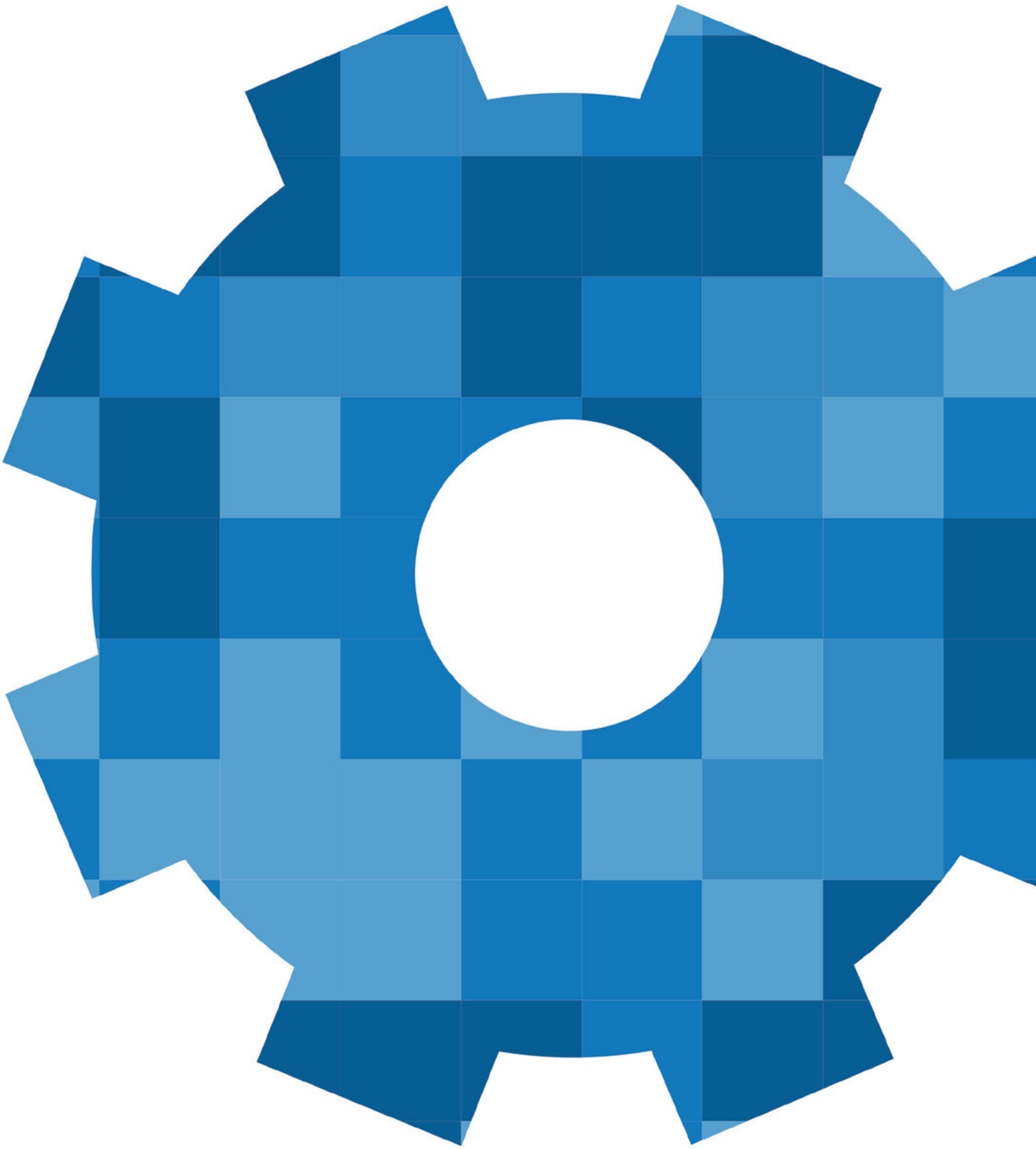
dream industrial REIT

2016 Annual Report



Dream Industrial REIT is an owner and operator of 16 million square feet of geographically diversified light industrial properties in key markets across Canada, with an objective to build upon and grow its portfolio and to provide stable and sustainable cash distributions to its unitholders.

Letter to Unitholders

2016 was a challenging year, however, we are beginning to see positive momentum and we believe that our continued focus on leasing, together with a resilient portfolio will result in improved performance in 2017.

Brent Chapman
President and Chief Executive Officer

Amid a volatile economic environment, the overall Canadian Industrial market had a stable year with strong demand and decrease in availability to a two-year low of 5.3% according to CBRE. Vancouver and Greater Toronto Area industrial markets recorded historical low availability rates that offset the erosion of Calgary, Edmonton and Halifax availability rates that increased to 9.8%, 9.0% and 11.6%, respectively.

In the fourth quarter of 2016, Dream Industrial REIT delivered stable operational and financial results. Amid the challenges in Alberta and Halifax, our comparative properties net operating income increased by 0.5% over 2015 on the strength of our Ontario and Québec portfolios.

Total occupancy in our portfolio was 95.2%, which included 140 basis points of lease commitments for space that will largely be occupied in the next two quarters. The challenging leasing environment in Western Canada impacted our comparative properties occupancy, bringing it to 96.1% at year-end, compared to 97.8% in the prior year. Our Ontario comparative properties occupancy decreased by 30 basis points over the prior year to 96.5%, and in Québec our comparative properties portfolio recorded positive absorption with occupancy increasing to 96.3% from 94.6% in 2015. In Eastern Canada, the erosion in the overall market conditions impacted our portfolio, closing the year with comparative properties occupancy at 89.8% versus 90.6% in 2015.

Diluted adjusted funds from operations ("AFFO") per Unit for the full year was 79.0 cents per Unit compared to 82.3 cents per Unit in 2015. Our results were impacted by softer market conditions particularly in Alberta and Eastern Canada. Higher general and administrative expenses and the cost reduction program charge also impacted our results, but we expect to realize savings of approximately $0.7 million in 2017. Our financial metrics for the fourth quarter of 2016 were consistent with prior quarters, with debt-to-total-assets of 52.6%, a 10 basis points decrease over the prior quarter. We continued our capital recycling program during the quarter with dispositions for the full year totalling $71 million, which provides additional financial flexibility to pursue future accretive opportunities.

Thank you for your continued support.

