets into assets that meet our investment criteria and enhance the quality of our portfolio; and
- Exploring selected value-add intensification opportunities within our existing portfolio.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

			As at
	December 31, 2014	September 30, 2014	December 31, 2013
Portfolio(1)			
Number of properties	**216**	220	206
Gross leasable area ("GLA") (in millions of sq. ft.)	**16.9**	17.0	15.7
Occupancy rate – including committed	**96.0%**	95.5%	95.7%
Occupancy rate – in place	**95.2%**	93.9%	94.4%
Average occupancy for the period	**94.6%**	93.9%	94.3%
Average in-place base rent per sq. ft.	**$ 7.05**	$ 7.03	$ 6.92
Weighted average remaining lease term (years)	**4.4**	4.5	4.7
Estimated market rent in excess of in-place rent (%)	**4.4%**	5.0%	6.4%

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Operating results				
Investment properties revenue	**$ 44,588**	$ 41,149	**$ 166,249**	$ 142,944
NOI(2)	**29,989**	27,060	**112,764**	98,927
FFO(2)	**18,833**	16,872	**70,484**	61,514
AFFO(2)	**15,541**	13,630	**58,028**	49,164
Fair value increase (decrease) to investment properties	**(1,919)**	(182)	**2,137**	3,504
Distributions				
Declared distributions	**$ 13,404**	$ 12,450	**$ 51,187**	$ 46,250
DRIP participation rate	**5.9%**	9.7%	**7.2%**	7.0%
Per unit amounts(3)				
Distribution rate	**$ 0.17**	$ 0.17	**$ 0.70**	$ 0.69
Basic				
FFO(2)	**0.25**	0.24	**0.97**	0.93
AFFO(2)	**0.20**	0.19	**0.79**	0.74
Diluted				
FFO(2)	**0.24**	0.23	**0.94**	0.91
AFFO(2)	**0.20**	0.19	**0.79**	0.74
Payout ratio (%)(4)				
FFO	**72.9%**	75.1%	**74.2%**	75.9%
AFFO	**86.6%**	91.1%	**88.5%**	93.4%

			As at
	December 31, 2014	September 30, 2014	December 31, 2013
Financing			
Weighted average effective interest rate	**3.85%**	3.86%	3.84%
Weighted average face interest rate	**4.07%**	4.11%	4.18%
Weighted average remaining term to maturity (years)	**3.9**	4.1	4.1
Interest coverage ratio(3)	**3.0 times**	3.0 times	2.9 times
Debt-to-adjusted EBITDA(3)	**8.5**	8.6	8.6
Unencumbered assets	**$ 166,094**	$ 119,220	$ 122,189

(1) Excludes properties held for sale.

(2) NOI, FFO and AFFO (non-GAAP measures) are key measures of performance used by real estate operating companies; however, they are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or income trusts. Reconciliation to the relevant GAAP measures can be found under the heading "Our results of operations".

(3) A description of the determination of basic and diluted amounts per unit, interest coverage ratio and debt-to-adjusted EBITDA (non-GAAP measures) can be found under the heading "Non-GAAP measures and other disclosures".

(4) Payout ratios for FFO and AFFO are calculated as the ratio of distribution rate to diluted FFO and AFFO per unit, respectively.

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"), formerly known as Dundee Industrial Real Estate Investment Trust, should be read in conjunction with the audited consolidated financial statements of Dream Industrial for the year ended December 31, 2014.

This management's discussion and analysis ("MD&A") is dated as at February 17, 2015.

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

- "REIT Units", meaning the REIT Units
- "LP B Units" and "subsidiary redeemable units", meaning the Class B 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 the Dream Industrial REIT and its subsidiaries.

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. 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.

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 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 17, 2015. 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

On May 5, 2014, Dundee Industrial REIT changed its name to Dream Industrial REIT. Dream Industrial REIT is an unincorporated, open-ended real estate investment trust that was formed to provide investors with the opportunity to invest in a Canadian-focused, pure-play industrial REIT. Dream Industrial was founded on July 20, 2012 under the name Dundee Industrial REIT by Dream Office Real Estate Investment Trust ("Dream Office REIT"), formerly known as Dundee Real Estate Investment Trust, which had a retained investment of 24.2% at February 17, 2015. Our REIT Units are listed on the Toronto Stock Exchange under the trading symbol DIR.UN.

At December 31, 2014, we owned 216 light industrial income-producing buildings totalling 16.9 million square feet of GLA, excluding approximately 0.1 million square feet of properties held for sale. Our properties are located in primary and secondary markets in seven Canadian provinces.

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 Canadian 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.

Distributions

We currently pay monthly distributions of $0.058 per Unit, or $0.70 per Unit on an annual basis. At December 31, 2014, approximately 5.9% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP") (see a description of Our equity on page 19).

				2014				2013
	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	$ 0.675
Monthly distribution rate	**$ 0.058**	$ 0.058	$ 0.058	$ 0.058	$ 0.058	$ 0.058	$ 0.058	$ 0.056
Period-end closing price	**$ 8.42**	$ 9.05	$ 9.73	$ 9.40	$ 8.85	$ 8.74	$ 9.08	$ 10.82
Annualized distribution yield on closing price (%)	**8.3%**	7.7%	7.2%	7.4%	7.9%	8.0%	7.7%	6.2%

OUR STRATEGY

Dream Industrial REIT is a growth-oriented owner of income-producing light industrial properties across Canada providing stable and predictable distributions to unitholders on a tax-efficient basis. Our strategy is to grow our portfolio by investing in key markets across Canada 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 and across all asset classes, which we believe will provide us with the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

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 it complements our existing portfolio.

OUR PROPERTIES

Dream Industrial REIT owns and manages high-quality light industrial properties located in primary and secondary markets across Canada.

Today, our portfolio consists of 216 properties comprising 16.9 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 96.0%. Our occupancy rate includes lease commitments totalling approximately 140,000 square feet for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Our properties are geographically diversified as follows:

	December 31, 2014[1]			December 31, 2013		
	Number of properties	**Owned GLA (sq. ft.)**	**% of owned GLA**	Number of properties	Owned GLA (sq. ft.)	% of owned GLA
Western Canada	**77**	**4,824,509**	**28.5**	76	4,294,604	27.4
Ontario	**61**	**5,146,549**	**30.4**	58	4,825,231	30.8
Québec	**39**	**4,159,943**	**24.5**	33	3,732,891	23.8
Eastern Canada	**39**	**2,811,898**	**16.6**	39	2,810,631	18.0
Total	**216**	**16,942,899**	**100.0**	206	15,663,357	100.0

(1) Excludes properties held for sale.

Our portfolio consists of multi-tenant buildings totalling 10.7 million square feet, or comprising 64% of total GLA, and single-tenant buildings totalling 6.2 million square feet, or 36% of total GLA. Of the 6.2 million square feet of single-tenant space, 5.2 million is located in Ontario and Québec. Multi-tenant space is distributed more evenly throughout the provinces in the portfolio, with a relatively higher concentration of 4.1 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 regular 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.

Performance indicators	December 31, 2014[1]			December 31, 2013		
	Multi-tenant buildings	**Single-tenant buildings**	**Total**	Multi-tenant buildings	Single-tenant buildings	Total
Occupancy rate – including committed	**94.8%**	**98.1%**	**96.0%**	94.6%	97.9%	95.7%
Occupancy rate – in place[2]	**93.5%**	**98.1%**	**95.2%**	92.6%	97.8%	94.4%
Average in-place base rental rates (per sq. ft.)	**$ 7.38**	**$ 6.50**	**$ 7.05**	$ 7.14	$ 6.53	$ 6.92
Tenant maturity profile –average term to maturity (years)	**3.6**	**5.8**	**4.4**	3.7	6.5	4.7
Owned GLA (in millions of sq. ft.)	**10.7**	**6.2**	**16.9**	10.2	5.5	15.7

(1) Excludes properties held for sale.

(2) Based on physical occupancy, excluding future commitments.

Occupancy

At December 31, 2014, the overall percentage of occupied and committed space across our portfolio remained high at 96.0%, which was 0.5% higher than occupancy at September 30, 2014, and 0.3% higher than at December 31, 2013.

(percentage)	Total portfolio			Comparative properties[2]	
	December 31, 2014[1]	September 30, 2014	December 31, 2013	**December 31, 2014**	September 30, 2014
Western Canada	**97.5**	96.8	96.7	**97.5**	97.3
Ontario	**98.0**	97.8	98.3	**98.0**	97.8
Québec	**93.3**	92.7	93.3	**93.3**	92.7
Eastern Canada	**93.9**	93.1	93.0	**93.9**	93.1
Total	**96.0**	95.5	95.7	**96.0**	95.6
Portfolio size (millions of sq. ft.)	**16.9**	17.0	15.7	**16.9**	16.9

(1) Excludes properties held for sale.

(2) Comparative properties includes assets owned by the Trust as at September 30, 2014 and also excludes properties classified as held for sale as at December 31, 2014.

Occupancy roll-forward

Leasing activity for the fourth quarter included approximately 448,000 square feet of renewals and approximately 400,000 square feet of new leases.

The following tables detail the change in occupancy (including committed) during the three months and year ended December 31, 2014:

	Weighted average rate per sq. ft.	For the three months ended December 31, 2014 (sq. ft.)	As a % of total GLA
Occupancy (including committed) at beginning of period		16,257,329	95.5%
Vacancy committed for future occupancy		(276,408)	(1.6%)
Occupancy at beginning of period		15,980,921	93.9%
Reclassified to held for sale		(56,263)	
Remeasurements/reclassifications		1,066	
Occupancy at beginning of period – restated		15,925,724	94.0%
Expiries (all leases)	$ 7.20	(637,397)	(3.8%)
Early terminations and bankruptcies	$ 6.32	(7,765)	0.0%
New leases	$ 7.27	400,373	2.4%
Renewals	$ 7.42	447,906	2.6%
Occupancy – December 31, 2014		16,128,841	95.2%
Vacancy committed for future occupancy		139,732	0.8%
Occupancy (including committed) – December 31, 2014		16,268,573	96.0%

	For the three months ended December 31, 2014
Tenant retention ratio	70.3%
Expiring rents on renewed space (per sq. ft.)	$ 7.11
Renewal to expiring rent spread (per sq. ft.)	$ 0.31

	Weighted average rate per sq. ft.	For the year ended December 31, 2014 (sq. ft.)	As a % of total GLA
Occupancy (including committed) at beginning of year		14,994,614	95.7%
Vacancy committed for future occupancy		(208,261)	(1.3%)
Occupancy at beginning of year		14,786,353	94.4%
Acquired occupancy		1,319,967	
Reclassified to held for sale		(56,263)	
Remeasurements/reclassifications		2,475	
Occupancy at beginning of year – restated		16,052,532	94.7%
Expiries (all leases)	$ 7.09	(2,293,341)	(13.5%)
Early terminations and bankruptcies	$ 6.35	(234,049)	(1.4%)
New leases	$ 7.23	1,064,971	6.3%
Renewals	$ 7.49	1,538,728	9.1%
Occupancy – December 31, 2014		16,128,841	95.2%
Vacancy committed for future occupancy		139,732	0.8%
Occupancy (including committed) – December 31, 2014		16,268,573	96.0%

	For the year ended December 31, 2014
Tenant retention ratio	67.1%
Expiring rents on renewed space (per sq. ft.)	$ 7.19
Renewal to expiring rent spread (per sq. ft.)	$ 0.30

The committed occupancy on vacant space based on existing contractual commitments at December 31, 2014 totalled 140,000 square feet. Of this committed space, 87% becomes occupied in Q1 2015 with the balance taking occupancy in Q2 2015.

In-place rental rates

At December 31, 2014, estimated current market rents were 4.4% higher than portfolio average in-place base rents, presenting us with the opportunity to capture gains when space is renewed or newly leased. On a comparative properties basis, our average in-place rents increased during the quarter, reflecting our ability to capture these market rents as our leases expire.

Estimated market rent represents management's best estimate of the net rental rate that would be achieved in the event that a unit becomes vacant in a new arm's length lease after a reasonable marketing period with an inducement and lease term appropriate for the particular space. Market rent by property is determined on a quarterly basis by our leasing and portfolio management teams. Market rents may differ by property or by units 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 are gathered on a quarterly basis as well as other external market data sources.

	December 31, 2014[1]			September 30, 2014			December 31, 2013		
Total portfolio	**Average in-place base rent**	**Estimated market rent[2]**	**Market rent/ in-place rent (%)**	Average in-place base rent	Estimated market rent[2]	Market rent/ in-place rent (%)	Average in-place base rent	Estimated market rent[2]	Market rent/ in-place rent (%)
Western Canada	**$ 8.88**	**$ 9.65**	**8.7**	$ 8.81	$ 9.67	9.8	$ 8.60	$ 9.66	12.3
Ontario	**6.06**	**6.16**	**1.7**	6.05	6.17	2.0	6.07	6.12	0.8
Québec	**6.05**	**6.16**	**1.8**	6.02	6.16	2.3	5.94	6.23	4.9
Eastern Canada	**7.17**	**7.35**	**2.5**	7.18	7.35	2.4	7.11	7.45	4.8
Total	**$ 7.05**	**$ 7.36**	**4.4**	$ 7.03	$ 7.38	5.0	$ 6.92	$ 7.36	6.4

(1) Excludes properties held for sale.

(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.

	December 31, 2014			September 30, 2014		
Comparative properties[1]	**Average in-place base rent**	**Estimated market rent[2]**	**Market rent/ in-place rent (%)**	Average in-place base rent	Estimated market rent[2]	Market rent/ in-place rent (%)
Western Canada	**$ 8.88**	**$ 9.65**	**8.7**	$ 8.83	$ 9.66	9.4
Ontario	**6.06**	**6.16**	**1.7**	6.05	6.17	2.0
Québec	**6.05**	**6.16**	**1.8**	6.02	6.16	2.3
Eastern Canada	**7.17**	**7.35**	**2.5**	7.18	7.35	2.4
Total	**$ 7.05**	**$ 7.36**	**4.4**	$ 7.03	$ 7.37	4.8

(1) Comparative properties includes assets owned by the Trust as at September 30, 2014 and also excludes properties classified as held for sale as at December 31, 2014.

(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

The average remaining lease term and other portfolio information are detailed in the following table. Overall, our average remaining lease term is 4.4 years and our average tenant size is 12,000 square feet. Our single-tenant buildings have an average remaining lease term of 5.8 years and our multi-tenant buildings have an average remaining lease term of 3.6 years. The weighted average lease term of our top ten tenants, weighted by annualized base rent, is 7.5 years.

Total portfolio	December 31, 2014[1] Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place base rent (per sq. ft.)	September 30, 2014 Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place base rent (per sq. ft.)	December 31, 2013 Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place base rent (per sq. ft.)
Western Canada	**4.4**	**9,103**	**$ 8.88**	4.5	9,083	$ 8.81	4.3	8,830	$ 8.60
Ontario	**4.1**	**18,602**	**6.06**	4.2	18,503	6.05	4.4	17,823	6.07
Québec	**5.7**	**26,400**	**6.05**	5.9	26,601	6.02	6.3	26,802	5.94
Eastern Canada	**3.2**	**6,488**	**7.17**	3.4	6,494	7.18	3.5	6,569	7.11
Total	**4.4**	**12,123**	**$ 7.05**	4.5	12,105	$ 7.03	4.7	11,855	$ 6.92

(1) Excludes properties held for sale.

The following table details our lease maturity profile by region at December 31, 2014. The table distinguishes between lease expiries that have yet to be renewed or re-leased and expiries for which we have leasing commitments. In 2015, 2,762,000 square feet contractually expire. As at December 31, 2014, leasing commitments for 844,000 square feet of new and renewal leases commencing in 2015 had been obtained which represents 30.6% of the expiring tenancies. As of the date of this MD&A, commitments commencing in 2015 total over one million square feet. Our current maturity profile is well balanced with 16.3% of leases expiring in 2015, 14.6% expiring in 2016 and 12.7% expiring in 2017.

(in sq. ft.)	Monthly and short-term tenancies	2015	2016	2017	2018	2019	2020+	Total
Western Canada[1]								
Expiries[2]	-	(803,883)	(628,884)	(689,080)	(651,451)	(484,248)	(1,827,160)	(5,084,706)
Expiries committed for renewals	-	324,339	-	36,595	17,700	-	-	378,634
Expiries profile, net of renewals	-	(479,544)	(628,884)	(652,485)	(633,751)	(484,248)	(1,827,160)	(4,706,072)
Vacancies committed for new leases	-	37,557	-	-	-	-	-	37,557
Expiries, net of commitments obtained	-	(441,987)	(628,884)	(652,485)	(633,751)	(484,248)	(1,827,160)	(4,668,515)
Ontario								
Expiries[2]	-	(954,452)	(632,028)	(638,243)	(809,378)	(597,726)	(1,630,453)	(5,262,280)
Expiries committed for renewals	-	215,416	5,614	-	-	-	-	221,030
Expiries profile, net of renewals	-	(739,036)	(626,414)	(638,243)	(809,378)	(597,726)	(1,630,453)	(5,041,250)
Vacancies committed for new leases	-	22,235	-	-	-	-	-	22,235
Expiries, net of commitments obtained	-	(716,801)	(626,414)	(638,243)	(809,378)	(597,726)	(1,630,453)	(5,019,015)
Québec								
Expiries[2]	(1,894)	(427,160)	(603,162)	(511,014)	(158,901)	(448,343)	(1,946,444)	(4,096,918)
Expiries committed for renewals	-	93,864	107,591	-	14,647	-	-	216,102
Expiries profile, net of renewals	(1,894)	(333,296)	(495,571)	(511,014)	(144,254)	(448,343)	(1,946,444)	(3,880,816)
Vacancies committed for new leases	-	12,653	-	-	-	-	-	12,653
Expiries, net of commitments obtained	(1,894)	(320,643)	(495,571)	(511,014)	(144,254)	(448,343)	(1,946,444)	(3,868,163)
Eastern Canada								
Expiries[2]	(4,848)	(576,944)	(601,309)	(312,001)	(296,728)	(319,531)	(648,121)	(2,759,482)
Expiries committed for renewals	-	71,078	2,880	-	-	-	45,089	119,047
Expiries profile, net of renewals	(4,848)	(505,866)	(598,429)	(312,001)	(296,728)	(319,531)	(603,032)	(2,640,435)
Vacancies committed for new leases	-	67,287	-	-	-	-	-	67,287
Expiries, net of commitments obtained	(4,848)	(438,579)	(598,429)	(312,001)	(296,728)	(319,531)	(603,032)	(2,573,148)
Total portfolio								
Expiries[2]	(6,742)	(2,762,439)	(2,465,383)	(2,150,338)	(1,916,458)	(1,849,848)	(6,052,178)	(17,203,386)
Expiries committed for renewals	-	704,697	116,085	36,595	32,347	-	45,089	934,813
Expiries profile, net of renewals	(6,742)	(2,057,742)	(2,349,298)	(2,113,743)	(1,884,111)	(1,849,848)	(6,007,089)	(16,268,573)
Vacancies committed for new leases	-	139,732	-	-	-	-	-	139,732
Expiries, net of commitments obtained	(6,742)	(1,918,010)	(2,349,298)	(2,113,743)	(1,884,111)	(1,849,848)	(6,007,089)	(16,128,841)

(1) Excludes properties held for sale.

(2) Expiries includes current in-place expiries and future expiries committed for renewals.

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, 2014. Currently, 2015 estimated market rents are 1.8% above expiring rents and estimated 2016 market rents are 3.6% above expiring rents, representing an opportunity to increase rents as space is re-leased.

(per sq. ft.)	Current monthly tenancies	2015	2016	2017	2018
Expiring rents					
Western Canada[1]	$ -	$ 8.97	$ 8.09	$ 9.87	$ 10.53
Ontario	-	6.07	6.22	6.40	6.45
Québec	4.85	4.73	4.39	5.72	5.78
Eastern Canada	-	6.53	7.28	7.57	8.17
Portfolio average	$ 1.36	$ 6.64	$ 6.60	$ 7.48	$ 8.04
Estimated market rents[2]					
Western Canada[1]	$ -	$ 9.58	$ 9.07	$ 10.25	$ 10.86
Ontario	-	5.83	5.81	6.44	6.39
Québec	6.15	5.27	4.89	5.80	5.32
Eastern Canada	6.31	6.44	7.18	7.59	7.86
Estimated market rent average	$ 6.26	$ 6.76	$ 6.84	$ 7.63	$ 8.04
Market rent over expiring rent		1.8%	3.6%	2.0%	0.0%

(1) Excludes properties held for sale.

(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.

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, 2014, a total of 2,604,000 square feet was leased and occupied with related costs of $8.6 million, representing an average rate of $3.32 per square foot leased.

Performance indicators	Total
Operating activities	
Portfolio size (sq. ft.)	16,942,899
Occupied and committed	96.0%
Square footage leased and occupied in 2014	2,603,699
Lease incentives and initial direct leasing costs for square footage leased and occupied in 2014	$ 8,639

Tenant base profile

Our tenant base consists of a diverse range of high-quality businesses and, with 1,342 tenants, we believe our exposure to any single large lease or tenant is low. The average size of our tenants is 12,000 square feet, averaging 87,000 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.