Brent Chapman
President & Chief Executive Officer

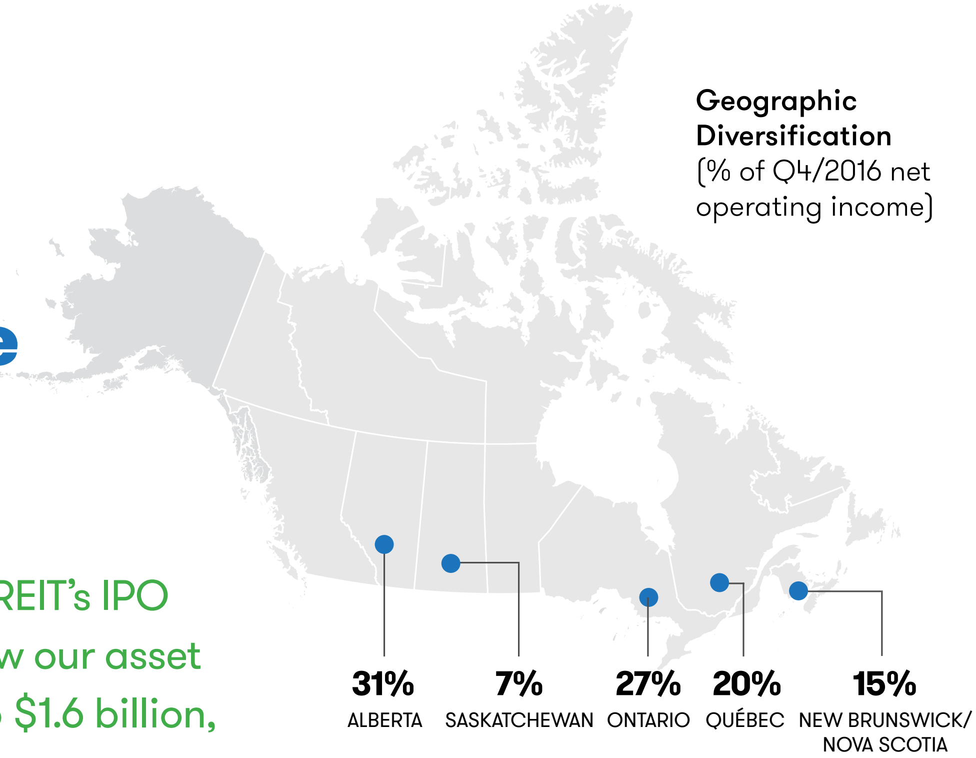
February 21, 2017

Portfolio at-a-Glance

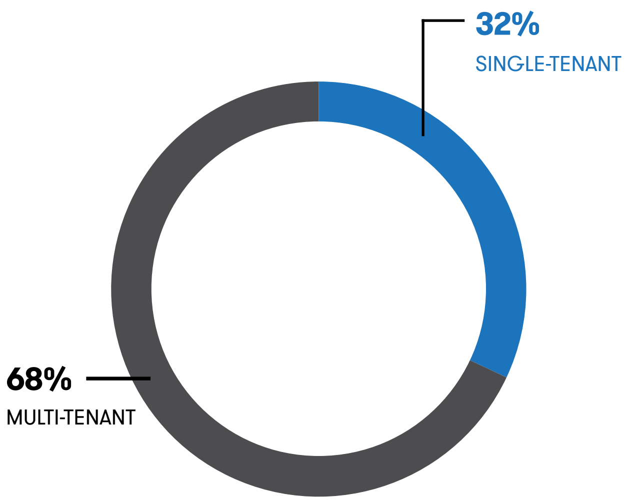
DECEMBER 31, 2016

Since Dream Industrial REIT's IPO in October 2012, we grew our asset base from \$0.7 billion to \$1.6 billion, diversifying our portfolio across major Canadian industrial markets.

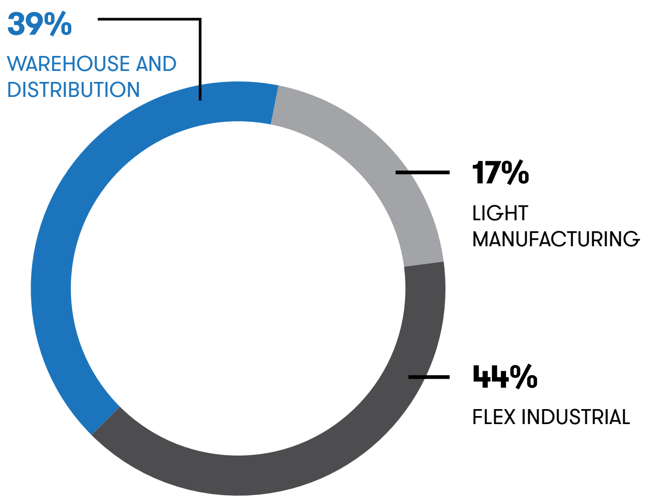
Geographic Diversification
(% of Q4/2016 net operating income)



Net Operating Income Breakdown
(Q4/2016)



Diversified Building Types by Net Operating Income
(Q4/2016)



16 MILLION

GROSS LEASABLE AREA
(square feet)

$1.6 BILLION

TOTAL ASSETS

970 Fraser Drive,
Burlington, ON

650 rue Bergeron,
Drummondville, QC

1,305

TENANTS

APPROXIMATELY

3.9

AVERAGE REMAINING
LEASE TERM (years)

320 Wright Avenue,
Dartmouth, NS

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Management's discussion and analysis

(All 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

Dream Industrial's financial metrics remained stable with the value of our investment properties at $1.6 billion and debt-to-total assets (a non-GAAP measure) at 52.6%.

Occupancy (including committed space) increased to 95.2% at December 31, 2016 from 94.5% at September 30, 2016. A total of 652,000 square feet of new leases and renewals commenced in the quarter, compared to 655,000 square feet of expiries and terminations. Approximately 66% of our expiries were renewed during the quarter, and including the relocation of tenants within our portfolio, the retention ratio was 67%. Our occupancy includes 233,589 square feet of commitments on vacant space, with the majority of these leases commencing in the next two quarters.

In-place rents were $7.19 per square foot at December 31, 2016, or a $0.06 increase from $7.13 at September 30, 2016. Renewals for the quarter were completed at $7.00 per square foot, which was in line with the expiring rates.

Our comparative properties net operating income ("NOI") (a non-GAAP measure) for the three months ended December 31, 2016 increased by 0.5% compared to the prior year comparative quarter, mainly due to increases in our Québec, Ontario and Eastern Canada regions offset by a decrease in the Western Canada region. The comparative properties NOI for the year ended December 31, 2016 increased by $0.5 million, or 0.5%, primarily due to higher average occupancy in Québec offset by lower occupancy in Western Canada and Eastern Canada.

During the quarter, we closed on the sale of two properties totalling 288,000 square feet in Ontario, a 50,000 square foot property in Québec and vacant land, for combined gross proceeds of $24.0 million, bringing our total 2016 dispositions to $70.7 million. For 2017, we will continue to execute on our ongoing capital recycling program and work with existing tenants on their space requirements to identify potential intensification and acquisition opportunities that increase the quality of our portfolio and value for our unitholders.

During the fourth quarter, a cost reduction program was implemented to further improve the effectiveness of the Trust's property operations and general and administrative support platform. As a result of implementing this program, the Trust incurred a charge of $1.1 million and is expected to achieve annual savings on general and administrative expenses commencing in 2017 up to $0.7 million, plus operating costs savings.

Diluted funds from operations ("FFO") per Unit (a non-GAAP measure) for the quarter was $0.21, a decrease from $0.24, when compared to the prior year comparative quarter. Excluding the impact of the charge related to the cost reduction program in the fourth quarter, diluted FFO per Unit was $0.22, or a 5.5% decrease from the prior year comparative quarter. The decrease was largely due to higher bad debt expenses, and higher general and administrative expenses when compared to the same period last year. For the year ended December 31, 2016, diluted FFO per Unit was $0.90, a decrease from $0.95, when compared to the prior year comparative period. Excluding the impact of the charge related to the cost reduction program in the fourth quarter, diluted FFO per Unit was $0.91, or a decrease of 4.0%, largely due to higher bad debt expense and higher general and administrative expenses offset by 2015 acquisitions. After repaying debt, the 2016 dispositions did not have a significant impact on FFO in 2016.

Diluted adjusted funds from operations ("AFFO") per Unit (a non-GAAP measure) for the quarter was $0.19, a decrease from $0.21 and for the year ended December 31, 2016, diluted AFFO per Unit was $0.79, a decrease from $0.82 when compared to the prior year comparative period. Excluding the impact of the charge related to the cost reduction program in the fourth quarter, diluted AFFO was $0.80 per Unit, or a decrease of 2.6% when compared to the same period in 2015, and $0.20 per Unit for the three months ended December 31, 2016, or a decrease of 4.3% when compared to the comparative period in 2015. The decrease for both the three months and year ended December 31, 2016 was primarily due to the same factors impacting FFO, offset by the reversal of certain accounting adjustments, such as straight-line rent and fair value adjustments on assumed debt.

As at December 31, 2016, our portfolio totalled 16.2 million square feet with investment properties valued at $1.6 billion, reflecting a weighted average capitalization rate ("cap rate") of 6.71% on stabilized NOI (a non-GAAP measure), relatively flat when compared to September 30, 2016 cap rates. Regionally, our comparative property values in the Ontario and Eastern Canada regions increased by $7.5 million and $1.8 million, respectively, offset by decreases in our Western Canada and Québec regions of $6.3 million and $0.5 million, respectively, from September 30, 2016. The changes in value pertained to changes in leasing activity along with property-specific changes to cap rates, discount rates and vacancy assumptions.

We ended the quarter with $9.6 million in net loss, and $2.7 million in net loss for the year ended December 31, 2016. The losses for the three months and year ended December 31, 2016 were largely driven by fair value losses on the revaluation of subsidiary redeemable units and fair value adjustments to investment properties.

As at December 31, 2016, level of debt (debt-to-total assets) (a non-GAAP measure) stood at 52.6%. The weighted average remaining term on our debt was 4.2 years, and the weighted average face interest rate (a non-GAAP measure) was 3.81%, which is higher than what we are currently seeing in the market for comparable mortgage debt. $121.2 million of the Trust's assets were unencumbered as at December 31, 2016, providing an additional source of financial flexibility.

OUTLOOK

As of the date of this management's discussion and analysis ("MD&A"), we have obtained leasing commitments for approximately 1.4 million square feet of new leases and renewals, representing over 53% of our 2.8 million square feet of expiries and terminations for 2017.

For 2017, we will continue to be focused on enhancing the quality and stability of our cash flows by:

- Enhancing our operations and strengthening relationships with our more than 1,300 tenants to grow NOI internally;
- Increasing our occupancy through aggressive leasing;
- 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 repositioning and intensification opportunities within our existing portfolio.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

			As at
	December 31, 2016[1]	September 30, 2016	December 31, 2015
Portfolio			
Number of properties	**213**	217	219
Gross leasable area ("GLA") (in millions of sq. ft.)	**16.2**	16.6	17.0
Occupancy rate – including committed	**95.2%**	94.5%	95.0%
Occupancy rate – in-place	**93.8%**	93.2%	93.4%
Average occupancy for the period	**93.0%**	93.3%	93.7%
Average in-place base rent per sq. ft.	**$ 7.19**	$ 7.13	$ 7.14
Weighted average remaining lease term (years)	**3.9**	4.0	4.3
Estimated market rent in excess of in-place rent	**1.3%**	1.5%	2.9%

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Operating results				
Investment properties revenue	**$ 42,715**	$ 44,463	**$ 174,689**	$ 176,992
NOI[2]	**28,776**	29,913	**117,387**	119,446
FFO[2]	**16,677**	18,732	**71,309**	74,826
AFFO[2]	**14,488**	16,191	**61,819**	63,975
Net income (loss)	**(9,602)**	(14,731)	**(2,690)**	35,189
Distributions				
Declared distributions	**$ 13,700**	$ 13,512	**$ 54,431**	$ 53,845
DRIP participation rate	**28.3%**	9.5%	**14.4%**	8.4%
Per Unit amounts				
Distribution rate	**$ 0.17**	$ 0.17	**$ 0.70**	$ 0.70
Basic				
FFO[3]	**0.21**	0.24	**0.92**	0.97
AFFO[3]	**0.19**	0.21	**0.79**	0.83
Diluted				
FFO[3]	**0.21**	0.24	**0.90**	0.95
AFFO[3]	**0.19**	0.21	**0.79**	0.82
Payout ratio[4]				
FFO	**82.5%**	73.8%	**77.7%**	73.6%
AFFO	**94.1%**	84.5%	**88.6%**	85.1%

			As at
	December 31, 2016	September 30, 2016	December 31, 2015
Financing			
Weighted average effective interest rate[5]	**3.89%**	3.88%	3.81%
Weighted average face interest rate[5]	**3.81%**	3.83%	3.91%
Weighted average remaining term to maturity (years)	**4.2**	4.2	3.7
Interest coverage ratio (times)[2]	**3.1**	3.1	3.1
Debt-to-adjusted EBITDA[2]	**8.4**	8.3	8.5
Unencumbered assets	**$ 121,210**	$ 120,080	$ 119,550

(1) Excludes property held for sale.

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

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

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

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

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dream Industrial Real Estate Investment Trust ("Dream Industrial REIT" or "Dream Industrial" or "the Trust") should be read in conjunction with the audited consolidated financial statements of Dream Industrial for the year ended December 31, 2016.

This MD&A is dated as at February 21, 2017.

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

- "REIT Units", meaning units of the Trust, excluding Special Trust Units
- "LP B Units" and "subsidiary redeemable units", meaning the Class B Units of Dream Industrial LP
- "Units", meaning REIT Units and LP B Units

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

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

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation, including but not limited to statements relating to the Trust's objectives, strategies to achieve those objectives, the Trust's beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, acquisitions or divestitures, tenant base, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, vacancy and leasing assumptions, litigation and the real estate industry in general – in each case they are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "objective", "strategy", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "could", "likely", "plan", "project", "budget" or "continue", or similar expressions suggesting future outcomes or events. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest rates.

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

All forward-looking information is as of February 21, 2017. Dream Industrial does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information about these assumptions, risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our website at www.dreamindustrialreit.ca.

BACKGROUND

Dream Industrial REIT is an unincorporated, open-ended real estate investment trust 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"), which had a retained investment of 25.1% at February 21, 2017. Our REIT Units are listed on the Toronto Stock Exchange under the trading symbol DIR.UN.