Tenant	Owned area (sq. ft.)	Owned area (%)	Annualized base rent (%)	Weighted average remaining lease term (years)
Spectra/Premium Industries	642,368	3.8	3.6	10.4
TC Transcontinental	523,345	3.1	3.1	7.3
Gienow Windows & Doors Inc.	351,306	2.1	2.2	7.8
Molson Breweries Properties	225,000	1.3	2.1	8.0
The Brick Warehouse LP	327,000	1.9	2.0	9.4
Royal Group Inc.	346,035	2.0	1.7	3.0
Clean Harbors Industrial	113,506	0.7	1.6	3.7
United Agri Products Canada Inc.	275,335	1.6	1.2	8.8
Nellson Nutraceutical Canada	210,710	1.2	1.1	4.8
Array Canada Inc.	209,754	1.2	1.0	6.0
Total	3,224,359	18.9	19.6	7.5

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 7.5 years.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

At December 31, 2014, the fair value of our investment property portfolio was $1.7 billion, reflecting a weighted average capitalization rate ("cap rate") of 6.71% on stabilized NOI, excluding property management income.

The valuation approach for investment properties uses both the direct capitalization method and 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 6.00% to 8.25%. 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 excluding vacant land is set out below.

	Total portfolio	Comparative properties[1]		
	December 31, 2014	**December 31, 2014**	September 30, 2014	December 31, 2013
Western Canada	$ **647,116**	$ **568,176**	$ 564,207	$ 561,442
Ontario	**448,406**	**426,619**	426,190	425,930
Québec	**314,420**	**280,307**	280,067	280,968
Eastern Canada	**270,817**	**270,817**	270,091	271,429
Total	$ **1,680,759**	$ **1,545,919**	$ 1,540,555	$ 1,539,769

(1) Comparative properties includes assets owned by the Trust as at December 31, 2013 and also excludes properties classified as held for sale as at December 31, 2014.

The key valuation metrics for investment properties are set out in the table below:

	Capitalization rates							
	Total portfolio		Comparative properties[1]					
	December 31, 2014		**December 31, 2014**		September 30, 2014		December 31, 2013	
	Range (%)	**Weighted average (%)**	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	**6.60–8.25**	**6.42**	**6.60–8.25**	**6.43**	5.50–8.25	6.44	6.00–8.25	6.48
Ontario	**6.00–7.75**	**6.60**	**6.00–7.75**	**6.60**	6.00–7.75	6.59	6.00–7.75	6.59
Québec	**6.50–8.00**	**7.17**	**6.50–8.00**	**7.37**	6.50–8.00	7.18	6.50–8.75	7.15
Eastern Canada	**6.50–7.75**	**7.05**	**6.50–7.75**	**7.05**	6.50–7.75	7.02	6.50–7.75	7.01
Total	**6.00–8.25**	**6.71**	**6.00–8.25**	**6.72**	5.50–8.25	6.72	6.00–8.75	6.73

(1) Comparative properties are properties owned by the Trust on December 31, 2013 and exclude the properties classified as held for sale as at December 31, 2014.

Acquisitions

The following acquisitions were completed during the year ended December 31, 2014:

	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)		Purchase price allocated to investment properties[1]	Date acquired
GE Turbine	50[2]	13,190	100	$	2,359	May 8, 2014
Dream Office Portfolio	100	248,271	95		33,684	September 9, 2014
KingSett 2014 Portfolio	100	1,099,095	98		97,520	September 9, 2014[3]
Total		1,360,556		$	133,563	

(1) Includes transaction costs and fair value adjustments on the Units issued.

(2) The Trust completed the acquisition of a 50% interest in a 26,380 square foot property in Edmonton in which the Trust had a co-ownership interest. With this acquisition, the Trust owns 100% of this property.

(3) Portfolio acquisition was completed on September 9, 2014 except for one property which was closed on September 11, 2014.

In May 2014, the Trust completed the acquisition of its partner's 50% interest in a 26,000 square foot property in Edmonton for $2.4 million in which we had a co-ownership interest. In September 2014, the Trust completed acquisitions of the KingSett 2014 Portfolio and Dream Office Portfolio totalling 1.35 million square feet of industrial properties.

The KingSett 2014 Portfolio consists of 1.1 million square feet of ten single- and multi-tenant light industrial properties in Calgary, the GTA and Montréal, with a total purchase price of $97.5 million, including transaction costs and fair value adjustments on the Units issued. At acquisition, the portfolio was 97.7% occupied with a weighted average lease term of 7.0 years. The portfolio acquisition was completed on September 9, 2014 except for one property which was closed on September 11, 2014. The purchase price was funded by the issuance of 2,659,575 REIT Units at $9.40 per unit which was recorded at a total fair value of $25.6 million, assumed non-cash working capital and estimated transaction costs of $4.4 million with the balance funded with cash obtained from new mortgage financings.

The Dream Office Portfolio consists of 248,000 square feet of four multi-tenant flex industrial properties located in Edmonton with a total purchase price of $33.7 million, including transaction costs and fair value adjustments on the LP B Units issued. The sale of these buildings to Dream Industrial REIT enables these buildings to benefit from the expertise of industrial specific leasing and property management teams in Dream Industrial REIT. At acquisition, the portfolio was 95.1% occupied with a weighted average lease term of 3.1 years. The portfolio acquisition was completed on September 9, 2014. The purchase price and transaction costs of $0.5 million were satisfied by the issuance of 2.3 million of LP B Units at $9.40 per unit which was recorded at a total fair value of $21.9 million, with the remainder funded by the assumption of existing mortgages with a fair value of $11.3 million.

The following acquisitions were completed during the year ended December 31, 2013:

	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)		Purchase price allocated to investment properties[1]	Date acquired
CanFirst Portfolio	100	1,625,844	96	$	155,650	April 24, 2013
C2C Portfolio[2]	100	2,528,658	95		231,257	May 15, 2013
Lingard Road, Cambridge, ON	100	70,154	100		5,350	June 7, 2013
Total	100	4,224,656		$	392,257	

(1) Includes transaction costs.

(2) The Trust acquired approximately 95% ownership of C2C on May 15, 2013 and acquired the remaining 5% on July 19, 2013.

On April 24, 2013, we acquired a portfolio of 22 properties ("CanFirst Portfolio") comprising 1.6 million square feet of gross leasable area located across the GTA in key industrial markets and situated along major transportation corridors providing direct highway access. The total purchase price was $155.7 million including transaction costs. The acquisition was funded by assumed debt with a fair value of $62.0 million with an average term of 1.9 years, with the balance funded by cash from the equity issue that closed on March 6, 2013. The effective interest rate on the assumed debt is approximately 3.09% after giving effect to the vendor's buy-down of existing rates.

In addition, on May 15, 2013, we acquired approximately 95% of the outstanding common shares of C2C Industrial Properties Inc. ("C2C" or the "C2C Portfolio") in exchange for REIT Units of Dream Industrial. The C2C Portfolio comprises 2.5 million square feet of GLA located primarily in Halifax, Edmonton, the Greater Toronto Area and the Greater Montreal Area. As part of this transaction, we have assumed mortgages with a fair value of $115.6 million with an average term of 4.6 years and convertible debentures with a fair value of $21.6 million at 6.75% face rate with 4.4 years to maturity. Subsequent to the announcement, but prior to closing, a tenant occupying 39,000 square feet negotiated the early termination of the lease, with the payment of a $150,000 lease termination fee, which is reflected in the purchase price allocation of C2C assets.

Building improvements and leasing costs

The table below represents costs incurred during the three and twelve months ended December 31.

	Three months ended December 31,				Year ended December 31,			
		2014		2013		**2014**		2013
Building improvements								
Recoverable capital expenditures	**$**	**2,856**	$	1,459	**$**	**4,697**	$	2,035
Other capital expenditures		**1,736**		177		**2,953**		180
Initial leasing costs and lease incentives								
Leasing costs		**1,048**		1,293		**2,925**		2,552
Landlord's work		**479**		1,617		**2,570**		3,119
Tenant improvements		**396**		322		**1,126**		826
Other leasing costs		**1,094**		-		**2,068**		-
Total	**$**	**7,609**	$	4,868	**$**	**16,339**	$	8,712

Recoverable capital expenditures include $3.5 million of costs related to major roof repairs. Other capital expenditures primarily consisted of costs to subdivide single-tenant spaces and large bays into multi-tenant spaces and upgrades completed on certain properties, which tend to increase the Trust's ability to obtain higher rental rates. Other leasing costs consist of costs incurred to bring certain properties and units up to the Trust's operating standards and were identified at the time of the acquisitions.

OUR FINANCING

Liquidity and capital resources

Dream Industrial'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 (utilized in) 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 IFRS, our current liabilities exceed our current assets by $157.9 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. Debt obligations that are due within one year amount to $119.8 million, which we typically refinance with mortgages of terms between five and ten years. Amounts payable outstanding at the end of any reporting period depends primarily on the timing of leasing costs, capital expenditures incurred as well as the impact of transaction costs incurred on any acquisitions completed during the reporting period. Our unencumbered assets pool as at December 31, 2014 is $166.1 million. With our balanced debt maturity schedule, undrawn credit facility and unencumbered assets pool, we have sufficient liquidity as at December 31, 2014.

Financing activities

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.

A summary of debt, capital and liquidity

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

	December 31, 2014	December 31, 2013
Financing metrics		
Debt	**$ 921,293**	$ 840,382
Weighted average effective interest rate(1)	**3.85%**	3.84%
Weighted average face interest rate	**4.07%**	4.18%
Interest coverage ratio(2)	**3.0**	2.9
Debt-to-adjusted EBITDA(3)	**8.5**	8.6
Level of debt (debt-to-total assets)(4)	**52.9%**	52.6%
Variable rate debt as percentage of total debt	**4.4%**	1.4%
Liquidity metrics		
Maximum proportion of debt maturities and principal repayments due in any one year	**18.8% (2019)**	17.1% (2015)
Weighted average term to maturity (years)	**3.9**	4.1
Encumbered assets	**$ 1,514,665**	$ 1,417,580
Cash on hand	**78**	258
Unencumbered assets	**166,094**	122,189
Undrawn lines of credit	**33,572**	36,616

(1) Weighted average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt including issue costs and mark-to-market adjustments.

(2) The interest coverage ratio (non-GAAP measure) for the years ended December 31, 2014 and December 31, 2013 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 debt excluding deferred financing and mark-to-market adjustments. The detailed calculation of interest coverage ratio can be found under the heading "Non-GAAP measures and other disclosures".

(3) Debt-to-adjusted EBITDA (non-GAAP measure) is determined as total debt at principal amount outstanding divided by adjusted EBITDA. The calculation for debt-to-adjusted EBITDA can be found under the heading "Non-GAAP measures and other disclosures".

(4) Level of debt (non-GAAP measure) is determined as total debt at principal amount outstanding divided by total assets. The calculation for level of debt can be found under the heading "Non-GAAP measures and other disclosures".

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 3.0 times, demonstrating our ability to more than adequately cover interest expense requirements. At December 31, 2014, our weighted average face rate of interest is 4.07% and, after accounting for market adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 3.85%.

	December 31, 2014			December 31, 2013		
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 755,194**	**$ -**	**$ 755,194**	$ 703,502	$ -	$ 703,502
Revolving credit facility	**-**	**40,609**	**40,609**	-	12,114	12,114
Convertible debentures	**125,490**	**-**	**125,490**	124,766	-	124,766
Total	**$ 880,684**	**$ 40,609**	**$ 921,293**	$ 828,268	$ 12,114	$ 840,382
Percentage	**95.6%**	**4.4%**	**100.0%**	98.6%	1.4%	100.0%
Weighted average face rate (period-end)	**4.10%**	**3.42%**	**4.07%**	4.18%	3.90%	4.18%
Average term to maturity (years)	**4.0**	**1.5**	**3.9**	4.2	0.8	4.1

Mortgages payable are recorded net of $7.8 million of fair value adjustments upon initial recognition and $2.2 million of financing costs. At December 31, 2014, amounts recorded for the convertible debentures are net of a $2.3 million discount allocated to their conversion features on issuance and net of financing costs of $2.9 million. 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.

Mortgage financing activities

New mortgage financings are highlighted in the table below.

	Three months ended December 31, 2014				Year ended December 31, 2014			
	Amount	Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)	Amount	Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)
New mortgages	$ 11,000	7.0	3.35	3.58	$ 154,800	6.5	3.47	3.65
Mortgages assumed on investment properties acquisition	-	-	-	-	11,128	2.3	4.00	3.13
Overall	$ 11,000	7.0	3.35	3.58	$ 165,928	6.2	3.51	3.62

On February 24, 2014, we completed a $56 million refinancing of maturing mortgages on a portfolio of eight properties in Halifax. The refinanced mortgage carries a variable interest rate of monthly Canadian Dealer Offered Rate ("CDOR") plus 1.4% for an initial term of five years. In order to hedge the interest rate risk on the variable interest rate, we entered into a five-year interest rate swap agreement with a Canadian chartered bank for a notional value of $56 million, which effectively fixed the interest rate on this mortgage at 3.31% for the five-year term.

During the second quarter of 2014, we refinanced maturing mortgages on a portfolio of four of our Montreal properties generating $14.3 million in proceeds with a weighted average term to maturity of ten years and a 4.10% interest rate.

In August 2014, we entered into a financing agreement for a $6.5 million mortgage for a term of five years, an effective interest rate of 3.28% and face rate of 3.07%. This agreement replaced a mortgage that matured in June 2014 with an effective interest rate of 3.06% and face rate of 5.65%. We also entered into two new financing agreements totalling $67.0 million for a term of seven years, an effective interest rate of 3.62% and a face rate of 3.53% as part of acquisitions completed in September 2014.

As part of the acquisitions completed in September 2014, we also assumed two mortgages totalling $11.1 million with a term of 2.3 years, an effective interest rate of 3.13% and a face rate of 4.0%.

During the fourth quarter of 2014, we repaid two mortgages totalling $22.8 million with a weighted average interest rate of 5.05%. In December 2014, we refinanced a mortgage for $11 million for a term of seven years at an interest rate of 3.35%, the proceeds of which were used to repay another mortgage of $10.1 million, which was carried at 3.01%.

Revolving credit facility

On October 4, 2012, the Trust entered into a $35 million revolving credit facility with a Canadian chartered bank. Draws under the revolving credit facility are in the form of one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 1.90% or at the bank's prime rate plus 0.90% at the Trust's option. On December 19, 2012, the Trust increased the available capacity under the revolving credit facility to $50 million, to coincide with the acquisition of the KingSett Portfolio; all other terms under the revolving credit facility remained the same.

On June 25, 2014, the Trust amended the $50 million revolving credit facility agreement which was due to expire in October 2014 to expire in June 2016, reduced the interest rate by 15 basis points and increased the available capacity to $75 million.

The following table summarizes details of the Trust's revolving credit facility as at December 31, 2014:

	Borrowing capacity	Letter of credit[1]	Principal amount outstanding[2]	Available to be drawn[3]	Interest rate[4]	Maturity date
Revolving credit facility[5]	$ 75,000	$ 500	$ 40,928	$ 33,572	3.42%	June 30, 2016

(1) Letter of credit fee reduced by 5 basis points to 1.15%.

(2) Excludes financing costs.

(3) Formula-based amount available to be drawn as at December 31, 2014.

(4) Calculated using bankers' acceptance ("BA") rate plus 1.75% or the bank's prime rate plus 0.75%.

(5) Nineteen properties are secured as first-ranking mortgages on the facility.

As discussed further in the subsequent events section, we obtained a financing commitment for a $33 million mortgage on a portfolio of four properties to refinance an existing $10.1 million mortgage on a portfolio of three properties. We completed the disposition of four properties classified as assets held for sale for gross proceeds of $10.9 million. The net proceeds will be used to pay down the mortgage secured by one of these properties and the revolving credit facility.

Changes in debt levels are as follows:

		Three months ended December 31, 2014			
	Face interest rate	Mortgages	Revolving credit facility	Convertible debentures	Total
Debt as at September 30, 2014	4.11%	$ 783,889	$ 8,838	$ 125,302	$ 918,029
New debt placed	3.45%	11,000	35,428	-	46,428
Scheduled repayments		(5,974)	-	-	(5,974)
Lump sum repayments	4.36%	(32,865)	(3,710)	-	(36,575)
Other adjustments[1]		(856)	53	188	(615)
Debt as at December 31, 2014	4.07%	$ 755,194	$ 40,609	$ 125,490	$ 921,293

(1) Other adjustments include financing costs on new debt placed, fair value adjustments, and amortization of finance costs and fair value adjustments.

	Face interest rate	Mortgages	Revolving credit facility	Convertible debentures	Total
		Year ended December 31, 2014			
Debt as at January 1, 2014	4.18%	$ 703,502	$ 12,114	$ 124,766	$ 840,382
Debt assumed on investment properties acquisition	4.00%	11,128	-	-	11,128
New debt placed	3.54%	154,800	79,173	-	233,973
Scheduled repayments		(22,088)	-	-	(22,088)
Lump sum repayments	3.83%	(88,108)	(50,359)	-	(138,467)
Other adjustments[1]		(4,040)	(319)	724	(3,635)
Debt as at December 31, 2014	4.07%	$ 755,194	$ 40,609	$ 125,490	$ 921,293

(1) Other adjustments include financing costs on new debt placed, fair value adjustments, and amortization of finance costs and fair value 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, 2014:

	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 (%)
2015[1]	$ 119,779	$ 22,223	$ 142,002	15.42	3.08	3.63
2016	134,206	18,721	152,927	16.60	3.26	4.01
2017	108,791	15,809	124,600	13.53	3.84	4.46
2018	80,709	11,680	92,389	10.03	3.62	3.36
2019	163,242	9,615	172,857	18.76	5.29	4.66
2020 and thereafter	218,695	17,708	236,403	25.66	3.80	4.02
Total	$ 825,422	$ 95,756	$ 921,178	100.00	3.89	4.08
Financing costs			(5,315)			
Fair value adjustments on initial recognition of assumed debt			5,430			
Total			$ 921,293			

(1) Includes debt related to an asset held for sale.

Convertible debentures

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

	Date issued	Maturity date	Conversion price	**Outstanding principal December 31, 2014**	Outstanding principal February 17, 2015	REIT Units if converted February 17, 2015
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
6.75% Debentures	May 15, 2013[1]	November 30, 2017	12.37	**19,420**	19,420	1,569,927
Total				**$ 130,670**	$ 130,670	9,631,521

(1) The 6.75% Debentures were assumed as part of the C2C acquisition on May 15, 2013.

The fair value of the conversion feature of the convertible debentures is remeasured each period, with changes in fair value being recorded in comprehensive income. At December 31, 2014, the conversion feature amounted to $3 (December 31, 2013 – $1.0 million) and was included in other non-current liabilities 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 the lessee during the year ended December 31, 2014. As at December 31, 2014, the Trust has entered into lease agreements with tenants that may require leasing and tenant improvement costs of approximately $3.4 million (December 31, 2013 – $3.4 million).

The Trust's future commitment for business transformation activities under the Shared Services and Cost Sharing Agreement with DREAM Asset Management Corp. ("DAM") over the next six years is $2.1 million (December 31, 2013 – $2.5 million). We are presently in the early stages of business transformation activities that will transform our operating platform to allow us to improve data integrity, realize operating efficiencies, establish business analytic tools and ultimately generate better business outcomes. This initiative will form the foundation of our continuous improvement culture.

Subsequent events

In January 2015, we obtained a financing commitment for a $33 million mortgage on a portfolio of four properties (recorded at $56.8 million as at December 31, 2014) with a term to maturity of seven years at a face rate of 2.63%, to refinance an existing $10.1 million mortgage on a portfolio of three properties (recorded at $27.2 million as at December 31, 2014) at a face rate of 4.69%.

In February 2015, we completed the sale of the four properties classified as assets held for sale for gross proceeds of $10.9 million and repaid a $3.3 million mortgage secured by one of these properties.

OUR EQUITY

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

						Unitholders' equity
			December 31, 2014			December 31, 2013
	Number of Units		**Amount**	Number of Units		Amount
REIT Units	**58,035,125**	**$**	**576,399**	54,921,726	$	546,680
Retained earnings	**-**		**52,774**	-		24,136
Add: LP B Units	**18,551,855**		**156,206**	16,282,096		144,096
Accumulated other comprehensive loss	**-**		**(522)**	-		-
Total	**76,586,980**	**$**	**784,857**	71,203,822	$	714,912

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 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.

At December 31, 2014, Dream Office REIT, indirectly through its wholly owned subsidiaries, held 18,551,855 LP B Units representing a total ownership interest of approximately 24.2%.

The following table summarizes the changes in our outstanding equity.