At December 31, 2016, we owned 213 primarily light industrial income-producing properties totalling 16.2 million square feet of gross leasable area ("GLA"). Our properties are located in key industrial markets across Canada.

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. For the quarter ended December 31, 2016, approximately 28.3% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP") (see a description of our equity on page 19).

				2016				2015
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Annualized distribution rate	**$ 0.70**	$ 0.70	$ 0.70	$ 0.70	$ 0.70	$ 0.70	$ 0.70	$ 0.70
Monthly distribution rate	**$ 0.058**	$ 0.058	$ 0.058	$ 0.058	$ 0.058	$ 0.058	$ 0.058	$ 0.058
Period-end closing price	**$ 8.53**	$ 7.85	$ 8.73	$ 8.04	$ 7.18	$ 7.89	$ 8.18	$ 9.01
Annualized distribution yield on closing price (%)[1]	**8.2%**	8.9%	8.0%	8.7%	9.7%	8.9%	8.6%	7.8%

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

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, 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 the asset 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.

As at December 31, 2016, our portfolio consists of 213 properties comprising 16.2 million square feet of GLA. Our properties are located in desirable business parks, situated close to highways and generally considered functional and well suited for their respective markets. The occupancy rate across our portfolio is 95.2%. Our occupancy rate includes lease commitments totalling approximately 234,000 square feet for space that is currently being readied for occupancy but for which rental revenue is not yet being recognized.

Our properties are geographically diversified as follows:

	December 31, 2016[(1)]			December 31, 2015		
	Number of properties	**Owned GLA (sq. ft.)**	**% of owned GLA**	Number of properties	Owned GLA (sq. ft.)	% of owned GLA
Western Canada	**82**	**4,867,721**	**30.1**	82	4,866,529	28.7
Ontario	**58**	**4,890,969**	**30.2**	60	5,179,314	30.5
Québec	**36**	**3,765,388**	**23.3**	39	4,158,449	24.5
Eastern Canada	**37**	**2,658,039**	**16.4**	38	2,774,866	16.3
Total	**213**	**16,182,117**	**100.0**	219	16,979,158	100.0

(1) Excludes property held for sale.

Our portfolio consists of multi-tenant buildings totalling 10.7 million square feet, or comprising 66% of total GLA, and single-tenant buildings totalling 5.5 million square feet, or 34% of total GLA. Of the 5.5 million square feet of single-tenant space, 4.7 million square feet 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 frequent basis, thereby taking advantage of supply-constrained market conditions. Small-bay multi-tenant buildings tend to have higher construction costs and tend to be located in denser urban markets, which increases the barriers to competition from new supply. Selective ownership of single-tenant buildings provides a source of stable cash flow with relatively less management effort required. In addition to the geographic distribution, maintaining a balance of the two building types in the portfolio is part of our diversification strategy.

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

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

	December 31, 2016[1]			December 31, 2015		
Performance indicators	**Multi-tenant buildings**	**Single-tenant buildings**	**Total**	Multi-tenant buildings	Single-tenant buildings	Total
Occupancy rate – including committed	**93.8%**	**98.1%**	**95.2%**	93.3%	98.0%	95.0%
Occupancy rate – in-place[2]	**92.0%**	**97.3%**	**93.8%**	91.2%	97.4%	93.4%
Average in-place base rental rates (per sq. ft.)	**$ 7.51**	**$ 6.62**	**$ 7.19**	$ 7.47	$ 6.57	$ 7.14
Tenant maturity profile – average term to maturity (years)	**3.4**	**4.9**	**3.9**	3.5	5.8	4.3
Owned GLA (in millions of sq. ft.)	**10.7**	**5.5**	**16.2**	10.9	6.1	17.0

(1) Excludes property held for sale.

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

Occupancy

At December 31, 2016, the overall percentage of occupied and committed space across our portfolio remained high at 95.2%, which was 0.7% higher than occupancy at September 30, 2016, and 0.2% higher than occupancy at December 31, 2015.

On a comparative properties basis, occupancy at December 31, 2016 declined 0.4% compared to December 31, 2015, largely driven by Western Canada and Québec.

	Total portfolio			Comparative properties[2]	
(percentage)	**December 31, 2016[1]**	September 30, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Western Canada	**96.1**	96.8	97.8	**96.1**	97.8
Ontario	**96.5**	96.3	96.5	**96.5**	96.8
Québec	**96.3**	95.0	93.9	**96.3**	94.6
Eastern Canada	**89.8**	86.2	88.9	**89.8**	90.6
Total	**95.2**	94.5	95.0	**95.2**	95.6
Portfolio size (millions of sq. ft.)	**16.2**	16.6	17.0	**16.2**	16.2

(1) Excludes property held for sale.

(2) Comparative properties include assets owned by the Trust as at December 31, 2015, excluding properties sold in 2016 and property held for sale.

Occupancy roll-forward

Leasing activity for the quarter included approximately 403,000 square feet of renewals and approximately 248,000 square feet of new leases.

The following tables detail the change in occupancy (including committed) during the three months and year ended December 31, 2016:

	Weighted average rate per sq. ft.	For the three months ended December 31, 2016 (sq. ft.)	As a % of total GLA
Occupancy (including committed) at beginning of period		15,720,079	94.5%
Vacancy committed for future occupancy		(211,695)	(1.3%)
Occupancy at beginning of period		15,508,384	93.2%
Occupancy related to properties sold and asset held for sale		(325,840)	
Remeasurements/reclassifications		(122)	
Occupancy at beginning of period – restated		15,182,422	93.8%
Expiries (all leases)	$ 6.38	(610,005)	(3.7%)
Early terminations and bankruptcies	$ 8.11	(45,373)	(0.3%)
New leases	$ 6.43	248,475	1.5%
Renewals	$ 7.00	403,224	2.5%
Occupancy – December 31, 2016		15,178,743	93.8%
Vacancy committed for future occupancy		233,589	1.4%
Occupancy (including committed) – December 31, 2016		15,412,332	95.2%

The committed occupancy on vacant space based on existing contractual commitments at December 31, 2016 totalled 234,000 square feet. Of this committed space, 98% will become occupied in the next two quarters.

	For the three months ended December 31, 2016
Tenant renewal ratio(1)	66.1%
Expiring rents on renewed space (per sq. ft.)	$ 7.02
Renewal to expiring rent spread (per sq. ft.)(2)	$ (0.02)

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

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

The tenant renewal ratio for the portfolio was 66.1% during the quarter. Including relocations of existing tenants (excluding their expansion space), the retention ratio was 67%. Renewals for the quarter were completed at $7.00 per square foot, which was essentially in line with the expiring rates. Within our Western Canada region, our retention ratio was 74.1% and renewals were completed at $7.23 per square foot, which was $0.17, or 2.3%, below the expiring rates. The negative spread was driven by the renewal of a large-bay tenant in over 67,000 square feet. In 2016, there was a significant rise in availability rates in the Alberta industrial market, increasing the amount of competition and downward pressure on rents.