	REIT Units	LP B Units	Total
Total Units outstanding on January 1, 2014	54,921,726	16,282,096	71,203,822
Units issued pursuant to KingSett 2014 Portfolio	2,659,575	-	2,659,575
Units issued pursuant to Dream Office REIT Portfolio	-	2,269,759	2,269,759
Units issued pursuant to Distribution Reinvestment and Unit Purchase Plan ("DRIP")	424,798	-	424,798
Units issued pursuant to Unit Purchase Plan	2,522	-	2,522
Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	26,504	-	26,504
Total Units outstanding on December 31, 2014	58,035,125	18,551,855	76,586,980
Percentage of all Units	75.8%	24.2%	100.0%
Units issued pursuant to Unit Purchase Plan	677	-	677
Units issued pursuant to DRIP on January 15, 2015	31,528	-	31,528
Total Units outstanding on February 12, 2015	58,067,330	18,551,855	76,619,185
Percentage of all Units	75.8%	24.2%	100.0%

In relation to the acquisition of KingSett 2014 Portfolio, the Trust issued 1,620,458 REIT Units on September 9, 2014 and also issued 1,039,117 REIT Units on September 11, 2014. REIT Units were issued at a price of $9.40 per unit and were recorded at a total fair value of $25.6 million, which includes $0.6 million of fair value adjustments to the Units issued.

In relation to the acquisition of Dream Office Portfolio, on September 9, 2014, the Trust issued 2,269,759 LP B Units to an affiliate of Dream Office REIT at a price of $9.40 per unit. LP B Units were recorded at a total fair value of $21.9 million, which includes $0.6 million of fair value adjustments to the Units issued.

Short form base shelf prospectus

On November 27, 2012, the Trust issued a short form base shelf prospectus, which is valid for a 25-month period, during which time the Trust may offer and issue, from time to time, units, debt and debt securities convertible into or exchangeable for Units of the Trust, or any combination thereof, having an aggregate offering price of up to $1.0 billion. The short form base shelf prospectus expired on December 26, 2014 and was not subsequently renewed.

As at December 31, 2014, $168,842 (December 31, 2013 – $168,842) in REIT Units and $111,250 (December 31, 2013 – $111,250) in debt securities had been issued under the short form base shelf prospectus.

Normal course issuer bid

On December 15, 2014, the Toronto Stock Exchange accepted the Trust's Notice of Intention to make a normal course issuer bid, which commenced on December 17, 2014 and will remain in effect until the earlier of December 16, 2015 or the date on which the Trust has purchased the maximum number of REIT Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 5,688,097 REIT Units (representing 10% of the REIT's public float of 56,880,965 REIT Units as at December 1, 2014). To the date of this report, no purchases had been made.

Distribution policy

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements.

	Three months ended December 31, 2014			Year ended December 31, 2014		
	Declared distributions	3% bonus distributions[1]	Total	Declared distributions	3% bonus distributions[1]	Total
2014 distributions						
Paid in cash or reinvested in Units	$ 8,937	$ 16	$ 8,953	$ 46,720	$ 102	$ 46,822
Payable at December 31, 2014	4,467	-	4,467	4,467	-	4,467
Total distributions[2]	$ 13,404	$ 16	$ 13,420	$ 51,187	$ 102	$ 51,289
2014 reinvestment						
Reinvested to December 31, 2014	$ 525	$ 16	$ 541	$ 3,414	$ 102	$ 3,516
Reinvested on January 15, 2015	271	8	279	271	8	279
Total distributions reinvested	$ 796	$ 24	$ 820	$ 3,685	$ 110	$ 3,795
Distributions paid in cash	$ 12,608			$ 47,502		
Reinvestment to distribution ratio	5.9%			7.2%		
Ratio of distributions paid in cash	94.1%			92.8%		

(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, 2014 were $13.4 million. Distributions declared for the year ended December 31, 2014 were $51.2 million. Of the distributions declared for the three months ended December 31, 2014, $0.8 million, or approximately 5.9%, was reinvested in additional Units resulting in a ratio of distributions paid in cash of 94.1%, and for the year ended December 31, 2014, $3.7 million, or approximately 7.2%, was reinvested in additional Units resulting in a ratio of distributions paid in cash of 92.8%.

OUR RESULTS OF OPERATIONS

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Investment properties revenue	**$ 44,588**	$ 41,149	**$ 166,249**	$ 142,944
Investment properties operating expenses	**(14,599)**	(14,089)	**(53,485)**	(44,017)
Net rental income	**29,989**	27,060	**112,764**	98,927
Other revenue				
Interest and fee income	**1**	5	**17**	244
	1	5	**17**	244
Other expenses				
General and administrative	**(2,160)**	(2,052)	**(8,289)**	(7,346)
Interest:				
Interest expense on debt	**(8,889)**	(8,100)	**(33,626)**	(30,100)
Subsidiary redeemable units	**(3,246)**	(2,848)	**(11,926)**	(11,295)
Depreciation and amortization	**(14)**	(1)	**(44)**	(46)
	(14,309)	(13,001)	**(53,885)**	(48,787)
Other items				
Fair value adjustments to investment properties	**(1,919)**	(182)	**2,137**	3,504
Fair value adjustments to financial instruments	**11,580**	(1,775)	**10,704**	44,588
Gains (costs) on transactions and other activities	**(1,089)**	(1,139)	**(2,407)**	(13,335)
	8,572	(3,096)	**10,434**	34,757
Income before income taxes	**24,253**	10,968	**69,330**	85,141
Recovery (deferred) income taxes	**60**	464	**(1,329)**	(1,160)
Net income for the period	**$ 24,313**	$ 11,432	**$ 68,001**	$ 83,981

Investment properties revenue

Investment properties revenue includes net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Investment properties revenue totalled $44.6 million for the quarter, an increase of $3.4 million, or 8.4%, compared to the prior year comparative quarter, primarily due to the full quarter of results from the acquisitions completed in September 2014. For the year ended December 31, 2014, investment properties revenue increased by $23.3 million, or 16.3%, over the prior year, due to acquisitions completed in Q2 2013 and Q3 2014 and higher rental rates.

Investment properties operating expenses

Operating expenses comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with changes in occupancy levels, weather, utility costs, realty taxes, and repairs and maintenance. Investment properties operating expenses increased by $0.5 million, or 3.6%, over the prior year comparative quarter, and by $9.5 million, or 21.5%, for the year ended December 31, 2014 over the prior year, due primarily to the growth in our portfolio.

General and administrative

General and administrative expenses primarily 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,	
	2014	2013	**2014**	2013
Asset management fee	**$ 1,049**	$ 969	**$ 3,969**	$ 3,537
Deferred compensation expenses	**319**	290	**1,264**	1,243
Professional fees	**392**	308	**1,214**	1,238
General corporate expenses[1]	**400**	485	**1,842**	1,328
Total	**$ 2,160**	$ 2,052	**$ 8,289**	$ 7,346

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

General and administrative expenses increased by $0.1 million, or 5.2%, from the prior year comparative quarter, primarily due to an increase in the asset management fees driven by the acquisitions completed in September 2014 and professional fees, offset by a lower deferred compensation expense and general corporate expenses.

For the year ended December 31, 2014, general and administrative expenses increased by $0.9 million, primarily due to an increase in general corporate expenses driven by an increase in employee costs. Asset management fees increased during the year as a result of acquisitions completed in 2013 and 2014.

Fair value adjustments to investment properties

The value of the comparative properties portfolio remained largely stable at $1.7 billion. Fair value loss of $1.9 million in Q4 2014 (gain of $2.1 million for the year ended December 31, 2014) reflects periodic adjustments that we made to individual properties and totals 0.1% of the total fair value of the portfolio.

Interest expense – Debt

Interest expense on debt for the quarter ended December 31, 2014 increased by $0.8 million compared to the prior year comparative period and by $3.5 million over the prior year. The increase in interest expense resulted from carrying new debt from the acquisitions completed in September 2014 and Q2 2013.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments include fair value adjustments on the conversion features of convertible debt, remeasurement of the carrying value of subsidiary redeemable units and remeasurement of the deferred trust units. For the quarter ended December 31, 2014, we recognized gains of $11.7 million on the measurement of the subsidiary redeemable units (gain of $9.8 million for the year ended December 31, 2014), due to the decrease in the trading value of REIT Units at the end of Q4 2014 compared to the end of Q3 2014 and Q4 2013, respectively.

During Q4 2014, the remeasurement on the conversion feature of the convertible debentures resulted in a loss of $0.2 million (gain of $1.0 million for the year ended December 31, 2014), primarily as a result of fluctuations in inputs, such as volatility and trading price and credit spreads, used to value the conversion features of the convertible debentures.

The remeasurement of the deferred trust units resulted in a gain of $0.1 million during Q4 2014 (loss of $0.1 million for the year ended December 31, 2014).

Gains (costs) on transactions and other activities

The following table summarizes the nature of expenses included:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Debt settlement (costs) gains	**$ -**	$ (13)	**$ (59)**	$ 36
Investment in business transformation activities	**(113)**	-	**(413)**	-
Internal leasing costs	**(976)**	(1,126)	**(3,923)**	(2,353)
Acquisition recovery (costs)	**-**	-	**1,988**	(11,018)
Total	**$ (1,089)**	$ (1,139)	**$ (2,407)**	$ (13,335)

Since January 1, 2014, the Trust retroactively adopted an accounting policy to expense certain of its internal leasing costs in negotiating and arranging new leases. The Trust internalized its leasing division in the second quarter of 2013. Leasing costs decreased by $0.2 million when compared to the same quarter in the prior year as a result of certain true-up of year-to-date expenses completed in Q4 2013. For the year ended December 31, 2014, leasing costs increased by $1.6 million, driven primarily by the internalization of the leasing division in the second quarter of 2013 as well as the growth in our internal leasing department to meet demands due to the growth in our portfolio.

Included in gains (costs) on transactions and other activities in Q4 2014 is $0.1 million ($0.4 million for the year ended December 31, 2014) related to process and technology improvement costs. We are presently in the early stages of a new initiative that will transform our operating platform to allow us to improve data integrity, realize operating efficiencies, establish business analytic tools and ultimately generate better business outcomes. This initiative will form the foundation of our continuous improvement culture. This initial project will take place over a seven-year period with an estimated annual cost of approximately $0.4 million per year.

The recovery of $2.0 million in transaction costs for the year ended December 31, 2014 represents a reversal of estimated legal and advisory fees recorded for the C2C transaction completed in May 2013. The complexity and time it took to complete the acquisition was significantly less than anticipated. Accordingly, during the second quarter of 2014, we completed our review of the allocation of the purchase price in respect of the C2C acquisition and determined that the remaining $2.0 million accrual for transaction costs that was made at the time of the acquisition was no longer required.

Related party transactions

Dream Industrial and its subsidiaries enter into transactions with related parties which are disclosed in Note 24 to the consolidated financial statements. Pursuant to the Asset Management Agreement, during Q4 2014, we paid $2.6 million (year ended December 31, 2014 – $6.1 million) to DAM. Pursuant to the Services Agreement, during Q4 2014, we paid $1.5 million (year ended December 31, 2014 – $6.1 million) to Dream Office REIT.

Net operating income

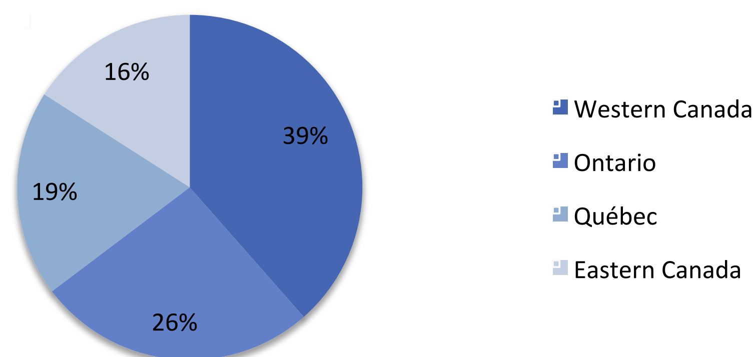
We define NOI as the total of investment property revenue less investment property operating expenses, including the share of net rental income from investments in joint venture and property management income, if any.

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,	
	2014	2013	**2014**	2013
Total portfolio				
Western Canada	**$ 11,551**	$ 9,496	**$ 41,423**	$ 36,756
Ontario	**7,854**	7,310	**30,662**	24,049
Québec	**5,803**	5,136	**21,282**	20,353
Eastern Canada	**4,781**	5,118	**19,397**	17,769
Net operating income	**29,989**	27,060	**112,764**	98,927
Net rental income reported per consolidated financial statements	**$ 29,989**	$ 27,060	**$ 112,764**	$ 98,927

For the quarter ended December 31, 2014, net operating income was $30.0 million, an increase of $2.9 million compared to the prior year comparative period. For the year ended December 31, 2014, net operating income was $112.8 million compared to $98.9 million in 2013. Growth in the total portfolio is reflective of the acquisitions completed in Q2 2013 and Q3 2014.

NOI BY REGION
(Three months ended December 31, 2014)



NOI comparative properties

Net operating income shown below details comparative and non-comparative 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, 2013 and exclude assets held for sale as at December 31, 2014. Comparative properties NOI excludes lease termination fees, other items, straight-line rents, bad debt expenses and amortization of tenant inducements.

	Three months ended December 31,				Year ended December 31,			
			Growth				Growth	
	2014	2013	Amount	%	**2014**	2013	Amount	%
Western Canada	**$ 9,538**	$ 8,667	$ 871	10	**$ 36,780**	$ 34,055	$ 2,725	8
Ontario	**2,936**	2,858	78	3	**11,790**	11,663	127	1
Québec	**4,424**	4,544	(120)	(3)	**17,593**	18,416	(823)	(4)
Eastern Canada	**3,690**	3,894	(204)	(5)	**14,784**	14,332	452	3
Comparative properties NOI	**20,588**	19,963	625	3	**80,947**	78,466	2,481	3
Lease termination fees	**6**	36	(30)		**204**	104	100	
Other items	**-**	-	-		**216**	51	165	
Acquisitions	**8,652**	6,211	2,441		**28,480**	16,725	11,755	
Straight-line rent	**770**	784	(14)		**2,828**	3,135	(307)	
Bad debt expenses	**(75)**	(83)	8		**(244)**	(211)	(33)	
Amortization of tenant inducements	**(75)**	(20)	(55)		**(210)**	(70)	(140)	
NOI	**$ 29,866**	$ 26,891	$ 2,975	11	**$ 112,221**	$ 98,200	$ 14,021	14
NOI from properties held for sale	**123**	169	(46)		**543**	727	(184)	
NOI including income from properties held for sale	**$ 29,989**	$ 27,060	$ 2,929	11	**$ 112,764**	$ 98,927	$ 13,837	14
Net rental income reported per consolidated financial statements	**$ 29,989**	$ 27,060			**$ 112,764**	$ 98,927		
Average occupancy (comparative properties)	**94.1%**	94.2%			**94.5%**	94.9%		
In-place rental rates (per sq. ft.) at quarter-end (comparative properties)	**$ 7.43**	$ 7.22			**$ 7.43**	$ 7.22		

Overall, the comparative properties NOI for the fourth quarter of 2014 increased by $0.6 million, or 3.1%, when compared to the same period in 2013, and the comparative properties NOI for the year ended December 31, 2014 increased by $2.5 million, or 3.2%, when compared to the year ended December 31, 2013. The growth in comparative properties NOI resulted from a growth in the Western region, where we experienced an increase in the weighted average occupancy and rental rates.

NOI prior quarter comparison

The comparative properties discussed in the following table include properties acquired prior to July 1, 2014 and exclude assets held for sale as at December 31, 2014.

Overall, the comparative property NOI over the previous quarter increased by $0.4 million, or 1.4%, due to an increase in rental rates in the Western region when compared to the prior quarter.

Three months ended	December 31, 2014	September 30, 2014	Growth Amount	Growth %
Western Canada	**$ 9,905**	$ 9,559	$ 346	4
Ontario	**7,350**	7,302	48	1
Québec	**4,975**	4,919	56	1
Eastern Canada	**4,708**	4,795	(87)	(2)
Comparative properties NOI	**26,938**	26,575	363	1
Lease termination fees	**6**	101	(95)	
Other items	**-**	69	(69)	
Acquisitions completed in Q3 2014	**2,302**	554	1,748	
Straight-line rent	**770**	733	37	
Bad debt expenses	**(75)**	(48)	(27)	
Amortization of tenant inducements	**(75)**	(58)	(17)	
NOI	**$ 29,866**	$ 27,926	$ 1,940	7
NOI from properties held for sale	**123**	100	23	
NOI including income from properties held for sale	**$ 29,989**	$ 28,026	$ 1,963	7
Net rental income reported per consolidated financial statements	**$ 29,989**	$ 28,026		
Average occupancy (comparative properties)	**94.5%**	93.9%		
In-place rental rates (per sq. ft.) at quarter-end (comparative properties)	**$ 7.09**	$ 7.06		

Funds from operations and adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Net income	**$ 24,313**	$ 11,432	**$ 68,001**	$ 83,981
Add (deduct):				
Amortization of tenant inducements	**75**	21	**210**	116
Interest expense on subsidiary redeemable units	**3,246**	2,848	**11,926**	11,295
Fair value adjustments to investment properties	**1,919**	182	**(2,137)**	(3,504)
Fair value adjustments to financial instruments	**(11,580)**	1,775	**(10,704)**	(44,588)
Fair value adjustments of DUIP included in general and administrative expenses	**(56)**	(61)	**(135)**	(191)
Debt settlement (costs) gains	**-**	13	**59**	(36)
Internal leasing costs	**976**	1,126	**3,923**	2,353
Acquisition (recovery) costs	**-**	-	**(1,988)**	11,018
FFO share related to non-controlling interest of C2C	**-**	-	**-**	(90)
(Recovery) deferred income taxes	**(60)**	(464)	**1,329**	1,160
FFO	**$ 18,833**	$ 16,872	**$ 70,484**	$ 61,514
Funds from operations	**$ 18,833**	$ 16,872	**$ 70,484**	$ 61,514
Add (deduct):				
Amortization of fair value adjustments on assumed debt	**(768)**	(812)	**(3,075)**	(3,298)
Deferred unit compensation expense excluding fair value adjustments	**375**	351	**1,399**	1,434
Straight-line rent	**(770)**	(784)	**(2,828)**	(3,135)
Investment in business transformation activities	**113**	-	**413**	-
FFO share related to non-controlling interest of C2C	**-**	-	**-**	90
AFFO share related to non-controlling interest of C2C	**-**	-	**-**	(76)
	17,783	15,627	**66,393**	56,529
Deduct:				
Normalized initial direct leasing costs and lease incentives	**1,401**	1,248	**5,228**	4,602
Normalized recurring capital expenditures	**841**	749	**3,137**	2,763
AFFO	**$ 15,541**	$ 13,630	**$ 58,028**	$ 49,164

Funds from operations

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
FFO	**$ 18,833**	$ 16,872	**$ 70,484**	$ 61,514
FFO per Unit – basic	**$ 0.25**	$ 0.24	**$ 0.97**	$ 0.93
FFO per Unit – diluted	**$ 0.24**	$ 0.23	**$ 0.94**	$ 0.91

FFO per diluted Unit for the three months ended December 31, 2014 was $0.24, an increase of 3% when compared to the comparative quarter in 2013, primarily due to acquisitions completed in September 2014 as well as growth in comparative properties NOI, offset by an increase in interest expenses, business transformation costs, decreases in straight-line rent and amortization of fair value adjustments on debt. For the year ended December 31, 2014, FFO per diluted Unit increased by $0.03, or 3.3%, compared to the previous year, primarily driven by the results from the accretive acquisitions completed in Q2 2013 and September 2014 and growth in comparative properties NOI, which were offset by the same factors noted above for the change in FFO per diluted Unit for the comparative quarter in 2013.

Adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
AFFO	**$ 15,541**	$ 13,630	**$ 58,028**	$ 49,164
AFFO per Unit – basic	**$ 0.20**	$ 0.19	**$ 0.79**	$ 0.74
AFFO per Unit – diluted	**$ 0.20**	$ 0.19	**$ 0.79**	$ 0.74

Basic AFFO per Unit increased by $0.01, or 5.7%, when compared to the comparative quarter in 2013, primarily due to the acquisitions completed in September 2014 combined with a growth in comparative properties NOI. For the year ended December 31, 2014, basic AFFO per Unit increased by $0.05, or 7.0%, primarily as a result of the acquisitions completed in Q2 2013 and September 2014 combined with a growth in comparative properties NOI.

SELECTED ANNUAL INFORMATION

The following table provides selected financial information since the inception of the Trust:

	Year ended December 31, 2014	Year ended December 31, 2013	Period from July 20, 2012 to December 31, 2012
Investment properties revenue	**$ 166,249**	$ 142,944	$ 17,202
Income (loss) before income taxes	**69,330**	85,141	(20,873)
Net income (loss)	**68,001**	83,981	(20,873)
Total assets	**1,742,710**	1,589,805	1,191,866
Non-current financial liabilities	**947,716**	883,795	742,414
Distributions per Unit	**0.70**	0.69	0.16
Distributions declared[1]	**51,289**	46,335	6,926
Units outstanding			
REIT Units	**58,035,125**	54,921,726	36,257,538
LP B Units	**18,551,855**	16,282,096	16,198,747

(1) Includes distributions on LP B Units.

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2013.