	Weighted average rate per sq. ft.	For the year ended December 31, 2016 (sq. ft.)	As a % of total GLA
Occupancy (including committed) at beginning of year		16,132,723	95.0%
Vacancy committed for future occupancy		(266,709)	(1.6%)
Occupancy at beginning of year		15,866,014	93.4%
Occupancy related to properties sold and asset held for sale		(665,658)	
Remeasurements/reclassifications		(97)	
Occupancy at beginning of year – restated		15,200,259	93.9%
Expiries (all leases)	$ 6.65	(2,819,469)	(17.4%)
Early terminations and bankruptcies	$ 8.32	(233,720)	(1.4%)
New leases	$ 6.68	1,136,272	7.0%
Renewals	$ 6.20	1,895,401	11.7%
Occupancy – December 31, 2016		15,178,743	93.8%
Vacancy committed for future occupancy		233,589	1.4%
Occupancy (including committed) – December 31, 2016		15,412,332	95.2%

	For the year ended December 31, 2016
Tenant renewal ratio(1)	67.2%
Expiring rents on renewed space (per sq. ft.)	$ 6.11
Renewal to expiring rent spread (per sq. ft.)(2)	$ 0.09

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

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

The tenant renewal ratio for the portfolio was 67.2% in 2016. Including relocations of existing tenants (excluding their expansion space), the retention ratio was 71%. Renewals for the year were completed at $6.20 per square foot, which was slightly higher than the expiring rates.

In-place rental rates

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

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

	December 31, 2016(1)			September 30, 2016			December 31, 2015		
Total portfolio	**Average in-place base rent**	**Estimated market rent(2)**	**Estimated market rent/ in-place rent (%)**	Average in-place base rent	Estimated market rent(2)	Estimated market rent/ in-place rent (%)	Average in-place base rent	Estimated market rent(2)	Estimated market rent/ in-place rent (%)
Western Canada	**$ 9.11**	**$ 9.24**	**1.4**	$ 9.06	$ 9.25	2.1	$ 9.06	$ 9.58	5.7
Ontario	**6.08**	**6.09**	**0.2**	5.99	6.05	1.0	5.99	6.05	1.0
Québec	**6.15**	**6.15**	**—**	6.12	6.15	0.5	6.15	6.22	1.1
Eastern Canada	**7.23**	**7.52**	**4.0**	7.21	7.41	2.8	7.33	7.46	1.8
Total	**$ 7.19**	**$ 7.28**	**1.3**	$ 7.13	$ 7.24	1.5	$ 7.14	$ 7.35	2.9

(1) Excludes property 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.

Comparative properties[1]	December 31, 2016 Average in-place base rent	Estimated market rent[2]	Estimated market rent/ in-place rent (%)	September 30, 2016 Average in-place base rent	Estimated market rent[2]	Estimated market rent/ in-place rent (%)
Western Canada	**$ 9.11**	**$ 9.24**	**1.4**	$ 9.06	$ 9.25	2.1
Ontario	**6.08**	**6.09**	**0.2**	6.07	6.11	0.7
Québec	**6.15**	**6.15**	**—**	6.12	6.15	0.5
Eastern Canada	**7.23**	**7.52**	**4.0**	7.24	7.46	3.0
Total	**$ 7.19**	**$ 7.28**	**1.3**	$ 7.18	$ 7.29	1.5

(1) Comparative properties include assets owned by the Trust as at September 30, 2016, excluding properties sold during Q4 2016 and property 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.

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 3.9 years and our average tenant size is 12,000 square feet. Our single-tenant buildings have an average remaining lease term of 4.9 years and our multi-tenant buildings have an average remaining lease term of 3.4 years.

	December 31, 2016[1]			September 30, 2016			December 31, 2015		
Total portfolio	**Average remaining lease term (years)**	**Average tenant size (sq. ft.)**	**Average in-place base rent (per sq. ft.)**	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place base rent (per sq. ft.)	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place base rent (per sq. ft.)
Western Canada	**4.0**	**9,270**	**$ 9.11**	3.9	9,353	$ 9.06	4.0	9,340	$ 9.06
Ontario	**3.5**	**17,609**	**6.08**	3.8	18,276	5.99	4.1	19,010	5.99
Québec	**4.7**	**26,469**	**6.15**	4.9	26,079	6.12	5.6	26,573	6.15
Eastern Canada	**3.5**	**6,137**	**7.23**	3.4	6,200	7.21	3.3	6,391	7.33
Total	**3.9**	**11,854**	**$ 7.19**	4.0	12,062	$ 7.13	4.3	12,342	$ 7.14

(1) Excludes property held for sale.

The following table details our lease maturity profile, net of renewals, by region at December 31, 2016:

(in sq. ft., except %)	Vacancy	Monthly and short-term tenancies	2017	2018	2019	2020	2021	2022+	Total
Western Canada	187,989	—	526,634	661,855	566,543	681,974	628,919	1,613,807	4,867,721
Ontario	171,788	360	458,459	948,635	867,850	617,874	561,685	1,264,318	4,890,969
Québec	139,160	—	546,510	250,298	481,946	139,737	380,868	1,826,869	3,765,388
Eastern Canada	270,848	2,676	281,887	398,276	476,826	204,965	380,989	641,572	2,658,039
Total portfolio									
Total GLA	769,785	3,036	1,813,490	2,259,064	2,393,165	1,644,550	1,952,461	5,346,566	16,182,117
Percentage of total GLA (%)	*4.8*	—	*11.2*	*14.0*	*14.7*	*10.2*	*12.1*	*33.0*	*100.0*

Our lease maturity profile, net of committed occupancy, remains staggered. Lease expiries, net of committed occupancy as a percentage of total GLA between 2017 and 2021, range from 10.2% to 14.7%.

2017 lease expiry profile

(in sq. ft., except %)	Western Canada	Ontario	Québec	Eastern Canada	Total portfolio
2017 expiries (as at December 31, 2016)	(774,537)	(871,441)	(654,957)	(533,102)	(2,834,037)
Expiries committed for renewals	247,903	412,982	108,447	251,215	1,020,547
Expiries, net of renewals (as at December 31, 2016)	(526,634)	(458,459)	(546,510)	(281,887)	(1,813,490)
2017 vacancy (as at December 31, 2016)	(258,318)	(238,880)	(171,646)	(329,604)	(998,448)
Vacancy committed for future occupancy	70,329	67,092	32,486	58,756	228,663
2017 vacancy, net of commitments for occupancy (as at December 31, 2016)	(187,989)	(171,788)	(139,160)	(270,848)	(769,785)
Total commitments as a % of expiries (as at December 31, 2016)	41.1%	55.1%	21.5%	58.1%	44.1%

As at December 31, 2016, leasing commitments of approximately 44% of expiring tenancies had been obtained.

The following table details expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in similar properties at December 31, 2016. For 2017, estimated market rents are 3.0% above expiring rents, representing an opportunity to increase rents as spaces are re-leased.

(per sq. ft.)		2017
Expiring rents		
Western Canada	$	9.67
Ontario		5.74
Québec		5.57
Eastern Canada		7.35
Expiring rents average	$	7.08
Estimated market rents(1)		
Western Canada	$	9.73
Ontario		6.16
Québec		5.84
Eastern Canada		7.36
Estimated market rents average	$	7.29
Estimated market rents over expiring rents(2)		3.0%

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

(2) Calculated as estimated market rents average, less expiring rents average, divided by expiring rents average.

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, 2016, a total of 3,032,000 square feet was leased and occupied with related costs of $9.1 million, representing an average rate of $3.01 per square foot leased (December 31, 2015 – $2.54 per square foot).

Performance indicators		Total
Operating activities		
Portfolio size (sq. ft.)		16,182,117
Occupied and committed		95.2%
Square footage leased and occupied in 2016		3,031,673
Lease incentives and initial direct leasing costs for square footage leased and occupied in 2016	$	9,132

Tenant base profile

Our tenant base consists of a diverse range of high-quality businesses and, with 1,305 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 82,000 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 Inc.	642,368	4.0	4.0	8.4
TC Transcontinental	523,345	3.2	3.4	5.2
Gienow Windows & Doors Inc.	370,691	2.3	2.5	5.8
Molson Breweries Properties	225,000	1.4	2.2	6.0
United Agri Products Canada Inc.	275,335	1.7	1.2	6.8
Nellson Nutraceutical Canada	234,555	1.4	1.2	2.5
Clean Harbors Industrial	96,101	0.6	1.2	3.0
Array Canada Inc.	209,754	1.3	1.1	4.0
Royal Group Inc.	176,535	1.1	0.9	1.0
The Dollco Corporation	114,724	0.7	0.8	8.3
Total	2,868,408	17.7	18.5	5.7

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

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

At December 31, 2016, the fair value of our investment property portfolio was $1.6 billion, reflecting a weighted average 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 the discounted cash flow method. The results of both methods are evaluated by considering the reasonableness of the range of values calculated under both methods. Fair value of a property is determined at the point within that range that is most representative of the fair value in the circumstances. The direct capitalization method applies a cap rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value is further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using cap rates in the range of 5.50% to 9.25%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal capitalization rates specific to each property.

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

Total portfolio	**December 31, 2016(1)**	September 30, 2016	December 31, 2015
Western Canada	**$ 636,855**	$ 643,115	$ 657,375
Ontario	**442,260**	454,050	445,530
Québec	**296,190**	299,400	327,095
Eastern Canada	**259,010**	262,450	269,970
Total	**$ 1,634,315**	$ 1,659,015	$ 1,699,970

(1) Excludes property held for sale.

Comparative properties[1]		December 31, 2016		September 30, 2016		December 31, 2015
Western Canada	**$**	**636,855**	$	643,115	$	657,375
Ontario		**442,260**		434,780		426,260
Québec		**296,190**		296,650		293,545
Eastern Canada		**259,010**		257,250		261,770
Total	**$**	**1,634,315**	$	1,631,795	$	1,638,950

(1) Comparative properties include assets owned by the Trust as at December 31, 2015, excluding properties sold in 2016 and property held for sale.

Capitalization rate information for investment properties is set out in the tables below:

						Capitalization rates
	December 31, 2016[1]		September 30, 2016		December 31, 2015	
Total portfolio	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	**6.00–8.00**	**6.62**	6.00–8.00	6.58	6.00–7.25	6.44
Ontario	**5.50–7.75**	**6.43**	5.75–7.75	6.51	6.00–7.75	6.59
Québec	**6.25–7.50**	**7.03**	6.25–7.50	7.03	6.25–8.00	7.03
Eastern Canada	**6.50–9.25**	**7.01**	6.50–9.25	7.09	6.50–7.75	7.05
Total	**5.50–9.25**	**6.71**	5.75–9.25	6.72	6.00–8.00	6.69

(1) Excludes property held for sale.

						Capitalization rates
	December 31, 2016		September 30, 2016		December 31, 2015	
Comparative properties[1]	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	**6.00–8.00**	**6.62**	6.00–8.00	6.58	6.00–7.25	6.44
Ontario	**5.50–7.75**	**6.43**	5.75–7.75	6.50	6.00–7.75	6.58
Québec	**6.25–7.50**	**7.03**	6.25–7.50	7.03	6.25–7.50	7.04
Eastern Canada	**6.50–9.25**	**7.01**	6.50–9.25	7.06	6.50–7.75	7.04
Total	**5.50–9.25**	**6.71**	5.75–9.25	6.72	6.00–7.75	6.68

(1) Comparative properties include assets owned by the Trust as at December 31, 2015, excluding properties sold in 2016 and property held for sale.

Overall, the fair value of our investment properties at December 31, 2016 remained relatively stable at $1.6 billion at a weighted average cap rate of 6.71%. The weighted average cap rate for our comparative properties compared to September 30, 2016 decreased by one basis point largely due to the compression in capitalization rates in Ontario and Eastern Canada offset by an increase in Western Canada. The Trust obtained external appraisals for 22 properties during the fourth quarter and obtained external input from its appraisers on the market assumptions used for internally valued properties. Our externally appraised properties increased in value by $2.8 million in the fourth quarter. On a regional basis, 6 appraisals were completed in Western Canada, of which four were done in Calgary and two in Edmonton, for a total value decrease of $3.6 million distributed evenly among both cities. The value decrease was driven by property-specific leasing activity changes, property-specific capitalization rate, discount rate, and vacancy assumptions. External appraisals were completed for 11 properties in Ontario resulting in a value increase of $7.3 million, which primarily resulted from cap rate and discount rate changes. External appraisals were completed for one and four properties in Québec and Eastern Canada, respectively, for value decreases of $0.6 million and $0.3 million, largely due to changes in property-specific leasing assumptions.

In Western Canada, the comparative properties value declined by $6.3 million, or 1%, when compared to September 30, 2016 and $20.5 million, or 3%, for the year ended December 31, 2016. The value changes were primarily driven by property-specific changes, including reduction in market rent assumptions, changes in leasing activities, cap rates and discount rates. The Trust also completed 6 and 50 external appraisals for its Western Canada properties during the fourth quarter and 2016 year, respectively.

Dispositions

The following dispositions were completed during the year ended December 31, 2016:

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

(1) Gross proceeds before transaction costs.

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

(3) Vacant land.

The following dispositions were completed during the year ended December 31, 2015:

	Disposed GLA		Gross proceeds[1]		Loss on sale[2]		Mortgage discharged	Date disposed
4501–4509 1st Street SE, Calgary	13,200	$	2,300	$	(154)	$	—	February 4, 2015
4515–4519 1st Street SE, Calgary	14,340		1,900		(229)		—	February 4, 2015
4523–4529 1st Street SE, Calgary	11,400		1,700		(59)		—	February 4, 2015
4021 9th Street SE, Calgary	45,344		5,000		(521)		3,277	February 17, 2015
6715 85th Avenue, Fort St. John	17,405		4,150		(281)		2,279	September 14, 2015
41 Metropolitan Road, Toronto	59,400		5,700		(41)		—	November 17, 2015
Total	161,089	$	20,750	$	(1,285)	$	5,556	

(1) Gross proceeds before transaction costs.