Key leasing, financing and portfolio information

	2014				2013			
	Q4[1]	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Leasing								
Occupancy rate – including committed (period-end)	**96.0%**	95.5%	95.6%	96.3%	95.7%	95.1%	95.8%	96.5%
Occupancy rate – in place (period-end)	**95.2%**	93.9%	94.0%	95.3%	94.4%	94.1%	95.2%	95.7%
Tenant retention rate	**70.3%**	68.9%	57.9%	80.3%	69.6%	71.1%	66.2%	76.2%
Average in-place base rent per sq. ft. (period-end)	**$ 7.05**	$ 7.03	$ 7.04	$ 6.96	$ 6.92	$ 6.89	$ 6.90	$ 7.18
Estimated market rent in excess of in-place rent (%)	**4.4%**	5.0%	5.1%	6.0%	6.4%	6.8%	4.9%	5.6%
Financing								
Weighted average effective interest rate	**3.85%**	3.86%	3.82%	3.86%	3.84%	3.83%	3.81%	3.86%
Weighted average face interest rate	**4.07%**	4.11%	4.16%	4.17%	4.18%	4.18%	4.19%	4.25%
Debt – average term to maturity (years)	**3.9**	4.1	4.1	4.2	4.1	4.4	4.5	5.0
Interest coverage ratio (times)	**3.0**	3.0	3.0	2.9	2.9	2.9	2.9	2.7
Unencumbered assets (in millions)	**$ 166.1**	$ 119.2	$ 120.6	$ 138.0	$ 122.2	$ 112.0	$ 83.6	$ 23.9
Debt-to-total assets	**52.9%**	52.8%	52.4%	52.4%	52.6%	52.5%	53.0%	50.1%
Portfolio								
Number of properties	**216**	220	205	205	206	206	206	158
Gross leasable area (in millions of sq. ft.)	**16.9**	17.0	15.6	15.6	15.7	15.7	15.7	11.4

(1) Excludes properties held for sale.

Results of operations

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment properties revenue	**$ 44,588**	$ 40,319	$ 40,428	$ 40,914	$ 41,149	$ 37,842	$ 34,703	$ 29,250
Investment properties operating expenses	**(14,599)**	(12,293)	(12,894)	(13,699)	(14,089)	(10,621)	(9,949)	(9,358)
Net rental income	**29,989**	28,026	27,534	27,215	27,060	27,221	24,754	19,892
Other revenue	**1**	3	5	8	5	17	186	36
Other expenses	**(14,309)**	(13,591)	(13,053)	(12,932)	(13,001)	(12,988)	(12,117)	(10,681)
Other items	**8,572**	8,574	3,158	(9,870)	(3,096)	7,762	21,414	8,677
Income before income taxes	**24,253**	23,012	17,644	4,421	10,968	22,012	34,237	17,924
Recovery (deferred) income taxes	**60**	48	(1,127)	(310)	464	(1,352)	(272)	-
Net income	**$ 24,313**	$ 23,060	$ 16,517	$ 4,111	$ 11,432	$ 20,660	$ 33,965	$ 17,924
Other comprehensive income (loss)								
Unrealized gain (loss) on interest rate swap	**$ (423)**	$ 47	$ (309)	$ 163	$ -	$ -	$ -	$ -
	(423)	47	(309)	163	-	-	-	-
Comprehensive income	**$ 23,890**	$ 23,107	$ 16,208	$ 4,274	$ 11,432	$ 20,660	$ 33,965	$ 17,924

Calculation of funds from operations

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NET INCOME	**$ 24,313**	$ 23,060	$ 16,517	$ 4,111	$ 11,432	$ 20,660	$ 33,965	$ 17,924
Add (deduct):								
Amortization	**75**	58	37	40	21	71	20	4
Interest expense on subsidiary redeemable units	**3,246**	2,982	2,849	2,849	2,848	2,850	2,849	2,748
Fair value adjustments to investment properties	**1,919**	3,569	(7,124)	(501)	182	(2,263)	(846)	(577)
Fair value adjustments to financial instruments	**(11,580)**	(13,218)	4,758	9,336	1,775	(6,114)	(32,149)	(8,100)
Fair value adjustments of DUIP included in general and administrative expenses	**(56)**	(33)	(10)	(36)	(61)	(71)	(53)	(6)
Debt settlement (costs) gains	**-**	-	-	59	13	(49)	-	-
Internal leasing costs	**976**	975	1,131	841	1,126	664	563	-
Acquisition recovery (costs)	**-**	-	(2,023)	35	-	-	11,018	-
FFO share related to non-controlling interest of C2C	**-**	-	-	-	-	(23)	(67)	-
Recovery (deferred) income taxes	**(60)**	(48)	1,127	310	(464)	1,352	272	-
FFO	**$ 18,833**	$ 17,345	$ 17,262	$ 17,044	$ 16,872	$ 17,077	$ 15,572	$ 11,993
FFO per Unit – basic[1]	**$ 0.25**	$ 0.24	$ 0.24	$ 0.24	$ 0.24	$ 0.24	$ 0.23	$ 0.22
FFO per Unit – diluted[1][2]	**$ 0.24**	$ 0.23	$ 0.24	$ 0.23	$ 0.23	$ 0.24	$ 0.23	$ 0.22

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

(2) Diluted FFO for Q4 2014, Q3 2014, Q2 2014, Q1 2014, Q4 2013, Q3 2013, Q2 2013 and Q1 2013 excludes $2.0 million, $2.0 million, $2.0 million, $2.0 million, $2.0 million, $2.0 million, $1.8 million and $1.7 million in interest on convertible debentures, respectively.

				2014				2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
FUNDS FROM OPERATIONS	**$ 18,833**	$ 17,345	$ 17,262	$ 17,044	$ 16,872	$ 17,077	$ 15,572	$ 11,993
Add (deduct):								
Amortization of fair value adjustment on assumed debt	**(768)**	(750)	(765)	(792)	(812)	(877)	(924)	(685)
Deferred unit compensation expense excluding fair value adjustments	**375**	383	314	327	351	378	493	212
Straight-line rent	**(770)**	(733)	(660)	(665)	(784)	(823)	(801)	(727)
Investment in business transformation activities	**113**	100	100	100	-	-	-	-
FFO share related to non-controlling interest of C2C	**-**	-	-	-	-	23	67	-
AFFO share related to non-controlling interest of C2C	**-**	-	-	-	-	(20)	(56)	-
	17,783	16,345	16,251	16,014	15,627	15,758	14,351	10,793
Adjusted for:								
Normalized initial direct leasing costs and lease incentives	**1,401**	1,293	1,279	1,255	1,248	1,267	1,138	949
Normalized recurring capital expenditures	**841**	776	767	753	749	762	683	569
Adjusted funds from operations	**$ 15,541**	$ 14,276	$ 14,205	$ 14,006	$ 13,630	$ 13,729	$ 12,530	$ 9,275
AFFO per Unit – basic and diluted[1]	**$ 0.20**	$ 0.20	$ 0.20	$ 0.20	$ 0.19	$ 0.19	$ 0.19	$ 0.17
Weighted average Units outstanding for FFO and AFFO								
Basic (in thousands)	**76,572**	72,699	71,440	71,289	71,133	70,931	66,930	55,561
Diluted (in thousands)	**86,610**	82,735	81,447	81,196	80,955	80,761	75,830	63,622

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

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.

Funds from operations

Management believes FFO is an important measure of our operating performance. This non-GAAP measurement 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.

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".

Adjusted funds from operations

Management believes AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-GAAP measurement is commonly used for assessing real estate performance; however, it does not represent cash generated from (utilized in) operating activities, as defined by GAAP, and is not necessarily indicative of cash available to fund the Trust's needs. We also normalize leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. We also exclude the impact of transaction costs expensed on business combinations.

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 recurring capital expenditures. Management uses 8% of NOI as the normalized initial direct leasing costs and recurring capital expenditures 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. This assumption will be re-evaluated from time to time based on actual experience as our expenditure pattern is established in the future.

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

NOI

NOI is defined by the Trust as the total investment property revenue less investment property operating expenses, including the share of net rental income from investments in joint ventures and property management income, if any. This non-GAAP measurement 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 income trusts. The Trust did not have any investments in joint ventures; 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 property 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. This non-GAAP measurement 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 income trusts.

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 period presented. 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 income trusts. Comparative properties NOI excludes lease termination fees and certain other adjustments, straight-line rents, bad debt expenses and amortization of tenant inducements.

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 "NOI comparative properties" 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.

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Weighted average Units outstanding for basic per unit amounts (in thousands)	**76,572**	71,133	**73,013**	66,195
Weighted average Units outstanding for diluted per unit amounts (in thousands)	**86,610**	80,955	**83,010**	75,467

Level of debt (debt-to-total assets)

Management believes this non-GAAP measurement is an important measure in the management of our debt levels. Level of debt as shown below is determined as total debt 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, 2014**	December 31, 2013
Non-current debt	**$ 778,059**	$ 728,341
Current debt	**143,234**	112,041
Total debt	**921,293**	840,382
Add (deduct):		
Deferred financing costs	**5,315**	4,547
Mark-to-market adjustments	**(5,430)**	(8,297)
Total debt at principal amount outstanding	**921,178**	836,632
Total assets	**$ 1,742,710**	$ 1,589,805
Debt-to-total assets	**52.9%**	52.6%

Debt-to-adjusted EBITDA

Management believes this non-GAAP measurement is an important measure in determining the time it takes the Trust, based on its operating performance, to repay its debt.

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, gains (costs) 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, 2014**		Three months ended December 31, 2013
Non-current debt	**$**	**778,059**	$	728,341
Current debt		**143,234**		112,041
Total debt		**921,293**		840,382
Add (deduct):				
Deferred financing costs		**5,315**		4,547
Mark-to-market adjustments		**(5,430)**		(8,297)
Total debt at principal amount outstanding		**921,178**		836,632
Net income before taxes		**24,253**		10,968
Add (deduct):				
Fair value adjustments to investment properties		**1,919**		182
Fair value adjustments to financial instruments		**(11,580)**		1,775
Gains (costs) on transactions and other activities		**1,089**		1,139
Interest – debt		**8,889**		8,100
Interest – subsidiary redeemable units		**3,246**		2,848
Depreciation and amortization		**14**		1
Other items included in investment properties revenues[1]		**(701)**		(800)
Adjusted EBITDA – quarterly		**27,129**		24,213
Adjusted EBITDA – annualized	**$**	**108,516**	$	96,852
Debt-to-adjusted EBITDA (years)		**8.5**		8.6

(1) Includes adjustments for lease termination fees, other items, straight-line rent and amortization of tenant inducements.

Interest coverage ratio

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

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		**2014**		2013		**2014**		2013
Net rental income	**$**	**29,989**	$	27,060	**$**	**112,764**	$	98,927
Add (deduct):								
Interest and fee income		**1**		5		**17**		244
General and administrative expenses		**(2,160)**		(2,052)		**(8,289)**		(7,346)
Deferred unit compensation expense		**319**		290		**1,264**		1,243
		28,149		25,303		**105,756**		93,068
Interest expense incurred, at contractual rate	**$**	**9,364**	$	8,684	**$**	**35,585**	$	32,546
Interest coverage ratio (times)		**3.0**		2.9		**3.0**		2.9

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 of lease incentives and initial direct leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. These seasonal or short-term fluctuations are funded, if necessary, with our revolving credit facility. 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 which is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other income trusts), which 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. Based on current facts and assumptions, the Trust does not anticipate cash distributions will be reduced or suspended in the foreseeable future.

In any given period, 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.

The following table outlines the differences between adjusted cash generated from (utilized in) operating activities and adjusted cash distributions (a non-GAAP measure which is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other income trusts) which excludes any DRIP component and any distributions made on Units where the proceeds of issuance were not deployed into operations of the Trust.

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

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Net income	**$ 24,313**	$ 11,432	**$ 68,001**	$ 83,981
Cash generated from (utilized in) operating activities	**14,563**	7,678	**54,705**	49,733
Add (deduct):				
Investment in lease incentives and initial direct leasing costs	**3,017**	3,229	**8,689**	6,497
Change in non-cash working capital	**(447)**	3,838	**(271)**	(1,122)
Adjusted cash generated from (utilized in) operating activities	**17,133**	14,745	**63,123**	55,108
Distributions paid and payable[1]	**13,420**	12,474	**51,289**	46,335
(Deduct): DRIP[2]	**(820)**	(1,239)	**(3,795)**	(3,314)
Cash distributions	**12,600**	11,235	**47,494**	43,021
Add (deduct):				
Distributions on Units issued on March 6, 2013	**-**	-	**-**	(1,062)
Distributions on Units issued for C2C on May 15, 2013	**-**	-	**-**	(211)
Adjusted cash distributions	**12,600**	11,235	**47,494**	41,748
Adjusted cash generated from (utilized in) operating activities over adjusted cash distributions	**4,533**	3,510	**15,629**	13,360
Excess (shortfall) of net income over distributions paid and payable	**10,893**	(1,042)	**16,712**	37,646
Excess (shortfall) of cash generated from (utilized in) operating activities over distributions paid and payable	**$ 1,143**	$ (4,796)	**$ 3,416**	$ 3,398

(1) Includes distributions on LP B Units.

(2) Includes the DRIP paid on January 15, 2015 and January 15, 2014.

For the three months ended December 31, 2014, adjusted cash generated from (utilized in) operating activities exceeded adjusted cash distributions by $4.5 million ($15.6 million for the year ended December 31, 2014).

Excess of net income over distributions paid and payable was $10.9 million for the three months ended December 31, 2014 ($16.7 million for the year ended December 31, 2014), compared to a $1.0 million shortfall of net income over distributions paid and payable for the three months ended December 31, 2013 (an excess of $37.6 million for the year ended December 31, 2013). Net income is net of distributions paid and payable on subsidiary redeemable units of $3.2 million for the three months ended December 31, 2014 ($11.9 million for the year ended December 31, 2014) compared to $2.8 million for the three months ended December 31, 2013 ($11.3 million for the year ended December 31, 2013).

Excess of cash generated from (utilized in) operating activities over distributions paid and payable was $1.1 million for the three months ended December 31, 2014 ($3.4 million for the year ended December 31, 2014), compared to a $4.8 million shortfall for the three months ended December 31, 2013 (an excess of $3.4 million for the year ended December 31, 2013).

The shortfall of net income over distributions paid and payable of $1.0 million for the three months ended December 31, 2013 was primarily driven by the $1.8 million fair value loss recorded for the financial instruments for the same period. The shortfall of $4.8 million for cash generated from (utilized in) operating activities over distributions paid and payable for the three months ended December 31, 2013 was primarily driven by the change in non-cash working capital of $3.8 million and investment in lease incentives and initial direct leasing costs of $3.2 million. Accordingly, the Trust believes these shortfalls were primarily as a result of timing differences between the realization of working capital and the declaration of distributions during the three months ended December 31, 2013 and thus did not constitute an economic return of capital. Of the distributions declared for the three months and year ended December 31, 2014, $0.8 million and $3.8 million, respectively, were 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.

Cash generated from (utilized in) operating activities to AFFO reconciliation

AFFO is not defined by IFRS and, therefore, may not be comparable to similar measures presented by other real estate investment trusts. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles AFFO to cash generated from (utilized in) operating activities.

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Cash generated from (utilized in) operating activities	**$ 14,563**	$ 7,678	**$ 54,705**	$ 49,733
Add (deduct):				
Initial direct leasing costs and lease incentives incurred	**3,017**	3,229	**8,689**	6,497
Change in non-cash working capital	**(447)**	3,838	**(271)**	(1,122)
Amortization of financing costs on debt	**(293)**	(228)	**(1,116)**	(852)
AFFO share related to non-controlling interest	**-**	-	**-**	(76)
Depreciation of property and equipment	**(14)**	-	**(44)**	-
Debt settlement costs	**-**	-	**59**	-
Investment in business transformation	**113**	-	**413**	-
Internal leasing costs	**976**	1,126	**3,923**	2,353
Acquisition costs	**-**	-	**35**	-
Normalized initial direct leasing costs and lease incentives	**(1,401)**	(1,248)	**(5,228)**	(4,602)
Normalized recurring capital expenditures	**(841)**	(749)	**(3,137)**	(2,763)
Other	**(132)**	(16)	**-**	(4)
AFFO	**$ 15,541**	$ 13,630	**$ 58,028**	$ 49,164

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

For the December 31, 2014 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'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. Using the framework established in "Risk Management and Governance: Guidance on Control (COCO Framework)", published by the Chartered Professional Accountants Canada, 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, 2014.

There were no changes in Dream Industrial's internal control over financial reporting during the financial year ended December 31, 2014 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 2013 Annual Report or our Annual Information Form dated March 31, 2014, filed on SEDAR (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 that 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, all of our properties are located in Canada and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in Canada. 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 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 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.

CHANGES IN LAW

We are subject to applicable federal, provincial, 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.

ENVIRONMENTAL RISK

As an owner of real property, we are subject to various federal, provincial 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 market in Canada is 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 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 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.

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 reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent liabilities. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the result of which is the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amounts of the asset or liability affected. Dream Industrial's critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 to the consolidated financial statements.

Goodwill

In connection with the acquisitions of the Initial and KingSett portfolios in October and December of 2012, respectively, the Trust recorded goodwill totalling approximately $35 million. The goodwill balances, among other things, consist of the portfolio premiums as IFRS requires that the properties acquired are recorded at the sum of their individual values. IFRS requires that management test whether there has been an impairment of goodwill on the occurrence of a triggering event or at least annually.

Management has performed an analysis of its goodwill on a segment basis and determined that no impairment exists. The factors considered have included the Trust's comparative property growth expectations and performance, AFFO/FFO growth, values of the investment properties, discount rates that would be used to value the Trust's cash flows, improvements in the Trust's Unit price and expectations and value estimates by the analyst community that follows the Trust.

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Future accounting policy changes

Dream Industrial's changes in accounting policies are described in Note 6 to the consolidated financial statements.

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 following tables within this section below include supplementary information to our portfolio as at December 31, 2014.

PROPERTY LIST AND SELECTED DATA

Property	Total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy in square feet
7140 40th Street SE, Calgary	351,306	1978/2007	30.0	13.8	1	7.8	100.0%
1919 84th Avenue (Park 19), Edmonton	48,365	1975/1987	21.0	3.7	1	4.4	100.0%
2721 Hopewell Place NE, Calgary	37,690	2006	22.0	1.9	1	7.8	100.0%
204 26229 Township Road 531A (Parkland County), Edmonton	34,904	2005	24.0	9.0	1	0.2	100.0%
6908 6th Street SE (Glenmore Business Park), Calgary	31,467	1978	18.0	3.2	1	4.8	100.0%
3917 81st Avenue, Edmonton	30,353	2006	28.0	5.5	1	6.3	100.0%
2876 Sunridge Way NE (Sunridge Business Park), Calgary	30,000	2000	16.0	2.3	1	5.9	100.0%
3250 Sunridge Way NE (Sunridge Business Park), Calgary	27,180	2000	24.0	2.1	1	5.6	100.0%
15301 100th Street, Grand Prairie	27,058	2005	24.0	13.2	1	5.2	100.0%
2240 Premier Way (GE Turbine), Edmonton	26,381	2003	30.0	1.5	1	3.6	100.0%
7121 6th Street SE (Glenmore Business Park), Calgary	19,274	1984	20.0	0.9	1	1.9	100.0%
6715 85th Avenue, Fort St. John	17,405	2006	28.0	29.7	1	6.8	100.0%
120 Pond Street East, Brooks	14,305	2006	24.0	5.2	1	6.8	100.0%
Western Canada Single Tenant	**695,688**		**26.5**	**92.0**	**13**	**6.4**	**100.0%**
310 Henderson Drive, Regina	373,284	1976	24.0	24.0	2	8.8	100.0%
15303 128th Avenue, Edmonton	177,115	1977/2004	25.0	12.4	3	8.2	100.0%
611-615 71st Avenue SE & 7515 6th Street SE (Glenmore Business Park), Calgary	167,742	1979	20.0	6.5	19	3.7	100.0%
628-668 Henderson Drive (Chestemere), Regina	164,234	1975	19.0	9.1	23	3.0	88.8%
7504 30th Street SE, Calgary	138,729	1976	22.0	6.0	2	5.2	100.0%
11445 163rd Street (Alberta Park), Edmonton	130,142	1981	22.0	5.2	7	2.3	100.0%
9603-9699 45th Avenue NW, Edmonton	111,036	1975	22.0	6.0	19	1.7	97.1%
603 Park Street, Regina	109,478	1978	19.0	6.8	19	2.5	79.1%
3916 61st Avenue, Calgary	99,978	1976	26.0	5.1	2	1.8	100.0%
7004-7042 30th Street SE, Calgary	94,029	1976	18.0	5.3	7	2.0	100.0%
651 Henderson Drive (Henderson Business Centre), Regina	90,231	1982	19.0	5.0	19	2.0	100.0%
26229 Township Road 531 (Parkland County), Edmonton	89,242	1968	24.7	6.5	14	3.0	100.0%
7008 5th Street SE (Glenmore Business Park), Calgary	85,961	1975	17.0	3.7	7	3.6	100.0%
11404 Winterburn Rd NW, Edmonton	81,387	2004	23.8	6.3	16	2.6	98.8%
7004 5th Street SE (Glenmore Business Park), Calgary	79,213	1975	20.0	3.4	12	3.0	100.0%
9451 45th Avenue (Southwood Centre), Edmonton	75,172	1998	28.0	4.5	2	3.6	100.0%
4710-4760 14th Street NE (McCall Industrial Park), Calgary	72,908	1976	18.0	4.0	20	2.8	95.1%
2777 23rd Avenue NE (Sunridge Business Park), Calgary	67,250	2001	24.0	3.8	3	4.1	100.0%
3510 29th Street NE (ACC Centre), Calgary	65,009	1998	24.0	3.0	6	3.2	64.6%
7111 6th Street SE (Glenmore Business Park), Calgary	64,939	1985	20.0	2.9	4	4.2	100.0%
3401 19th Street, Calgary	63,962	1976	22.0	4.1	6	2.9	100.0%
2150 29th Street NE (Sunridge Business Park), Calgary	59,865	1999	24.0	3.3	7	2.8	100.0%
7710 5th Street SE (Glenmore Business Park), Calgary	59,027	1980	20.0	2.3	22	2.7	98.8%
2175 29th Street NE (Sunridge Business Park), Calgary	58,184	2000	24.0	3.5	3	5.6	100.0%
2256 29th Street NE (Sunridge Business Park), Calgary	58,015	1998	24.0	3.5	5	4.3	100.0%
550 71st Avenue SE (Glenmore Business Park), Calgary	57,744	1982	12.0	2.6	9	3.7	93.4%
1139-1165 40th Avenue NE, Calgary	57,402	1974	20.0	2.9	6	4.7	100.0%
2928 Sunridge Way NE (Sunridge Business Park), Calgary	57,243	2003	24.0	4.1	5	4.0	100.0%
2151 32nd Street NE (Sunridge Business Park), Calgary	57,198	1999	24.0	3.4	6	3.2	100.0%
501-529 36th Avenue SE, Calgary	57,191	1974	18.0	2.9	6	4.9	100.0%
4504-4576 14th Street NE, Calgary	57,007	1976	16.0	4.1	30	3.2	100.0%
4403-4435 97th Street North West, Edmonton	57,000	1975	24.0	3.2	6	1.6	100.0%
6812 6th Street SE (Glenmore Business Park), Calgary	56,988	1978	20.0	5.7	6	3.0	100.0%

Property	Total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy in square feet
2121 29th Street NE (Sunridge Business Park), Calgary	56,648	2000	24.0	3.8	3	3.6	100.0%
402 McDonald Street (Imperial Business Centre), Regina	55,724	1984	18.0	2.8	16	2.8	100.0%
2985 23rd Avenue NE (Sunridge Business Park), Calgary	54,065	2000	24.0	3.0	3	5.0	100.0%
4402-4434 10th Street NE, Calgary	54,006	1974	16.0	3.1	8	2.2	100.0%
7003 5th Street SE (Glenmore Business Park), Calgary	52,458	1975	20.0	2.7	12	4.4	64.3%
16134 - 114th Avenue NW, Edmonton	48,353	2006	26.8	4.4	8	3.1	90.9%
2886 Sunridge Way NE (Sunridge Business Park), Calgary	44,433	2001	24.0	3.5	3	3.7	100.0%
610 70th Avenue SE (Glenmore Business Park), Calgary	44,254	1985	20.0	3.5	12	3.5	100.0%
1512-1514 8th Street, Edmonton	42,670	1980	20.0	10.2	2	4.6	100.0%
535-561 36th Avenue SE, Calgary	41,425	1974	16.0	1.9	3	5.5	100.0%
5824 Burbank Road SE, Calgary	39,860	1972	20.0	2.4	4	6.0	100.0%
310 Hoffer Drive (McDonald Business Centre), Regina	37,970	1985	18.0	2.8	8	1.6	85.6%
4001 19th Street, Calgary	37,105	1978	22.0	2.5	6	2.3	100.0%
6810 6th Street SE (Glenmore Business Park), Calgary	31,726	1978	19.0	3.2	3	5.5	100.0%
6804-6818 30th Street SE, Calgary	29,998	1976	16.0	1.2	3	1.5	69.9%
7131 6th Street SE (Glenmore Business Park), Calgary	29,002	1982	20.0	1.3	2	2.0	100.0%
6023-6039 Centre Street South, Calgary	28,792	1973	15.0	1.5	5	4.1	100.0%
16104 - 114th Avenue NW, Edmonton	28,759	1972	20.0	4.4	7	2.7	85.4%
4502-4516 10th Street NE, Calgary	28,641	1974	16.0	1.4	6	2.8	100.0%
3030 Sunridge Way NE (Sunridge Business Park), Calgary	27,001	2000	24.0	2.1	5	2.1	100.0%
6043-6055 Centre Street South, Calgary	25,234	1973	15.0	1.3	6	4.2	100.0%
530-544 38A Avenue SE, Calgary	23,987	1974	16.0	1.2	7	3.6	100.0%
7007 5th Street SE (Glenmore Business Park), Calgary	23,371	1974	19.0	1.2	3	4.4	100.0%
616 71st Avenue SE (Glenmore Business Park), Calgary	21,894	1985	21.0	1.0	3	2.1	100.0%
1135-1149 45th Avenue NE, Calgary	21,552	1974	16.0	1.3	5	2.4	100.0%
6910 6th Street SE (Glenmore Business Park), Calgary	21,268	1978	16.0	2.1	4	3.8	100.0%
4620-4640 11th Street NE, Calgary	21,124	1971	16.0	1.4	10	2.0	100.0%
102-114 61st Avenue SW, Calgary	18,890	1973	14.0	1.1	4	4.1	100.0%
4001-4019 23rd Street NE, Calgary	15,777	1976	16.0	1.1	6	3.0	100.0%
2915-2925 58th Avenue SE, Calgary	15,558	1976	16.0	1.0	6	2.5	100.0%
3503-3521 62nd Avenue SE, Calgary	13,371	1975	13.0	1.2	8	2.9	100.0%
Western Canada Multi Tenant	**4,128,821**		**21.1**	**250.7**	**504**	**4.0**	**97.1%**
Western Canada	**4,824,509**		**21.9**	**342.7**	**517**	**4.4**	**97.5%**
275 Wellington Street East, Aurora	317,000	1986	27.0	16.3	1	7.3	100.0%
45 Progress Avenue, Toronto	209,754	1965/2000	24.0	10.3	1	6.0	100.0%
290 Humberline Drive, Etobicoke	180,329	1981/2010	20.0	6.9	1	8.1	100.0%
750 Creditstone Road, Vaughan	176,535	1999	24.0	9.0	1	3.0	100.0%
121 Pippin Road, Vaughan	169,500	1999	24.0	8.6	1	3.0	100.0%
700 Ormont Drive, Toronto	123,370	1974	21.0	4.7	1	4.8	100.0%
2340 St. Laurent Blvd., Ottawa	114,724	1989	24.0	6.2	1	10.3	100.0%
580 Industrial Road, London	113,595	1972/2002	24.0	12.7	1	2.1	100.0%
441 Chrislea Road, Vaughan	100,626	1998	22.0	4.1	1	3.8	100.0%
2130 South Service Road West, Oakville	98,175	1986/2005	24.0	4.4	1	0.9	100.0%
970 Fraser Drive, Burlington	95,444	1999	28.0	6.9	1	13.0	100.0%
274 Humberline Drive, Etobicoke	80,540	1981	20.0	3.9	1	5.3	100.0%
2226 South Service Road West, Oakville	79,174	1980	22.0	3.5	1	6.0	100.0%
439 Sovereign, London	77,877	1988	22.0	5.6	1	0.8	100.0%
9305 Twin Oaks Drive, Windsor	74,239	1996	28.0	5.2	1	5.6	100.0%
2 Lone Oak Court, Toronto	72,197	2001	24.0	4.4	1	7.5	100.0%
6885-6895 Menway Court, Mississauga	66,383	1988	20.0	3.4	1	1.2	100.0%
41 Metropolitan Road, Toronto	59,400	1975/1997	17.0	4.4	1	1.2	100.0%
896 Meyerside Drive, Mississauga	46,774	1986	20.0	2.4	1	1.4	100.0%

Property	Total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy in square feet
880 Rangeview Road, Mississauga	45,600	1977/2005	24.0	3.2	1	0.8	100.0%
135 Pinebush Road, Cambridge	44,470	2001	60.0	5.6	1	5.5	100.0%
5905 Kennedy Road, Mississauga	38,158	1988	22.0	2.1	1	0.7	100.0%
6045 Kestrel Road, Mississauga	34,879	1986	20.0	1.8	1	1.3	100.0%
2946 Walker Road, Windsor	32,264	1960	22.0	4.0	1	2.0	100.0%
781 Westgate Road, Oakville	29,850	1985	22.0	4.2	1	5.7	100.0%
6520 Gottardo Court, Mississauga	25,932	1987	18.0	1.2	1	7.0	100.0%
750 Barmac Drive, Toronto	23,959	1979	18.0	1.5	1	4.2	100.0%
7420 Pacific Circle, Mississauga	23,777	1987	18.0	1.2	1	4.5	100.0%
1300 Fewster Road, Mississauga	23,500	1969	14.0	1.2	1	1.5	100.0%
5805 Kennedy Road, Mississauga	21,780	1986	18.0	1.0	1	2.5	100.0%
5380 Timberlea Boulevard, Mississauga	19,988	1986	18.0	1.0	1	5.1	100.0%
5462 Timberlea Boulevard, Mississauga	17,708	1977	18.0	1.0	1	5.4	100.0%
5370 Timberlea Boulevard, Mississauga	16,682	1986	18.0	0.8	1	3.5	100.0%
5750 Coopers Avenue, Mississauga	16,366	1987	18.0	0.9	1	6.0	100.0%
5444 Timberlea Boulevard, Mississauga	15,316	1977	18.0	0.9	1	3.1	100.0%
Ontario Single Tenant	**2,685,865**		**23.5**	**154.5**	**35**	**5.0**	**100.0%**
6581-6601 Kitimat Road, Mississauga	318,363	1986	25.0	16.9	15	3.0	97.7%
2360 Cornwall Road, Oakville	199,736	2004	28.0	10.3	4	4.2	100.0%
45 A & B West Wilmot Street, Richmond Hill	189,128	1986	19.0	8.0	39	2.5	90.4%
255 Wicksteed Avenue, Toronto	177,562	1955	24.0	8.0	4	4.0	94.7%
2140-2150 Winston Park Drive, Mississauga	172,331	1987	19.0	7.5	45	2.8	96.4%
5900 Finch Avenue East, Scarborough	166,237	1993	24.0	7.6	4	1.7	100.0%
90 Nolan Court, Markham	124,930	1982	18.0	7.0	27	3.1	97.1%
55 Horner Avenue, Etobicoke	93,300	1988	22.0	6.2	4	2.8	100.0%
4515/4525 Rhodes Drive, Windsor	91,057	1999	22.0	9.0	3	3.7	76.5%
3 & 5 Blair Drive, Brampton	82,232	2001	28.0	6.4	2	2.6	100.0%
1111 Tristar Drive, Mississauga	77,726	1986	22.0	3.7	3	0.6	87.4%
903-951 Matheson Boulevard, Mississauga	77,420	1977	18.0	3.8	7	2.6	100.0%
1100 Courtney Park Drive, Mississauga	72,393	1981	22.0	3.4	4	1.8	100.0%
100 Lingard Road, Cambridge	70,154	2003	46.0	5.4	2	4.1	100.0%
5825-5895 Kennedy Road, Mississauga	67,836	1988	15.0	3.4	7	5.6	88.4%
6400 Shawson Drive, Mississauga	61,817	1981	22.0	2.9	3	2.2	100.0%
5554 Tomken Road, Mississauga	61,623	1979	18.0	3.2	9	2.6	100.0%
6300 Viscount Road, Mississauga	60,179	1966	16.0	4.3	3	3.8	83.1%
845 Harrington Court, Burlington	55,932	1982	15.0	4.0	8	3.4	90.9%
5716-5730 Coopers Avenue, Mississauga	53,668	1987	14.0	3.4	21	2.2	93.8%
855 Matheson Boulevard, Mississauga	46,608	1986	18.0	2.0	12	2.2	93.5%
5448 Timberlea Boulevard, Mississauga	32,025	1977	16.0	1.8	2	2.5	100.0%
5430 Timberlea Boulevard, Mississauga	31,448	1977	17.0	1.8	2	2.3	100.0%
5466 Timberlea Boulevard, Mississauga	28,657	1977	18.0	1.6	2	7.1	100.0%
135 East Beaver Creek, Richmond Hill	28,506	1986	17.0	1.8	2	0.7	100.0%
5420 Timberlea Boulevard, Mississauga	19,816	1977	18.0	1.1	2	4.4	100.0%
Ontario Multi Tenant	**2,460,684**		**22.1**	**134.5**	**236**	**3.0**	**95.7%**
Ontario	**5,146,549**		**22.9**	**289.0**	**271**	**4.1**	**98.0%**
1411, 1421 and 1451 Rue Ampère, Boucherville	457,875	1998/2002	27.0	21.6	1	10.4	100.0%
10001 Metropolitan Boulevard East, Montréal	327,000	2004	40.7	28.5	1	9.4	100.0%
1900 Dickson Street (Molson Distribution Centre), Montréal	225,000	2003	26.0	17.1	1	8.0	100.0%
2350 de la Province, Longueuil	222,485	1967	20.0	11.5	1	1.1	100.0%
1125 50th Avenue, Montréal	210,710	2000	26.0	13.3	1	4.8	100.0%
8000 Avenue Blaise-Pascal, Montréal	206,345	1993	23.0	13.8	1	7.3	100.0%
1313 Autoroute Chomedey, Laval	184,493	1999	26.0	8.1	1	10.4	100.0%

Property	Total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy in square feet
650 rue Bergeron, Drummondville	181,000	2007	28.0	10.5	1	3.0	100.0%
1155 Autoroute Chomedey, Laval	115,362	1990/2002	22.0	4.1	-	-	0.0%
101 Autoroute 440, Laval	68,444	1977	22.0	4.6	1	3.4	100.0%
1805 50e Avenue, Lachine	60,750	1986	19.0	2.3	1	6.4	100.0%
585-625 Avenue Meloche, Dorval	54,410	1981	18.0	2.7	1	0.7	100.0%
1421 rue Nobel, Sainte-Julie	50,878	1998	22.0	4.3	1	6.8	100.0%
3800 Trans Canada Highway, Pointe-Claire	50,000	1966	18.0	3.4	1	0.9	100.0%
3700-3720 Autoroute des Laurentides, Laval	49,500	2002	24.0	3.6	1	7.6	100.0%
1870 Boulevard Saint-Régis, Dollard-des-Ormeaux	40,231	1984	22.0	1.8	1	6.4	100.0%
29 rue de Varennes, Gatineau	23,959	2006	20.0	3.4	1	6.1	100.0%
361 boul. Montpellier, St. Laurent	19,220	1987	18.0	1.2	1	9.1	100.0%
Québec Single Tenant	**2,547,662**		**26.4**	**155.8**	**17**	**6.9**	**95.5%**
2995 boul. le Corbusier, Laval	131,680	1975	29.0	4.7	3	6.9	94.0%
5000 rue Fairway & 1645 50e Avenue, Lachine	106,517	1978	18.0	5.5	4	1.6	68.9%
1700-1764 50e Avenue, Lachine	94,569	1989	24.0	4.2	2	2.6	100.0%
1100-1154 Rue Berlier, Laval	91,843	1975	18.0	4.5	10	2.3	100.0%
9090-9100 boul. Cavendish, St. Laurent	89,322	1987	18.0	7.5	6	4.0	100.0%
333 Chemin du Tremblay, Boucherville	86,842	1987	18.0	3.8	4	5.6	81.6%
1876-1936 32e Avenue, Lachine	84,659	1987	18.0	4.7	5	3.7	100.0%
1500 rue Nobel, Boucherville	82,081	1989	18.0	4.1	5	2.2	57.6%
2000 32e Avenue, Lachine	81,288	1985	18.0	4.8	3	1.5	100.0%
1624-1692 50e Avenue, Lachine	79,094	1975	19.0	4.3	7	2.6	81.6%
1151-1179 Autoroute 440, Laval	78,938	1975	19.0	3.9	14	4.8	82.6%
10001-10091 Renaude-Lapointe, Montréal	77,846	1987	18.0	3.7	4	3.6	100.0%
2101 rue Nobel, Sainte-Julie	73,411	1992	20.0	4.8	4	4.2	100.0%
1950 32e Avenue, Lachine	71,923	1988	18.0	4.5	8	2.6	93.3%
1825-1865 32e Avenue, Lachine	71,616	1986	18.0	4.9	7	3.6	69.7%
4300-4400 boul. Bois-Franc, St. Laurent	68,575	1987	18.0	3.9	2	5.5	88.4%
4605-4645 rue Fairway & 1405-1465 46e Avenue, Lachine	60,728	1974	19.0	4.0	7	6.8	100.0%
1010 Rue Berlier & 2854-2870 boulevard Industriel, Laval	58,622	1975	19.0	3.1	6	1.7	84.5%
1025-1087 Autoroute 440, Laval	56,622	1979	18.0	2.8	12	1.4	100.0%
135 Chemin du Tremblay, Boucherville	49,808	1989	16.0	2.4	9	1.5	100.0%
38 rue de Valcourt, Gatineau	16,297	1985	12.0	1.2	8	0.7	100.0%
Québec Multi Tenant	**1,612,281**		**19.4**	**87.3**	**130**	**3.5**	**89.8%**
Québec	**4,159,943**		**23.7**	**243.1**	**147**	**5.7**	**93.3%**
Central Canada	**9,306,492**		**23.2**	**532.1**	**418**	**4.8**	**95.9%**
131 Thornhill Drive (Burnside Business Park), Dartmouth	115,773	1986	18.0	4.7	1	0.9	100.0%
58 Wright Avenue (Burnside Business Park), Dartmouth	43,000	1972	24.0	2.4	1	6.5	100.0%
722 Edinburgh Drive, Moncton	41,200	1975/1990	20.0	8.6	1	1.2	100.0%
50 Garland Avenue (Burnside Business Park), Dartmouth	35,574	2006	10.0	2.5	1	1.7	100.0%
80 Thornhill Drive (Burnside Business Park), Dartmouth	10,090	1984	20.0	1.1	1	4.8	100.0%
Eastern Canada Single Tenant	**245,637**		**18.3**	**19.3**	**5**	**2.2**	**100.0%**
202 Brownlow Avenue (Burnside Business Park), Dartmouth	212,289	1986	18.0	13.8	58	4.7	96.6%
320-340 Wright Avenue (Burnside Business Park), Dartmouth	170,129	2007	24.0	10.6	12	3.4	100.0%
201 Brownlow Avenue (Burnside Business Park), Dartmouth	160,180	1988	16.0	10.7	34	4.2	96.1%
7 Mellor Avenue, Dartmouth	122,490	2007	24.0	7.2	11	6.0	96.4%
10 Morris Drive (Burnside Business Park), Dartmouth	118,785	1979	18.0	7.5	20	1.6	91.1%
71 Thornhill Drive, Dartmouth	100,680	1980	28.0	5.2	2	4.7	89.7%
131-135 Ilsley Avenue (Burnside Business Park), Dartmouth	97,770	1984	18.0	6.6	18	2.6	100.0%
121 Ilsley Avenue, Dartmouth	96,738	1983	19.0	8.0	16	2.9	71.6%
75 Akerley Boulevard, Dartmouth	96,228	1982	19.0	7.8	20	3.2	100.0%
222 Edinburgh Drive, Moncton	93,613	1977/1999	22.0	7.7	6	2.2	64.1%

Property	Total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy in square feet
11 Morris Drive (Burnside Business Park), Dartmouth	89,832	1977	18.0	5.0	20	2.3	95.7%
120 Troop Avenue (Burnside Business Park), Dartmouth	87,049	2004	24.0	5.7	6	1.8	100.0%
100 Wright Avenue (Burnside Business Park), Dartmouth	76,127	1979	18.0	4.4	12	2.7	83.4%
100 Ilsley Avenue (Burnside Business Park), Dartmouth	76,052	1984	14.0	6.1	16	4.1	94.5%
55 Akerley Boulevard, Dartmouth	75,306	1975	19.0	5.8	7	2.2	94.8%
51 Raddall Avenue (Burnside Business Park), Dartmouth	70,002	1986	18.0	4.7	11	2.2	100.0%
170 Joseph Zatzman Drive (Burnside Business Park), Dartmouth	65,671	1981	16.0	4.0	11	2.5	91.8%
50 Akerley Boulevard (Burnside Business Park), Dartmouth	62,685	1983	18.0	1.6	12	3.4	93.4%
10 Vidito Drive, Dartmouth	61,988	1980	22.0	2.7	2	4.3	100.0%
101 Thornhill Drive (Burnside Business Park), Dartmouth	61,381	1982	18.0	3.8	8	2.5	93.3%
105 Akerly Boulevard (Burnside Business Park), Dartmouth	57,850	1983	18.0	3.3	7	2.6	100.0%
30-58 Mosher Drive (Burnside Business Park), Dartmouth	56,937	1972	18.0	2.6	4	2.4	100.0%
29-59 Mosher Drive (Burnside Business Park), Dartmouth	54,367	1974	18.0	3.6	4	5.8	100.0%
50 Troop Avenue (Burnside Business Park), Dartmouth	53,859	2001	24.0	3.6	3	1.7	100.0%
32 Troop Avenue (Burnside Business Park), Dartmouth	47,790	2000	24.0	3.3	4	4.5	100.0%
109 Ilsley Avenue (Burnside Business Park), Dartmouth	44,829	1987	16.0	3.1	13	2.9	89.3%
81 Wright Avenue (Burnside Business Park), Dartmouth	44,366	1986	20.0	3.6	4	3.8	84.7%
95 Akerley Boulevard, Dartmouth	38,027	1980	14.0	2.1	12	3.2	92.4%
30 Simmonds Drive (Burnside Business Park), Dartmouth	37,484	1982	16.0	2.8	12	1.4	100.0%
40 Thornhill Drive (Burnside Business Park), Dartmouth	32,186	1982	16.0	3.8	8	3.3	71.6%
50 Thornhill Drive (Burnside Business Park), Dartmouth	32,065	1983	16.0	3.8	10	1.6	92.3%
60 Thornhill Drive (Burnside Business Park), Dartmouth	32,002	1986	16.0	2.0	6	5.1	84.9%
10 Thornhill Drive, Dartmouth	28,616	1983	15.0	3.4	9	2.8	91.6%
16 Garland Avenue (Burnside Business Park), Dartmouth	10,888	2008	14.0	1.5	4	5.0	100.0%
Eastern Canada Multi Tenant	**2,566,261**		**19.4**	**171.4**	**402**	**3.3**	**93.3%**
Eastern Canada	**2,811,898**		**19.3**	**190.7**	**407**	**3.2**	**93.9%**
Total[1]	**16,942,899**		**22.2**	**1,065.5**	**1,342**	**4.4**	**96.0%**

(1) Excludes held for sale properties.