(2) Carrying value of assets approximated gross proceeds. The loss on sale arises entirely from debt settlement costs, transaction costs and the write-off of allocated goodwill associated with the cash-generating unit.

Acquisitions

There were no property acquisitions during the year ended December 31, 2016. The following acquisitions were completed during the year ended December 31, 2015:

	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)		Purchase price allocated to investment properties[1]	Date acquired
Saskatchewan Portfolio	50	59,366	100	$	9,949	May 21, 2015[2]
3230 Mainway Drive, Burlington	100	207,703	100		12,522	October 16, 2015
Total		267,069		$	22,471	

(1) Includes transaction costs.

(2) Final property in the portfolio of six properties was acquired on July 9, 2015.

On May 21, 2015, the Trust, in a co-ownership arrangement with one of the subsidiaries of Dream Hard Asset Alternatives Trust ("DAT"), completed the acquisition of a 105,000 square foot portfolio of five single-tenant properties ("Saskatchewan Portfolio") located in Regina. The Trust's share of the purchase price was $8.9 million, including transaction costs of $0.3 million. On July 9, 2015, the Trust and DAT acquired the final property in this portfolio, a 14,000 square foot, multi-tenant, 100% occupied building. The Trust's 50% share of the final property was $1.0 million, including transaction costs of $0.1 million. The Saskatchewan Portfolio is 100% occupied. One of the subsidiaries of the Trust provides property management services for the co-owned properties. DAT and the Trust have a common asset manager, Dream Asset Management Corporation ("DAM").

On October 16, 2015, the Trust acquired a 208,000 square foot distribution centre located in Burlington, Ontario, through a sale-leaseback transaction for $12.5 million, including transaction costs of $0.5 million.

Building improvements and leasing costs

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

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Building improvements				
Recoverable capital expenditures	**$ 5,159**	$ 3,595	**$ 13,274**	$ 6,492
Other capital expenditures	**1,440**	992	**5,248**	2,362
Initial direct leasing costs and lease incentives				
Leasing costs	**509**	931	**3,290**	2,626
Landlord's work	**1,672**	1,174	**5,603**	2,637
Tenant improvements	**608**	223	**1,720**	1,227
Other leasing costs	**—**	430	**644**	1,074
Total	**$ 9,388**	$ 7,345	**$ 29,779**	$ 16,418

Other capital expenditures primarily consisted of upgrades completed on certain properties that are expected to increase the Trust's ability to attract tenants and obtain higher rental rates. For the three months and year ended December 31, 2016, $0.3 million and $1.4 million, respectively, were incurred on exterior upgrades for two of our properties in Eastern Canada. Other leasing costs consisted of costs incurred toward major reconfiguration of units to attract and put in place high value tenancies or to improve quality of the assets.

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 International Financial Reporting Standards ("IFRS"), our current liabilities exceed our current assets by $90.5 million. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule, undrawn credit facilities and a pool of unencumbered assets. We are able to use our revolving credit facility on short notice, which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period-to-period depending on the timing of receipts and payments. Scheduled principal repayments that are due within one year amount to $23.2 million, and debt maturities that are due within one year amount to $65.7 million. The debt maturities are typically refinanced with mortgages of terms between five and ten years. Amounts payable outstanding at the end of any reporting period depend primarily on the timing of leasing costs and capital expenditures incurred, as well as the impact of transaction costs incurred on any acquisitions or dispositions completed during the reporting period. Our unencumbered assets pool as at December 31, 2016 is $121.2 million. With our balanced debt maturity schedule, undrawn credit facility of $98.0 million and unencumbered assets pool, we have sufficient liquidity as at December 31, 2016.

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.

Summary of debt, capital and liquidity

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

	As at	
	December 31, 2016	December 31, 2015
Financing metrics		
Debt	**$ 868,347**	$ 923,101
Weighted average effective interest rate(1)	**3.89%**	3.81%
Weighted average face interest rate(1)	**3.81%**	3.91%
Interest coverage ratio (times)(2)	**3.1**	3.1
Debt-to-adjusted EBITDA (years)(2)	**8.4**	8.5
Level of debt (debt-to-total assets)(2)	**52.6%**	53.8%
Variable rate debt as percentage of total debt	**—**	1.7%
Liquidity metrics		
Maximum proportion of debt maturities and principal repayments due in any one year	**20.9% (2019)**	19.1% (2019)
Weighted average term to maturity (years)	**4.2**	3.7
Cash on hand	**$ 6,595**	$ 1,022
Unencumbered assets(3)	**121,210**	119,550
Undrawn lines of credit	**98,000**	56,500

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

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

(3) Includes asset held for sale.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 3.1 times, demonstrating our ability to more than adequately cover interest expense requirements. At December 31, 2016, our weighted average face rate of interest was 3.81% and, after accounting for market adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 3.89%.

			December 31, 2016			December 31, 2015
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 741,265**	**$ —**	**$ 741,265**	$ 780,948	$ —	$ 780,948
Revolving credit facility	**—**	**—**	**—**	—	15,893	15,893
Convertible debentures	**127,082**	**—**	**127,082**	126,260	—	126,260
Total	**$ 868,347**	**$ —**	**$ 868,347**	$ 907,208	$ 15,893	$ 923,101
Percentage	**100.0%**	**—**	**100.0%**	98.3%	1.7%	100.0%
Weighted average face rate (period-end)	**3.81%**	**—**	**3.81%**	3.93%	2.63%	3.91%
Average term to maturity (years)	**4.2**	**—**	**4.2**	3.7	0.5	3.7

Mortgages payable are recorded including $3.1 million of fair value adjustments upon initial recognition and net of $4.1 million of financing costs. At December 31, 2016, amounts recorded for the convertible debentures are net of a $1.8 million discount allocated to their conversion features on issuance and fair value adjustment and net of $1.8 million of financing costs. 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 financing is highlighted in the table below:

	Three months ended December 31, 2016				Year ended December 31, 2016			
	Amount[1]	Term to maturity (years)	Weighted average face interest rate (%)	Weighted average effective interest rate (%)	Amount[1]	Term to maturity (years)	Weighted average face interest rate (%)	Weighted average effective interest rate (%)
New mortgages	$ 23,000	10.0	3.31	3.41	$ 145,750	8.8	3.30	3.44

(1) Excludes financing costs.

On October 3, 2016, we completed a $23.0 million refinancing on a portfolio of two properties located in Regina with a term of ten years at a face interest rate of 3.31% and an effective interest rate of 3.41%.

On August 31, 2016, we completed a $44.0 million refinancing on a portfolio of nine properties located in Ontario with a term of ten years at a face interest rate of 3.34% and an effective interest rate of 3.46%.