LARGEST TENANTS BY GLA[1]

Tenant	Total area in square feet	Properties	City	Province
Spectra/Premium Industries	642,368	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.	351,306	7140 40th Street SE	Calgary	Alberta
Royal Group Inc.	346,035	750 Creditstone Road	Vaughan	Ontario
		121 Pippin Road	Vaughan	Ontario
The Brick Warehouse LP	327,000	10001 Metropolitan Boulevard East	Montréal	Québec
United Agri Products Canada Inc.	275,335	310 Henderson Drive	Regina	Saskatchewan
Molson Breweries Properties	225,000	1900 Dickson Street (Molson Distribution Centre)	Montréal	Québec
Hasbro Canada Corporation	222,485	2350 de la Province	Longueuil	Québec
Nellson Nutraceutical Canada	210,710	1125 50th Avenue	Montréal	Québec
Array Canada Inc.	209,754	45 Progress Avenue	Toronto	Ontario
McKesson Canada Corporation	181,000	650 rue Bergeron	Drummondville	Québec
Alumicor Limited	180,329	290 Humberline Drive	Etobicoke	Ontario
RockTenn-Container Canada/RockTenn-Preprint Canada	134,863	7420 Pacific Circle	Mississauga	Ontario
		6581-6601 Kitimat Road	Mississauga	Ontario
Multy Home LP	123,370	700 Ormont Drive	North York	Ontario
DIRTT Environmental Solutions	122,419	7504 30th Street SE	Calgary	Alberta
Helly Hansen Canada Limited	115,773	131 Thornhill Drive (Burnside Business Park)	Dartmouth	Nova Scotia
The Dollco Corporation	114,724	2340 St. Laurent Blvd.	Ottawa	Ontario
Colabor Limited Partnership	113,595	580 Industrial Road	London	Ontario
Clean Harbors Industrial	113,506	15301 100th Street	Grand Prairie	Alberta
		204 26229 Township Road 531A (Parkland County)	Edmonton	Alberta
		6715 85th Avenue	Fort St. John	British Columbia
		120 Pond Street East	Brooks	Alberta
		26229 Township Road 531	Parkland County	Alberta
Fath PV Tech Inc.	104,248	5900 Finch Avenue East	Scarborough	Ontario
Aquarium Services Warehouse	100,626	441 Chrislea Road	Vaughan	Ontario
Total	**4,737,791**			

(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.

Brent Chapman
President and Chief Executive Officer

Lenis Quan
Chief Financial Officer

Toronto, Ontario, February 17, 2015

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, 2014 and December 31, 2013 and the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years then ended, 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, 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, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario, February 17, 2015

Consolidated balance sheets

(in thousands of Canadian dollars)	Note	**December 31, 2014**	December 31, 2013
Assets			
NON-CURRENT ASSETS			
Investment properties	9	**$ 1,681,781**	$ 1,540,791
Other non-current assets	10	**41,912**	39,416
Deferred income tax assets	11	**-**	1,075
		1,723,693	1,581,282
CURRENT ASSETS			
Amounts receivable	12	**3,624**	4,051
Prepaid expenses and other assets		**4,476**	4,214
Cash and cash equivalents		**78**	258
		8,178	8,523
Assets held for sale	19	**10,839**	-
Total assets		**$ 1,742,710**	$ 1,589,805
Liabilities			
NON-CURRENT LIABILITIES			
Debt	13	**$ 778,059**	$ 728,341
Subsidiary redeemable units	14	**156,206**	144,096
Deferred Unit Incentive Plan	15	**2,160**	1,028
Deferred income tax liabilities	11	**254**	-
Other non-current liabilities	16	**11,291**	10,330
		947,970	883,795
CURRENT LIABILITIES			
Debt	13	**143,234**	112,041
Amounts payable and accrued liabilities	17	**22,855**	23,153
		166,089	135,194
Total liabilities		**1,114,059**	1,018,989
Equity			
Unitholders' equity		**576,399**	546,680
Retained earnings		**52,774**	24,136
Accumulated other comprehensive loss		**(522)**	-
Total equity	18	**628,651**	570,816
Total liabilities and equity		**$ 1,742,710**	$ 1,589,805

See accompanying notes to the consolidated financial statements.

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

Vincenza Sera
Trustee

Sheldon Wiseman
Trustee

Consolidated statements of net income and comprehensive income

(in thousands of Canadian dollars)	Note	Year ended December 31, 2014	2013
Investment properties revenue		**$ 166,249**	$ 142,944
Investment properties operating expenses		**(53,485)**	(44,017)
Net rental income		**112,764**	98,927
Other revenue			
Interest and fee income		**17**	244
		17	244
Other expenses			
General and administrative		**(8,289)**	(7,346)
Interest:			
Interest expense on debt	20	**(33,626)**	(30,100)
Subsidiary redeemable units	20	**(11,926)**	(11,295)
Depreciation and amortization		**(44)**	(46)
		(53,885)	(48,787)
Income before fair value adjustments, income taxes and other items		**58,896**	50,384
Other items			
Fair value adjustments to investment properties	9	**2,137**	3,504
Fair value adjustments to financial instruments	21	**10,704**	44,588
Gains (costs) on transactions and other activities	22	**(2,407)**	(13,335)
		10,434	34,757
Income before income taxes		**69,330**	85,141
Deferred income taxes	11	**(1,329)**	(1,160)
Net income		**$ 68,001**	$ 83,981
Other comprehensive loss			
Unrealized loss on effective interest rate hedge	13	**$ (522)**	$ -
		(522)	-
Comprehensive income		**$ 67,479**	$ 83,981
Comprehensive income attributable to:			
Unitholders		**$ 67,479**	$ 84,264
Non-controlling interest		**-**	(283)
		$ 67,479	$ 83,981

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	Accumulated other comprehensive loss	Total
		Attributable to unitholders of the Trust				
Balance at January 1, 2014		**54,921,726**	**$ 546,680**	**$ 24,136**	**$ -**	**$ 570,816**
Net income for the year		**-**	**-**	**68,001**	**-**	**68,001**
Distributions paid and payable	17	**-**	**-**	**(39,363)**	**-**	**(39,363)**
REIT Units issued	18	**2,659,575**	**25,583**	**-**	**-**	**25,583**
Distribution Reinvestment Plan	17	**424,798**	**3,921**	**-**	**-**	**3,921**
Unit Purchase Plan		**2,522**	**23**	**-**	**-**	**23**
REIT Units issued for vested deferred trust units	15	**26,504**	**237**	**-**	**-**	**237**
Issue costs		**-**	**(45)**	**-**	**-**	**(45)**
Other comprehensive loss		**-**	**-**	**-**	**(522)**	**(522)**
Balance at December 31, 2014		**58,035,125**	**$ 576,399**	**$ 52,774**	**$ (522)**	**$ 628,651**

(in thousands of Canadian dollars, except number of units)	Number of Units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
	Attributable to unitholders of the Trust				
Balance at January 1, 2013	36,257,538	$ 351,299	$ (25,088)	$ -	$ 326,211
Net income for the year	-	-	84,264	-	84,264
Distributions paid and payable	-	-	(35,040)	-	(35,040)
REIT Units issued	18,313,053	197,518	-	-	197,518
Distribution Reinvestment Plan	323,789	2,944	-	-	2,944
Unit Purchase Plan	2,784	26	-	-	26
REIT Units issued for vested deferred trust units	24,562	254	-	-	254
Issue costs	-	(5,361)	-	-	(5,361)
Balance at December 31, 2013	54,921,726	$ 546,680	$ 24,136	$ -	$ 570,816

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)	Note	Year ended December 31, 2014	2013
Generated from (utilized in) operating activities			
Net income		**$ 68,001**	$ 83,981
Non-cash items:			
Depreciation and amortization, net	25	**(1,705)**	(2,326)
Other adjustments	25	**(15,099)**	(36,904)
Investment in lease incentives and initial direct leasing costs	9	**(8,689)**	(6,497)
Interest on subsidiary redeemable units	20	**11,926**	10,357
Change in non-cash working capital	25	**271**	1,122
		54,705	49,733
Generated from (utilized in) investing activities			
Additions to property and equipment		**(69)**	(78)
Investment in investment properties	9	**(7,650)**	(2,215)
Transaction costs paid		**(1,767)**	(17,002)
Acquisition of investment properties, net of cash acquired	7, 8	**(69,872)**	(91,223)
		(79,358)	(110,518)
Generated from (utilized in) financing activities			
Mortgage financings, net of financing costs	13	**153,499**	112,269
Draw on revolving credit facility, net of financing costs	13	**78,748**	12,114
Mortgage principal repayments		**(22,088)**	(18,163)
Mortgage lump sum repayments		**(88,108)**	(26,909)
Repayment of debt and other facilities	13	**(50,359)**	(84,500)
Payment made for the tender of 6.75% Debentures		**-**	(705)
Distributions paid on Units		**(35,261)**	(30,931)
Interest on subsidiary redeemable units	20	**(11,926)**	(10,357)
Cash proceeds on issue of Units		**23**	115,141
Financing and unit issue costs paid		**(55)**	(9,222)
		24,473	58,737
Change in cash and cash equivalents		**(180)**	(2,048)
Cash and cash equivalents, beginning of year		**258**	2,306
Cash and cash equivalents, end of year		**$ 78**	$ 258

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 and for unit or per unit amounts)

Note 1

ORGANIZATION

Effective May 5, 2014, Dundee Industrial REIT changed its name to Dream Industrial Real Estate Investment Trust ("Dream Industrial REIT", "Dream Industrial" or the "Trust"). Dream Industrial 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 consolidated subsidiaries. Dream Industrial's portfolio comprises industrial properties located in urban centres across Canada. A subsidiary of Dream Industrial performs the property management function.

The Trust's registered office is 30 Adelaide Street East, Suite 1600, 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, 2014 were authorized for issuance by the Board of Trustees on February 17, 2015, after which date they may only be amended with the Board of Trustees' approval.

Equity is described in Note 18; however, for simplicity, 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

Subsidiary redeemable units classified as a liability are described in Note 14; however, for simplicity, throughout the Notes, reference is made to "subsidiary redeemable units", meaning the LP B Units of Dream Industrial LP ("DILP"), formerly known as Dundee Industrial Limited Partnership.

At December 31, 2014, Dream Office Real Estate Investment Trust ("Dream Office REIT"), directly and indirectly through its subsidiaries, held 18,551,855 (December 31, 2013 – 16,282,096) subsidiary redeemable units, being all of the subsidiary redeemable units of the Trust.

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 joint ventures and 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 joint ventures using the equity method of accounting whereby the investment is carried on the consolidated balance sheet at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investment, less any identified impairment losses. Under this method, the Trust's share of profits and losses reflects the share of net earnings from equity accounted investments in the consolidated statement of comprehensive income. Dilution gains and losses arising from changes in the Trust's interest in equity accounted investments are recognized in the consolidated statement of comprehensive income. If the Trust's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Trust has incurred legal or constructive obligations, or made payments on behalf of the equity accounted investment. The Trust does not have any joint ventures at this time.

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 date. 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 comprehensive 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 (see Note 5). 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, property and equipment, straight-line rent receivable and goodwill. 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 comprehensive 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 statement of comprehensive 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.

Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the consideration transferred over and above the Trust's interest in fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored by the Trust at the geographical segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

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 collectability 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 one of the Trust's subsidiaries, 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, officers, employees and affiliates and their service providers (including the asset manager). Deferred units are recorded as a liability, and compensation expense is recognized over the vesting period 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
Deferred Unit Incentive Plan	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost
Interest rate swap	Cash flow hedge	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 subsequently are 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 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 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 the fair value being 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 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 being 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 statement 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, 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.

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 if 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.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, property and equipment and goodwill. IAS 36, "Impairment Testing", requires management to use judgment in determining the recoverable amount of assets tested for impairment, including goodwill (see Note 10). All of the Trust's goodwill balance is allocated to the industrial properties group of cash-generating units (herein referred to as the goodwill CGU). The recoverable amount of the Trust's goodwill CGU is determined based on the value-in-use approach. These calculations use cash flow projections, consistent with the internal financial budgets approved by management on a property-by-property basis. The key assumptions used in determining the value-in-use of the goodwill CGU are the estimated growth rate, discount rate and terminal rate. In arriving at the growth rate, the Trust considers past experience and inflation, as well as industry trends. The Trust utilizes weighted average cost of capital ("WACC") to determine the discount rate and terminal rate. The WACC reflects

specific risks that would be attributable to the Trust. As the Trust is not subject to tax, no adjustment is required to adjust the WACC on a pre-tax basis.

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 these 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 property

Critical assumptions relating to the valuation of investment properties at fair value include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, 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 Deferred Unit Incentive Plan, 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.

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, 2014. These changes were made in accordance with the applicable transitional provisions.

Accounting for levies imposed by governments

IFRIC 21, "Levies" ("IFRIC 21"), provides guidance on accounting for levies in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The most significant consideration relates to accounting for property taxes. Management has determined that this new interpretation had no material impact on the amounts recognized in the Trust's consolidated financial statements.

Accounting for internal leasing costs

Prior to January 1, 2014, the Trust capitalized incremental internal leasing costs within initial direct leasing costs to investment properties, where these costs would not have been incurred had no leasing activity taken place and are reasonably and directly attributable to the leasing activity. On April 2, 2014, the International Financial Reporting Interpretations Committee ("IFRIC") issued an agenda decision indicating that internal leasing costs such as salary costs of permanent staff involved in negotiating and arranging new leases do not qualify as incremental costs. As a result, the Trust has adopted an accounting policy of recognizing certain internal leasing costs involved in negotiating and arranging new leases in the consolidated statements of comprehensive income as incurred. This accounting policy has been applied retrospectively. The impact to the years ended December 31, 2014 and December 31, 2013 is an increase to internal leasing costs expense of $3,923 and $2,353, respectively, and a corresponding increase in fair value adjustments to investment properties of $3,923 and $2,353, respectively. This change did not result in an impact to the consolidated balance sheets. External direct leasing costs continue to be capitalized to investment properties.

Segment reporting

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other reportable segments. On January 1, 2014, management of the Trust modified its internal reporting structure to individual geographical regions. The Trust's primary format for segment reporting is based on geographical segments. The geographical segments, Western Canada, Ontario, Québec and Eastern Canada, are based on the Trust's management and internal reporting structure. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, determined to be the Chief Executive Officer of the Trust. The operating segments derive their revenue primarily from rental income from lessees. All of the Trust's business activities and operating segments are reported within the reported segments. The Trust has presented the comparative period in a manner consistent with the current presentation.

Derivative financial instruments and hedging activity

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged. The Trust has designated its interest rate swap as a hedge of the interest on the mortgage.

At the inception of the transaction, the Trust documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Trust also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive loss. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of comprehensive income.

Amounts accumulated in equity are reclassified to other comprehensive income in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time are recognized immediately in the consolidated statements of comprehensive income.

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.

Note 6

FUTURE ACCOUNTING POLICY CHANGES

The following are 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, 2017, with earlier application permitted. The Trust is currently evaluating the impact of adopting this standard 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". 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 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Presentation of financial statements

IAS 1, "Presentation of Financial Statements" ("IAS 1"), was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated balance sheets and consolidated statements of comprehensive income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the consolidated statement of comprehensive income in the form of additional subtotals as they are relevant to understanding the entity's financial position or performance. The amendments to IAS 1 are effective for periods beginning on or after January 1, 2016. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Equity accounting for investments in associates and joint ventures

IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), was amended by the IASB to allow an entity which is not an investment entity, but has interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting. The entity may choose to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture. The amendments to IAS 28 are effective for periods beginning on or after January 1, 2016. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Note 7

BUSINESS COMBINATIONS

No business combinations occurred during the year ended December 31, 2014.

On May 15, 2013, the Trust acquired 16,634,679 common shares representing approximately 95% of the outstanding common shares of C2C Industrial Properties Inc. ("C2C" and the "C2C Portfolio"). The C2C Portfolio comprises 25 properties and one parcel of land totalling 2.5 million square feet of gross leasable area located primarily in Halifax, Edmonton, the Greater Toronto Area and the Greater Montréal Area. The purchase price was satisfied with the issuance of 7,460,654 REIT Units valued at $78,785 based on the closing price of the Trust's Units on the TSX on May 15, 2013. On closing, the fair value of the net identifiable assets and liabilities amounted to $82,877.

The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values on the date of acquisition:

Investment properties	$	220,239
Deferred income tax assets		2,235
Prepaid expenses and other assets		1,630
Cash and cash equivalents		1,592
Amounts payable and accrued liabilities		(1,918)
Tenant security deposits		(1,567)
Deferred revenue		(1,053)
Assumed debt at fair value		(137,228)
Conversion feature on the convertible debentures		(1,053)
Total identifiable net assets and liabilities		82,877
Non-controlling interest		(4,092)
Fair value of consideration	$	78,785

On July 19, 2013, the Trust issued 387,399 REIT Units to purchase the remaining 5% of outstanding common shares of C2C by way of an amalgamation and as a result, the non-controlling interest of $3,809 was reduced to $nil with a corresponding increase to unitholders' equity. Refer to Note 18. In 2013, estimated acquisition related costs for the C2C Portfolio totalled $11,018. In 2014, management reviewed the allocation of the purchase price, including working capital adjustments and transaction costs. The remaining $2,023 accrual for estimated acquisition related costs that was made at the time of the acquisition was determined to be no longer required and accordingly charged to the consolidated statement of comprehensive income for the year ended December 31, 2014. This amount represents a change in estimate in legal and advisory services.

During the year ended December 31, 2013, the Trust recognized $15,363 of revenue and $4,628 of comprehensive income before fair value adjustments and acquisition related costs, related to the acquisition of the C2C Portfolio. Had the acquisition occurred on January 1, 2013, the Trust would have recognized an additional $9,218 of revenue and $2,777 of comprehensive income before fair value adjustments and acquisition related costs.

Note 8

INVESTMENT PROPERTY ACQUISITIONS

Detailed below are the investment property acquisitions completed during the years ended December 31, 2014 and December 31, 2013:

Year ended December 31, 2014	Interest acquired (%)		Purchase price[1]	Date acquired
GE Turbine	50.0	$	2,359	May 8, 2014
Dream Office Portfolio	100.0		33,684	September 9, 2014
KingSett 2014 Portfolio[2]	100.0		97,520	September 9, 2014
Total		$	133,563	

(1) Includes transaction costs and fair value adjustments on the Units issued.

(2) Portfolio acquisitions were completed on September 9, 2014 except for one property which was closed on September 11, 2014.

Year ended December 31, 2013	Interest acquired (%)		Purchase price[1]	Date acquired
CanFirst Portfolio	100.0	$	155,650	April 24, 2013
100 Lingard Road, Cambridge, ON	100.0		5,350	June 7, 2013
Total		$	161,000	

(1) Includes transaction costs.

The consideration consists of:

	Year ended December 31,			
		2014		2013
Cash paid	**$**	**69,872**	$	92,815
Issuance of LP B Units		**21,949**		-
Issuance of REIT Units		**25,583**		-
		117,404		92,815
Transaction costs		**2,352**		3,960
Assumed mortgages at fair value		**11,336**		62,009
Assumed non-cash working capital		**2,471**		2,216
Total consideration for investment properties	**$**	**133,563**	$	161,000

In relation to the acquisition of KingSett 2014 Portfolio, the Trust issued 1,620,458 REIT Units on September 9, 2014 and also issued 1,039,117 REIT Units on September 11, 2014. The Units were issued at a contractual price of $9.40 per unit. Under IFRS, the consideration was required to be fair valued using the closing Unit prices of $9.67 and $9.54 on September 9 and September 11, 2014, respectively.

In relation to the acquisition of Dream Office Portfolio, the Trust issued 2,269,759 LP B Units on September 9, 2014 to an affiliate of Dream Office REIT. The LP B Units were issued at a contractual price of $9.40 per unit. The fair value of investment properties acquired was determined using the closing REIT Unit price of $9.67 on September 9, 2014.

Note 9

INVESTMENT PROPERTIES

	Note	Year ended December 31, 2014	2013
Balance at beginning of year		**$ 1,540,791**	$ 1,147,410
Additions:			
Acquisitions from business combination		**-**	220,239
Investment property acquisitions	8	**133,563**	161,000
Building improvements		**7,650**	2,215
Lease incentives and initial direct leasing costs		**8,689**	6,497
Total additions to investment properties		**149,902**	389,951
Classified as assets held for sale	19	**(10,839)**	-
Gains and losses included in net income:			
Fair value adjustments to investment properties(1)		**2,137**	3,504
Amortization of lease incentives		**(210)**	(74)
Total gains included in net income		**1,927**	3,430
Balance at end of year		**$ 1,681,781**	$ 1,540,791

(1) Equal to change in unrealized gain included in net income for the years ended December 31, 2014 and December 31, 2013.

The Trust's investment properties exclude straight-line rent receivable of $6,363 (December 31, 2013 – $3,535), which is included in other non-current assets. Refer to Note 29 for disclosure surrounding fair value measurements over investment properties.

As at December 31, 2014, investment properties with a fair value of $1,392,914 (December 31, 2013 – $1,336,887) are pledged as first-ranking and/or second-ranking collateral for mortgages. As at December 31, 2014, investment properties with a fair value of $121,751 (December 31, 2013 – $80,692) are pledged as security for the Trust's revolving credit facility.

Note 10

OTHER NON-CURRENT ASSETS

	December 31, 2014	December 31, 2013
Deposits	**$ 122**	$ 479
Property and equipment	**94**	69
Straight-line rent receivable	**6,363**	3,535
Goodwill	**35,333**	35,333
Total	**$ 41,912**	$ 39,416

The Trust performed its annual goodwill impairment test for each segment as at December 31, 2014 in accordance with the methodology set out in IAS 36 (see Note 4). The key assumptions used included growth rate, discount and terminal rate. The discount and terminal rates used ranged from 5.20% to 6.36% depending on the geographical region.

For each segment, the Trust performed a sensitivity analysis on each of the key assumptions, assuming a 100 basis points unfavourable change for each individual assumption while holding the other assumptions constant, unless there was a consequential effect on another assumption. Based on the testing performed, the Trust concluded that no goodwill impairment exists as at December 31, 2014.

Note 11

DEFERRED INCOME TAXES

DIR Industrial Properties Inc., one of the Trust's subsidiaries, is subject to corporate income taxes. The following table reconciles the Trust's tax rate to the effective tax rate for the years ended December 31, 2014 and December 31, 2013.

	Year ended December 31, 2014	Year ended December 31, 2013
Income before income taxes	**$ 69,330**	$ 85,141
Income not subject to taxation	**(65,355)**	(90,604)
Income (loss) in subsidiary corporation	**3,975**	(5,463)
Tax calculated at the Canadian statutory tax rate of 28.9% (2013 – 27.6%)	**1,149**	(1,508)
Increase (decrease) resulting from:		
Expenses (recovery) not deductible for tax	**(604)**	3,040
Adjustment in expected future tax rates	**(15)**	(91)
Other items	**799**	(281)
Deferred income taxes	**$ 1,329**	$ 1,160

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

	December 31, 2014	December 31, 2013
Deferred tax liability related to difference in tax and book basis of investment properties	**$ (1,958)**	$ (1,325)
Deferred tax asset related to difference in tax and book basis of financial instruments	**414**	824
Deferred tax asset related to tax loss carry-forwards	**539**	517
Deferred tax asset related to difference in tax and book basis of deferred financing costs	**751**	1,059
Total deferred income tax assets (liabilities)	**$ (254)**	$ 1,075

Note 12

AMOUNTS RECEIVABLE

	December 31, 2014	December 31, 2013
Trade receivables	**$ 2,440**	$ 2,282
Less: Provision for impairment of trade receivables	**(358)**	(284)
Trade receivables, net	**2,082**	1,998
Other amounts receivable	**1,542**	2,053
Amounts receivable	**$ 3,624**	$ 4,051

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

	Year ended December 31, 2014	Year ended December 31, 2013
As at January 1	**$ 284**	$ 275
Provision for impairment of trade receivables	**244**	458
Receivables written off during the year as uncollectible	**(170)**	(449)
As at December 31	**$ 358**	$ 284

The carrying value of amounts receivable approximates fair value due to their current nature. As at December 31, 2014, trade receivables of approximately $872 (December 31, 2013 – $182) 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 term are as follows:

	December 31, 2014
2015	$ 109,212
2016 to 2019	293,365
2020 to 2027	127,757
	$ 530,334

Note 13

DEBT

	December 31, 2014	December 31, 2013
Mortgages[1]	$ **755,194**	$ 703,502
Revolving credit facility[1]	**40,609**	12,114
Convertible debentures	**125,490**	124,766
Total	**921,293**	840,382
Less: Current portion	**(143,234)**	(112,041)
Non-current debt	$ **778,059**	$ 728,341

(1) Secured by charges on specific investment properties (refer to Note 9).

Mortgage financing activities

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

	Year ended December 31, 2014		
	Amount	**Average term to maturity (years)**	**Weighted average effective interest rate (%)**
New mortgages	$ **154,800**	**6.5**	**3.65**
Mortgages assumed on investment properties acquisitions	**11,128**	**2.3**	**3.13**
Overall	$ **165,928**	**6.2**	**3.62**

	Year ended December 31, 2013		
	Amount	Average term to maturity (years)	Weighted average effective interest rate (%)
New mortgages	$ 113,106	8.0	4.00
Mortgages assumed on investment properties acquisition and business combination	175,425	3.8	3.30
Overall	$ 288,531	5.4	3.57

Convertible debentures

	Carrying value	
	December 31, 2014	December 31, 2013
5.25% Debentures	**$ 105,093**	$ 104,065
6.75% Debentures	**20,397**	20,701
Total	**$ 125,490**	$ 124,766

	Date issued	Maturity date	Original principal issued	Interest rate	Outstanding principal amount December 31, 2014	December 31, 2013
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**	19,420
			$ 131,375		**$ 130,670**	$ 130,670

The outstanding principal for the 5.25% Debentures was issued in two tranches: $86,250 on December 13, 2012 and $25,000 on December 19, 2012, both maturing on December 31, 2019. 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 may be redeemed 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. Transaction costs associated with the 5.25% Debentures amounted to $3,798 and the carrying value of the 5.25% Debentures is recorded net of these costs.

The outstanding principal for the 6.75% Debentures was assumed as part of the acquisition of the C2C Portfolio. The 6.75% Debentures are convertible at any time by the holder into REIT Units at a conversion price of $12.37 per unit. On or after November 30, 2015, but prior to November 30, 2017, the 6.75% Debentures may be redeemed 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 the notice of redemption is given is not less than 125% of the conversion price. Interest on the 6.75% Debentures is payable at a rate of 6.75% semi-annually on May 31 and November 30. During the year ended December 31, 2013, certain holders of the 6.75% Debentures tendered $705 of the original principal outstanding in connection with an offer to purchase that expired on June 26, 2013.

Revolving credit facility

On October 4, 2012, the Trust entered into a $35,000 revolving credit facility with a Canadian chartered bank. Draws under the revolving credit facility are in the form of one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 1.90% or at the bank's prime rate plus 0.90% at the Trust's option. On December 19, 2012, the Trust increased the available capacity under the revolving credit facility to $50,000, to coincide with the acquisition of the KingSett Portfolio; all other terms under the revolving credit facility remained the same.

On June 25, 2014, the Trust entered into an amendment agreement to extend the maturity date of the credit facility to June 2016 from October 2014, reducing the interest rate by 15 basis points and increasing the available capacity to $75,000 from $50,000. The following table summarizes details of the Trust's revolving credit facility as at December 31:

December 31, 2014		Borrowing capacity		Letter of credit issued[1]		Principal amount outstanding[2]		Available to be drawn[3]	Interest rate[4]	Maturity date
Revolving credit facility[5]	**$**	**75,000**	**$**	**500**	**$**	**40,928**	**$**	**33,572**	**3.42%**	**June 30, 2016**

(1) Letter of credit fee reduced by 5 basis points to 1.15%.

(2) Excludes financing costs.

(3) Formula-based amount available to be drawn as at December 31, 2014.

(4) Calculated using bankers' acceptance ("BA") rate plus 1.75% or the bank's prime rate plus 0.75%.

(5) Nineteen properties are secured as first-ranking mortgages on the facility.

In January 2015, the Trust obtained a financing commitment for a $33 million mortgage on a portfolio of four properties with a term to maturity of seven years at a face rate of 2.63% to refinance an existing $10.1 million mortgage on a portfolio of three properties at a face rate of 4.69%. The Trust completed the disposition of four properties classified as assets held for sale for gross proceeds of $10.9 million. The net proceeds will be used to pay down the revolving credit facility.

December 31, 2013		Borrowing capacity		Letter of credit issued		Principal amount outstanding[1]		Available to be drawn[2]	Interest rate[3]	Maturity date
Revolving credit facility[4]	$	49,230	$	500	$	12,114	$	36,616	3.90%	October 4, 2014

(1) Excludes financing costs.

(2) Formula-based amount that was available to be drawn as at December 31, 2013.

(3) Calculated using bankers' acceptance ("BA") rate plus 1.90% or the bank's prime rate plus 0.90%.

(4) Fifteen properties were secured as first-ranking mortgages on the facility.

The following table summarizes the weighted average effective interest rates and maturity for the debts as at December 31, 2014:

	Weighted average effective interest rates[1]			Debt amount			
	December 31, 2014	December 31, 2013	Maturity dates		**December 31, 2014**		December 31, 2013
Fixed rate							
Mortgages[2]	**3.50%**	3.40%	2015–2024	**$**	**755,194**	$	703,502
Convertible debentures	**6.12%**	6.12%	2017–2019		**125,490**		124,766
Total fixed rate debt	**3.87%**	3.84%			**880,684**		828,268
Variable rate							
Revolving credit facility	**3.42%**	3.90%	2016		**40,609**		12,114
Total variable rate debt	**3.42%**	3.90%			**40,609**		12,114
Total debt	**3.85%**	3.84%		**$**	**921,293**	$	840,382

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

(2) On February 24, 2014, the Trust entered into a five-year interest rate swap agreement to fix the interest rate of a mortgage on a portfolio of eight of its properties located in Halifax. The swap agreement fixed the interest rate on this mortgage at 3.31% for the five-year term.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Revolving credit facility	Convertible debentures	Total
2015	$ 142,002	$ -	$ -	$ 142,002
2016	111,999	40,928	-	152,927
2017	105,180	-	19,420	124,600
2018	92,389	-	-	92,389
2019	61,607	-	111,250	172,857
2020 and thereafter	236,403	-	-	236,403
	749,580	40,928	130,670	921,178
Financing costs	(2,146)	(319)	(2,850)	(5,315)
Fair value adjustments on initial recognition of assumed debt	7,760	-	(2,330)	5,430
	5,614	(319)	(5,180)	115
Total	$ 755,194	$ 40,609	$ 125,490	$ 921,293

Other financial instruments

The following table lists the fair value of financial instruments:

	December 31, 2014	December 31, 2013
Fair value of interest rate swap	**$ 522**	$ -
Conversion feature on the convertible debentures	**3**	973
Other financial instruments – liability	**$ 525**	$ 973

Interest rate swap

On February 24, 2014, the Trust completed the refinancing of maturing mortgages on a portfolio of eight of its properties located in Halifax at a variable interest rate of monthly Canadian Dealer Offered Rate ("CDOR") plus 1.4% for an initial term of five years. In order to hedge the interest rate risk on the variable interest rate, the Trust also 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 on this mortgage at 3.31% for the five-year term. The Trust has applied hedge accounting to this relationship, whereby the change in fair value of the effective portion of the hedging derivative is recognized in accumulated other comprehensive loss in the consolidated statement of changes in equity. Settlement of both the fixed and variable portions of the interest rate swap occurs on a monthly basis.

The following table summarizes the details of the interest rate swap that is outstanding at December 31, 2014:

Transaction date	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument classification	Fair value
February 24, 2014	$ 54,133	3.31%	March 1, 2019	Cash flow hedge	$ 522

The Trust has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. The effectiveness of the hedging relationship is reviewed on a quarterly basis. As an effective hedge, unrealized gains or losses on the interest rate swap agreement are recognized in accumulated other comprehensive loss in the consolidated statement of changes in equity. At December 31, 2014, the aggregate fair value of the interest rate swap amounted to a $522 financial liability (December 31, 2013 – $nil). 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.

Conversion feature on the convertible debentures

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

	Note		**December 31, 2014**		December 31, 2013
Opening balance		**$**	**973**	$	6,228
Assumed from business combination			**-**		1,053
Fair value adjustment on conversion feature of the convertible debentures	21		**(970)**		(6,308)
Ending balance		**$**	**3**	$	973

Remeasurement of the conversion feature is included in the fair value adjustments to financial instruments line in the consolidated statements of net income and comprehensive income. All gains and losses recorded in Note 21 are changes in unrealized gains and losses relating to the items on the consolidated balance sheets.

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, 2014			Year ended December 31, 2013		
	Note	**Number of units issued and outstanding**		**Amount**	Number of units issued and outstanding		Amount
Opening balance		**16,282,096**	**$**	**144,096**	16,198,747	$	181,426
New issuance of units		**2,269,759**		**21,949**	-		-
Distribution Reinvestment Plan		**-**		**-**	83,349		938
Remeasurement of carrying value	21	**-**		**(9,839)**	-		(38,268)
Ending balance		**18,551,855**	**$**	**156,206**	16,282,096	$	144,096

In relation to the acquisition of four properties from an affiliate of Dream Office REIT ("Dream Office Portfolio"), on September 9, 2014, the Trust issued 2,269,759 LP B Units to an affiliate of Dream Office REIT for a total fair value of $21,949.

During the year ended December 31, 2014, the Trust recorded $11,926 (December 31, 2013 – $11,295) in distributions on the subsidiary redeemable units, which are included as interest expense in the consolidated statements of net income and comprehensive income (see Note 20).

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, 2014, all issued and outstanding LP Class A Units are owned directly by Dream Industrial and have been eliminated in the consolidated balance sheet.

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, 2014, 18,551,855 (December 31, 2013 – 16,282,096) Special Trust Units were issued and outstanding.

Note 15

DEFERRED UNIT INCENTIVE PLAN

The Deferred Unit Incentive Plan ("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, 2014, up to a maximum of 1,500,000 (December 31, 2013 – 1,500,000) deferred trust units were issuable under the DUIP.

The movement in the DUIP balance was as follows:

	Note		
As at January 1, 2013		$	51
Compensation expense during the year			1,243
REIT Units issued for vested deferred trust units			(254)
Remeasurement of carrying value	21		(12)
As at December 31, 2013		$	1,028
Compensation expense during the year			1,264
REIT Units issued for vested deferred trust units			(237)
Remeasurement of carrying value	21		105
As at December 31, 2014		$	2,160

During the year ended December 31, 2014, $1,264 of compensation expense was recorded (December 31, 2013 – $1,243) and included in general and administrative expenses. For the same period, $105 (December 31, 2013 – ($12)) was recognized in fair value adjustments to financial instruments representing the remeasurement of the DUIP liability for the year.

	Deferred trust units	Income deferred trust units	Total units
Outstanding at January 1, 2013	40,418	402	40,820
Granted during the year	212,601	14,549	227,150
REIT Units issued	(24,044)	(518)	(24,562)
Cancelled upon termination	(5,432)	(116)	(5,548)
Fractional units paid in cash	-	(4)	(4)
Outstanding and payable at December 31, 2013	223,543	14,313	237,856
Granted during the year	192,111	28,184	220,295
REIT Units issued	(24,234)	(2,270)	(26,504)
Cancelled upon termination	(668)	(70)	(738)
Fractional units paid in cash	-	(15)	(15)
Outstanding and payable at December 31, 2014	390,752	40,142	430,894
Vested but not issued at December 31, 2014	30,966	2,652	33,618

On February 25, 2014, 115,300 deferred trust units were granted to senior managers and employees of the Trust. Of the units granted, 27,500 units relate to key management personnel. The grant date value of these deferred trust units was $9.12 per unit granted.

On May 5, 2014, 76,811 deferred trust units were granted to trustees. Of the units granted, 30,811 units were granted to trustees who elected to receive their 2014 retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $9.25 per unit granted.

During the year ended December 31, 2014, the Trust cancelled 738 deferred trust units and income deferred trust units in relation to the departure of an employee of the Trust.

On February 19, 2013, 161,500 deferred trust units were granted to trustees and senior managers of the Trust. Of the units granted, 25,000 units relate to key management personnel. The grant date value of these deferred trust units was $11.11 per unit granted.

On February 22, 2013, 12,540 deferred trust units were granted to trustees who elected to receive their 2012 retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $11.09 per unit granted.

On May 7, 2013, 38,561 deferred trust units were granted to trustees who elected to receive their 2013 retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $10.73 per unit granted.

During the year ended December 31, 2013, the Trust issued 20,400 REIT Units and cancelled 5,548 deferred trust units and income deferred trust units in relation to the departure of certain officers of the Trust.

Note 16

OTHER NON-CURRENT LIABILITIES

	Note		**December 31, 2014**		December 31, 2013
Tenant security deposits		**$**	**10,766**	$	9,357
Other financial instruments liabilities	13		**525**		973
Total		**$**	**11,291**	$	10,330

Note 17

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2014		December 31, 2013
Trade payables	**$**	**3,083**	$	5,274
Accrued liabilities and other payables		**10,548**		10,009
Accrued interest		**3,655**		3,345
Rent received in advance		**2,184**		1,321
Distributions payable		**3,385**		3,204
Total	**$**	**22,855**	$	23,153

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

		2014		2013
Paid in cash	**$**	**35,261**	$	30,931
Paid by way of reinvestment in REIT Units		**3,921**		2,944
Less: Payable at December 31, 2013 (December 31, 2012)		**(3,204)**		(2,039)
Plus: Payable at December 31, 2014 (December 31, 2013)		**3,385**		3,204
Total	**$**	**39,363**	$	35,040

On December 17, 2014, the Trust announced a cash distribution of $0.05833 per REIT Unit for the month of December 2014. The December 2014 distribution was paid on January 15, 2015 to unitholders on record as at December 31, 2014.

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, 2014 ($0.69372 for the year ended December 31, 2013).

Note 18

EQUITY

	December 31, 2014			December 31, 2013		
	Number of Units		**Amount**	Number of Units		Amount
REIT Units	**58,035,125**	**$**	**576,399**	54,921,726	$	546,680
Retained earnings	**-**		**52,774**	-		24,136
Accumulated other comprehensive loss	**-**		**(522)**	-		-
Total	**58,035,125**	**$**	**628,651**	54,921,726	$	570,816

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 only be issued 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 of REIT Units

In relation to the acquisition of the KingSett 2014 Portfolio, the Trust issued 1,620,458 REIT Units on September 9, 2014 and also issued 1,039,117 REIT Units on September 11, 2014 for a total fair value of $25,583.

On March 6, 2013, the Trust completed a public offering of 10,465,000 REIT Units, at a price of $11.00 per unit for gross proceeds of $115,115, including 1,365,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters. Costs related to the offering totalled $5,105 and were charged directly to unitholders' equity.

Pursuant to the acquisition of C2C on May 15, 2013, the Trust issued 7,460,654 REIT Units to purchase approximately 95% of the outstanding common shares of C2C. On July 19, 2013, the Trust issued 387,399 REIT Units to purchase the remaining 5% of outstanding common shares of C2C by way of an amalgamation.

Issue costs for the year ended December 31, 2013 include $413 incurred for the acquisition of the non-controlling interest of C2C on July 19, 2013. In relation to the C2C amalgamation, on July 19, 2013, the Trust recorded $191 for the difference between the fair value of the consideration paid and the carrying amount of non-controlling interest as a reduction to issue costs. The Units were issued at $9.34 per unit resulting in a fair value of $3,618.

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, 2014, 424,798 (December 31, 2013 – 323,789) REIT Units were issued under the DRIP and $3,921 (December 31, 2013 – $2,944) was recorded as distributions in the consolidated statements of changes in equity.

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 commission, 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, 2014, 2,522 (December 31, 2013 – 2,784) REIT Units were issued under the Unit Purchase Plan for proceeds of $23 (December 31, 2013 – $26).

Normal course issuer bid

On December 15, 2014, the Toronto Stock Exchange accepted the Trust's Notice of Intention to make a normal course issuer bid, which commenced on December 17, 2014 and will remain in effect until the earlier of December 16, 2015 or the date on which the Trust has purchased the maximum number of REIT Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 5,688,097 REIT Units (representing 10% of the REIT's public float of 56,880,965 REIT Units as at December 1, 2014). As at December 31, 2014, no purchases had been made.

Short form base shelf prospectus

On November 26, 2012, the Trust issued a 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 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. The short form base shelf prospectus expired on December 26, 2014 and was not subsequently renewed.

As at December 31, 2014, $168,842 (December 31, 2013 – $168,842) in REIT Units and $111,250 (December 31, 2013 – $111,250) in debt securities have been issued under the short form base shelf prospectus.

Note 19

ASSETS HELD FOR SALE

The Trust entered into agreements to sell four properties located in Calgary, Alberta for $10.9 million. The transactions closed in February 2015.

	December 31, 2014	December 31, 2013
Investment properties	**$ 10,839**	$ -
Assets held for sale	**$ 10,839**	$ -

Note 20

INTEREST

Interest on debt

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

	Year ended December 31,	
	2014	2013
Interest expense incurred, at contractual rate	**$ 35,585**	$ 32,546
Amortization of financing costs	**1,116**	852
Amortization of fair value adjustments on initial recognition of assumed debt	**(3,075)**	(3,298)
Interest expense	**33,626**	30,100
Add/deduct:		
Amortization of financing costs	**(1,116)**	(852)
Amortization of fair value adjustments on initial recognition of assumed debt	**3,075**	3,298
Change in accrued interest	**(181)**	(228)
Cash interest paid	**$ 35,404**	$ 32,318

Certain debt assumed in connection with acquisitions has 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 a change in non-cash working capital 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,	
	2014	2013
Paid in cash	**$ 11,794**	$ 10,345
Paid by way of reinvestment in subsidiary redeemable units	**-**	938
Less: Interest payable at December 31, 2013 (December 31, 2012)	**(950)**	(938)
Plus: Interest payable at December 31, 2014 (December 31, 2013)	**1,082**	950
Total	**$ 11,926**	$ 11,295

The interest payable at December 31, 2014 was satisfied on January 15, 2015, in cash.

Note 21

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

		Year ended December 31,	
	Note	**2014**	2013
Fair value adjustment on conversion feature of the convertible debentures	13	**$ 970**	$ 6,308
Remeasurement of carrying value of subsidiary redeemable units	14	**9,839**	38,268
Remeasurement of carrying value of Deferred Unit Incentive Plan	15	**(105)**	12
		$ 10,704	$ 44,588

Note 22

GAINS (COSTS) ON TRANSACTIONS AND OTHER ACTIVITIES

		Year ended December 31,	
	Note	**2014**	2013
Debt settlement (costs) gains		**$ (59)**	$ 36
Investment in business transformation	24	**(413)**	-
Internal leasing costs		**(3,923)**	(2,353)
Acquisition recovery (costs)		**1,988**	(11,018)
Total		**$ (2,407)**	$ (13,335)

During the year ended December 31, 2014, the Trust incurred $413 of business transformation costs related to the process and technology improvements pursuant to the Shared Services and Cost Sharing Agreement with DREAM Asset Management Corp.

Note 23

SEGMENTED INFORMATION

For the years ended December 31, 2014 and December 31, 2013, the Trust's investment properties were segmented into geographic components, namely Western Canada, Ontario, Québec and Eastern Canada. The Trust did not allocate interest expense to these segments since leverage 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, gains (costs) on transactional and other activities, and income taxes were not allocated to the segment expenses.

Year ended December 31, 2014	Western	Ontario	Québec	Eastern	Segment total	Other[1]	Total
Operations							
Investment properties revenue	**$ 59,082**	**$ 44,527**	**$ 27,584**	**$ 32,018**	**$ 163,211**	**$ 3,038**	**$ 166,249**
Investment properties operating expenses	**(18,799)**	**(14,564)**	**(7,077)**	**(12,801)**	**(53,241)**	**(244)**	**(53,485)**
Net rental income	**$ 40,283**	**$ 29,963**	**$ 20,507**	**$ 19,217**	**$ 109,970**	**$ 2,794**	**$ 112,764**

(1) Includes revenue and expense items such as lease termination income, one-time items, straight-line rent, bad debt expenses, and amortization of tenant inducements which are included in the net rental income but not monitored at a regional level.

Year ended December 31, 2013	Western	Ontario	Québec	Eastern	Segment total	Other[1]	Total
Operations							
Investment properties revenue	$ 52,921	$ 33,500	$ 25,231	$ 28,072	$ 139,724	$ 3,220	$ 142,944
Investment properties operating expenses	(17,281)	(10,233)	(5,595)	(10,697)	(43,806)	(211)	(44,017)
Net rental income	$ 35,640	$ 23,267	$ 19,636	$ 17,375	$ 95,918	$ 3,009	$ 98,927

(1) Includes revenue and expense items such as lease termination income, one-time items, straight-line rent, bad debt expenses, and amortization of tenant inducements which are included in the net rental income but not monitored at a regional level.

Certain revenues and expenses are not specifically allocated to segments. The following table reconciles net rental income to net income in the consolidated financial statements:

	Year ended December 31,	
	2014	2013
Net rental income	**$ 112,764**	$ 98,927
Other revenue	**17**	244
Other expenses	**(53,885)**	(48,787)
Other items	**10,434**	34,757
Income before taxes	**69,330**	85,141
Deferred income taxes	**(1,329)**	(1,160)
Net income for the year	**$ 68,001**	$ 83,981

Investment properties

Year ended December 31, 2014	Western	Ontario	Québec	Eastern	Total
Investment properties	**$ 647,117**	**$ 448,406**	**$ 314,420**	**$ 271,838**	**$ 1,681,781**
Total capital expenditures and leasing costs	**$ 7,958**	**$ 3,863**	**$ 1,497**	**$ 3,021**	**$ 16,339**

Year ended December 31, 2013	Western	Ontario	Québec	Eastern	Total
Investment properties	$ 561,442	$ 425,930	$ 280,968	$ 272,451	$ 1,540,791
Total capital expenditures and leasing costs	$ 5,036	$ 1,425	$ 301	$ 1,950	$ 8,712

Note 24

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dream Industrial and its subsidiaries enter into transactions with related parties. Dream Industrial, DILP, 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") that is in effect until October 4, 2015. Unless terminated by any party to the Services Agreement, the term is automatically renewed for additional one-year terms. Effective October 4, 2012, 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.

Asset Management Agreement

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. No acquisition fee was payable to DAM from the Trust in respect of the acquisition of the Dream Office Portfolio;
- financing fee equal to the lesser of 0.25% of the amount of debt and equity relating to all financing transactions completed and actual expenses incurred by DAM in supplying services relating to financing transactions.

In addition, Dream Industrial will reimburse DAM for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the Asset Management Agreement or such other services that Dream Industrial and DAM agree in writing are to be provided from time to time by DAM.

Shared Services and Cost Sharing Agreement

The existing Asset Management Agreement provides the Trust and DAM, from time to time, the opportunity to agree on additional services to be provided to the Trust for which DAM is to be reimbursed for its costs. To formalize and expand this arrangement, the Trust entered into a Shared Services and Cost Sharing Agreement with DAM on December 1, 2013. The agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the agreement is terminated in accordance with its terms or by mutual agreement of the parties. Pursuant to the agreement, DAM will be providing additional administrative and support services in order to expand and improve DAM's service capability in connection with the provision of its asset management services. DAM will receive an annual fee sufficient to reimburse it for all the expenses incurred in providing these additional administrative and support services. Additionally, the Trust will also reimburse DAM in each calendar year for its share of costs incurred in connection with certain business transformation services provided by DAM.

The Trust's future commitment for business transformation costs under the Shared Services and Cost Sharing Agreement over the next six years is $2,120. These costs relate to process and technology improvements that will be completed during that time.

Other related party activity

On September 9, 2014, the Trust completed the acquisition of the Dream Office Portfolio from an affiliate of Dream Office REIT for a purchase price of $33,684, including transaction costs and fair value adjustments to Units. The Dream Office Portfolio consists of 248,000 square feet of four multi-tenant flex industrial properties located in Edmonton. The purchase price was funded by the issuance of 2,269,759 LP B Units to an affiliate of Dream Office REIT for a total fair value of $21,949, with the remainder funded by the assumption of existing mortgages with a fair value of $11,336 at an effective interest rate of 3.13% and an average term to maturity of 2.3 years, and assumed non-cash working capital and estimated transaction costs of $399.

Related party transactions

The portions of fees and cost reimbursements paid and payable to related parties were as follows:

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Fees charged by DAM included in:			
General and administrative expenses		**$ 4,227**	$ 3,889
Property acquisitions and acquisition related costs		**970**	2,005
Financing costs		**302**	407
Investment in business transformation activities	22	**413**	-
Total fees charged by DAM		**$ 5,912**	$ 6,301
Amounts paid and payable to Dream Office REIT:			
Costs reimbursed under the Services Agreement		**$ 6,000**	$ 5,130
Distributions paid to Dream Office REIT on subsidiary redeemable units		**11,926**	11,295
Amounts paid and payable to Dream Office REIT		**$ 17,926**	$ 16,425

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

	Note	**December 31, 2014**	December 31, 2013
Amounts payable and accrued liabilities to DAM for:			
Asset Management Agreement		**$ (730)**	$ (688)
Investment in business transformation activities	22	**(113)**	-
Cost reimbursements		**(127)**	(389)
Total payable to DAM		**$ (970)**	$ (1,077)
Amounts receivable from DAM for:			
Reimbursement of costs paid by the Trust		**26**	54
Total receivable from DAM		**$ 26**	$ 54
Amounts payable and accrued liabilities to Dream Office REIT for:			
Services Agreement		**$ (769)**	$ (888)
Cost reimbursements		**(39)**	(29)
Distributions on subsidiary redeemable units		**(1,082)**	(950)
Total payable to Dream Office REIT		**$ (1,890)**	$ (1,867)
Amounts receivable from Dream Office REIT for:			
Deposits Dream Office REIT received on behalf of the Trust		**35**	75
Total receivable from Dream Office REIT		**$ 35**	$ 75

At December 31, 2014, Dream Office REIT's retained interest in the Trust was 24.2%.

Compensation of key management personnel for the years ended December 31 is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Unit-based awards granted during the year[(1)]	**$ 251**	$ 278
Total	**$ 251**	$ 278

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

Note 25

SUPPLEMENTARY CASH FLOW INFORMATION

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

	Note	Year ended December 31, 2014	2013
Amortization of lease incentives	9	**$ 210**	$ 74
Amortization of financing costs	20	**1,116**	852
Depreciation of property and equipment		**44**	46
Amortization of fair value adjustments on initial recognition of assumed debt	20	**(3,075)**	(3,298)
Total		**$ (1,705)**	$ (2,326)

The components of other adjustments under operating activities include:

	Note	Year ended December 31, 2014	2013
Deferred unit compensation expense	15	**$ 1,264**	$ 1,243
Straight-line rent adjustment		**(2,828)**	(3,135)
Fair value adjustments to investment properties	9	**(2,137)**	(3,504)
Fair value adjustments to financial instruments	21	**(10,704)**	(44,588)
Reinvestment in subsidiary redeemable units	14, 20	**-**	938
Deferred income taxes	11	**1,329**	1,160
Transaction costs (gains) included in net income		**(2,023)**	10,982
Other adjustments to operating activities		**$ (15,099)**	$ (36,904)

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

	Year ended December 31, 2014	2013
Decrease (increase) in amounts receivable	**$ 427**	$ (1,530)
Decrease in prepaid expenses and other assets	**238**	793
Decrease (increase) in other non-current assets	**357**	(479)
(Decrease) increase in amounts payable and accrued liabilities	**(923)**	1,869
Increase in tenant security deposits	**172**	469
Change in non-cash working capital	**$ 271**	$ 1,122

The following amounts were paid on account of interest:

	Note	Year ended December 31, 2014	2013
Interest:			
Debt	20	**$ 35,404**	$ 32,318
Subsidiary redeemable units	20	**11,794**	10,345
Total		**$ 47,198**	$ 42,663

Note 26

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 $3,395 (December 31, 2013 – $3,350).

Pursuant to the Shared Services and Cost Sharing Agreement, the Trust has a commitment to pay $2,120 to DAM over the next six years.

Note 27

CAPITAL MANAGEMENT

The primary objectives of the Trust's capital management are to ensure that its operations are adequately funded in a cost efficient manner and it remains 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 percent 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. For the year ended December 31, 2014, the Trust's interest coverage ratio was 3.1 times (December 31, 2013 – 3.1 times), reflecting its ability to cover interest expense requirements.

	Note	Year ended December 31, 2014	2013
Investment properties revenue		**$ 166,249**	$ 142,944
Investment properties operating expenses		**(53,485)**	(44,017)
Net rental income		**112,764**	98,927
Add (deduct):			
Interest and fee income		**17**	244
General and administrative expenses		**(8,289)**	(7,346)
		$ 104,492	$ 91,825
Interest expense – Debt	20	**$ 33,626**	$ 30,100
Interest coverage ratio		**3.1 times**	3.1 times

Note 28

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 risk.

Market risk is the risk that 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 due to the expected requirement to refinance such debts in the year of maturity. The Trust is exposed to the variability in market interest rates on maturing debt to be renewed. In addition, variable rate debt as at December 31, 2014 was 4.4% of the Trust's total debt.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities and fixed rate debt due to mature in 2015. 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]	$ 78	$ (1)	$ (1)	$ 1	$ 1
Financial liabilities					
Variable rate debt and fixed rate debt due to mature in a year	$ 119,779	$ 1,198	$ 1,198	$ (1,198)	$ (1,198)

(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 not exposed to currency risk or other price risk. Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks 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 that the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. As at December 31, 2014, the current liabilities exceeds current assets by $157,911. 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 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. Debt obligations that are due in one year amount to $119,779, which the Trust typically refinances with mortgages of terms between five and ten years. The Trust's unencumbered assets pool as at December 31, 2014 is $166,094.

Derivative and hedging activity

The Trust uses interest rate swaps to manage its cash flow risk associated in interest rate on variable rate debt. As at December 31, 2014, the Trust has the following interest rate swap outstanding (December 31, 2013 – $nil):

Hedging item	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Fair value	Hedged item
Interest rate swap	$ 54,133	3.31%	March 1, 2019	$ 522	Interest payments on forecasted issuance of bankers' acceptance

Note 29

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 sheet 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	**Fair value as at December 31, 2014**		
	December 31, 2014	**Level 1**	**Level 2**	**Level 3**
Recurring measurements				
Non-financial assets				
Investment properties	**$ 1,681,781**	**$ -**	**$ -**	**$ 1,681,781**
Financial liabilities				
Conversion feature on the convertible debentures	**3**	**-**	**-**	**3**
Fair value of interest rate swap	**522**	**-**	**-**	**522**

	Carrying value as at	Fair value as at December 31, 2013		
	December 31, 2013	Level 1	Level 2	Level 3
Recurring measurements				
Non-financial assets				
Investment properties	$ 1,540,791	$ -	$ -	$ 1,540,791
Financial liabilities				
Conversion feature on the convertible debentures	973	-	-	973

The following table summarizes the fair value of financial instruments carried at amortized cost:

	Carrying value as at December 31, 2014	**Fair value as at December 31, 2014**		
		Level 1	**Level 2**	**Level 3**
Fair values disclosed				
Mortgages	**$ 755,194**	**$ -**	**$ -**	**$ 770,305**
Revolving credit facility	**40,609**	**-**	**-**	**40,928**
Convertible debentures	**125,490**	**-**	**-**	**133,113**

	Carrying value as at December 31, 2013	Fair value as at December 31, 2013		
		Level 1	Level 2	Level 3
Fair values disclosed				
Mortgages	$ 703,502	$ -	$ -	$ 698,912
Revolving credit facility	12,114	-	-	12,114
Convertible debentures	124,766	-	-	130,200

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

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 hold 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, 2014		December 31, 2013	
	Range (%)	**Weighted average**	Range (%)	Weighted average
Stabilized NOI	**n/a**	**$ 115,385**	n/a	$ 104,716
Cap rate	**6.00–8.25**	**6.71%**	6.00–8.75	6.73%
Discount rate	**7.00–9.00**	**7.66%**	6.75–9.50	7.68%
Terminal rate	**6.25–8.50**	**6.97%**	6.25–9.00	6.97%
Cash flows	**n/a**	**$ 113,544**	n/a	$ 103,332

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 methods, 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 $29,886 (December 31, 2013 – $40,426). If the cap rate were to decrease by 25 bps, the value of investment properties would increase by $98,323 (December 31, 2013 – $75,758).

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 at a minimum of once every three years. 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, 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, 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 $420,723 for the year ended December 31, 2014 (for the year ended December 31, 2013 – $623,317) 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 liability through profit and loss.

The fair value of the conversion feature, categorized in Level 3, is calculated based on the paper by K. Tsiveriotis and C. Fernandes. In this model, a convertible bond consists of two components, an equity component and a debt component, and these components have different default risks.

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 consultant calculates the fair value measurement for the financial liability classified as Level 3. The valuation processes and results are determined and reviewed by senior management. The inputs and processes used in the valuation and the results thereof are reviewed by senior management and discussed with the qualified independent valuation consultant to ensure conformity with IFRS.

The significant unobservable 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 S&P/TSX Capped REIT 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, 2014		December 31, 2013	
	Credit spread	**Volatility**	Credit spread	Volatility
5.25% Debentures	**3.176%**	**11.294%**	2.952%	19.110%
6.75% Debentures	**3.741%**	**9.981%**	4.148%	11.971%

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, 2014	**$ 141**	**$ (3)**	**$ 16**	**$ (1,844)**
Increase/(decrease) in fair value as at December 31, 2013	$ 1,550	$ (790)	$ 234	$ (1,581)

Interest rate swap

The fair value measurement of the interest rate swap was valued by a qualified independent valuation professional 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, 2014 has been calculated by discounting the expected cash flows of each debt using a weighted average discount rate of 2.83% (December 31, 2013 – 3.35%). 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, 2014 and December 31, 2013 is based on the convertible debentures' trading price on or about December 31, 2014 and December 31, 2013, respectively.

Revolving credit facility

The fair value of the revolving credit facility as at December 31, 2014 and December 31, 2013 approximates their carrying value due to their short-term nature.

Note 30

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2014 consolidated financial statements.

Note 31

SUBSEQUENT EVENTS

In January 2015, the Trust obtained a financing commitment for a $33 million mortgage on a portfolio of four properties (recorded at $56.8 million as at December 31, 2014) with a term to maturity of seven years at a face rate of 2.63%, to refinance an existing $10.1 million mortgage on a portfolio of three properties (recorded at $27.2 million as at December 31, 2014) at a face rate of 4.69%.

In February 2015, the Trust completed the sale of the four properties classified as assets held for sale for gross proceeds of $10.9 million and repaid a $3.3 million mortgage secured by one of these properties.

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Trustees

Michael J. Cooper[2]
Toronto, Ontario
Chair, Executive Committee
Dream Industrial REIT

Peter A. Crossgrove[1, 3]
Toronto, Ontario
Executive Chairman
Excellon Resources Inc.

Robert G. Goodall
Mississauga, Ontario
President
Canadian Mortgage Capital Corporation

Johann Koss[1]
Toronto, Ontario
Chief Executive Officer
Right to Play

Ben Mulroney
Toronto, Ontario
Television Anchor and Producer

Leerom Segal[3]
Toronto, Ontario
President and Chief Executive Officer
Klick Health

Vincenza Sera[2, 3, 4]
Toronto, Ontario
Corporate Director

Sheldon Wiseman[1]
Toronto, Ontario
Chief Executive Officer
Gistex Inc.

1 Member of the Audit Committee
2 Member of the Executive Committee
3 Member of the Governance, Compensation and Environmental Committee
4 Chair of the Board of Trustees

Corporate Information

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(for change of address, registration or other unitholder enquiries)

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Phone: (416) 365-3538
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E-mail: industrialinfo@dream.ca
Website: www.dreamindustrialreit.ca

TAXATION OF DISTRIBUTIONS

Distributions paid to unitholders in respect of the tax year ended December 31, 2014 are taxed as follows:
Return of capital: 77.4%
Other income: 22.6%

STOCK EXCHANGE LISTING

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

ANNUAL MEETING OF UNITHOLDERS

Tuesday, May 5, 2015 at 4:00 pm (EST)
Corporate office of Dream Industrial REIT
30 Adelaide Street East, Suite 300
Toronto, Ontario, Canada

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 Dundee 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 enrol, contact:

Computershare Trust Company of Canada
100 University Avenue, 9th 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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