On July 29, 2016, we completed a $10.5 million refinancing on a portfolio of three properties located in Edmonton with a term of five years at a face interest rate of 3.05% and an effective interest rate of 3.36%.

On May 31, 2016, we completed a $9.0 million financing for a property located in Québec with a term of just under nine years at a face interest rate of 3.50% and an effective interest rate of 3.73%.

On March 31, 2016, we completed a $31.8 million refinancing on a portfolio of two properties located in Québec with a term of nine years at a face interest rate of 3.50% and an effective interest rate of 3.61%.

On March 1, 2016, we completed a $27.5 million refinancing on a portfolio of three properties located in Ontario with a term of seven years at a face interest rate of 3.04% and an effective interest rate of 3.18%.

Revolving credit facility

On June 30, 2016, the Trust amended its revolving credit facility agreement and increased the amount available to $100 million, increased the number of properties securing the facility from 19 to 25, and extended the maturity by three years.

The following table summarizes certain details of the Trust's revolving credit facility as at December 31, 2016:

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

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

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

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

Changes in debt levels are as follows:

	Weighted average face interest rate	Three months ended December 31, 2016		
		Mortgages	Convertible debentures	Total
Debt as at September 30, 2016	3.83%	$ 751,992	$ 126,870	$ 878,862
New debt placed	3.31%	23,000	—	23,000
Scheduled repayments		(6,001)	—	(6,001)
Lump sum repayments	4.07%	(27,497)	—	(27,497)
Other adjustments[1]		(229)	212	(17)
Debt as at December 31, 2016	3.81%	$ 741,265	$ 127,082	$ 868,347

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

	Weighted average face interest rate	Mortgages	Revolving credit facility	Convertible debentures	Total
		Year ended December 31, 2016			
Debt as at January 1, 2016	3.91%	$ 780,948	$ 15,893	$ 126,260	$ 923,101
New debt placed	3.30%	145,750	—	—	145,750
Scheduled repayments		(24,377)	—	—	(24,377)
Revolving credit facility movement		—	(16,000)	—	(16,000)
Lump sum repayments	4.07%	(158,315)	—	—	(158,315)
Other adjustments[1]		(2,741)	107	822	(1,812)
Debt as at December 31, 2016	3.81%	$ 741,265	$ —	$ 127,082	$ 868,347

(1) Other adjustments include financing costs on new debt placed, write-off of 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, 2016:

	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 (%)
2017	$ 65,680	$ 23,234	$ 88,914	10.2	4.17	4.59
2018	92,607	20,141	112,748	12.9	3.59	3.43
2019	163,225	18,207	181,432	20.8	5.29	4.66
2020	88,820	15,852	104,672	12.0	3.34	3.19
2021	116,221	13,307	129,528	14.8	3.67	4.13
2022 and thereafter	234,587	21,052	255,639	29.3	3.48	3.36
Total	$ 761,140	$ 111,793	$ 872,933	100.0	3.95	3.85
Unamortized financing costs			(5,932)			
Unamortized fair value adjustments			1,346			
Total			$ 868,347			

Convertible debentures

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

	Date issued	Maturity date	Conversion price	**Outstanding principal December 31, 2016**	Outstanding principal February 21, 2017	REIT Units if converted February 21, 2017
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, 2016, the conversion feature amounted to a $3.3 million financial asset (December 31, 2015 – $nil), which was included in other non-current assets on the consolidated balance sheet.

Commitments and contingencies

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

Dream Industrial did not enter into any operating or finance leases as lessee during this reporting period. As at December 31, 2016, the Trust has entered into lease agreements with tenants that may require leasing and tenant improvement costs of approximately $1.5 million (December 31, 2015 – $4.0 million).

OUR EQUITY

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

						Unitholders' equity
			December 31, 2016			December 31, 2015
	Number of Units		**Amount**	Number of Units		Amount
REIT Units	**59,633,237**	**$**	**589,252**	58,645,223	$	581,476
Retained earnings	**—**		**2,727**	—		46,984
Add: LP B Units	**18,551,855**		**158,247**	18,551,855		133,202
Accumulated other comprehensive loss	**—**		**(869)**	—		(1,577)
Total equity[1]	**78,185,092**	**$**	**749,357**	77,197,078	$	760,085

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

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

During the fourth quarter of 2016, Dream Office REIT purchased 747,190 REIT Units and also enrolled those Units in DRIP effective from the December 2016 distributions that were payable on January 15, 2017. In addition, the LP B Units that are held by the wholly owned subsidiaries of Dream Office REIT were also enrolled in DRIP to receive REIT Units effective from the November distributions that were payable on December 15, 2016. During the three months ended December 31, 2016, under the DRIP for LP B Units, the Trust issued 135,283 REIT Units to the subsidiaries of Dream Office REIT for a total cost of $1.1 million. As at December 31, 2016, Dream Office REIT, directly and indirectly through its wholly owned subsidiaries, held 882,473 REIT Units and 18,551,855 LP B Units representing approximately 24.9% ownership in the Trust.

The following table summarizes the changes in our outstanding equity:

	REIT Units	LP B Units	Total
Total Units outstanding on January 1, 2016	58,645,223	18,551,855	77,197,078
Units issued pursuant to DRIP	876,787	—	876,787
Units issued pursuant to Unit Purchase Plan	1,739	—	1,739
Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	109,488	—	109,488
Total Units outstanding on December 31, 2016	59,633,237	18,551,855	78,185,092
Percentage of all Units	76.3%	23.7%	100.0%
Units issued pursuant to DRIP on January 15, 2017	207,270	—	207,270
Units issued pursuant to DRIP on February 15, 2017	192,217	—	192,217
Total Units outstanding on February 21, 2017[1]	60,032,724	18,551,855	78,584,579
Percentage of all Units	76.4%	23.6%	100.0%

(1) The date of this report.

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on December 19, 2016 and will remain in effect until the earlier of December 18, 2017 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 5,803,445 REIT Units (representing 10% of the REIT's public float of 58,034,459 REIT Units as at December 1, 2016) through the facilities of the Toronto Stock Exchange (the "TSX") at prevailing market prices and in accordance with the rules and policies of the TSX. The actual number of REIT Units that may be purchased and the timing of any such purchases will be determined by the Trust, subject to a maximum daily purchase limitation of 29,969 REIT Units except where purchases are made in accordance with block purchase exemptions under applicable TSX rules. To the date of this MD&A, no purchases have 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, 2016			Year ended December 31, 2016		
	Declared distributions	3% bonus distributions[1]	Total	Declared distributions	3% bonus distributions[1]	Total
2016 distributions						
Paid in cash or reinvested in Units	$ 9,108	$ 66	$ 9,174	$ 49,839	$ 186	$ 50,025
Payable at December 31, 2016	4,592	—	4,592	4,592	—	4,592
Total distributions[2]	$ 13,700	$ 66	$ 13,766	$ 54,431	$ 186	$ 54,617
2016 reinvestment						
Reinvested to December 31, 2016	$ 2,213	$ 66	$ 2,279	$ 6,194	$ 186	$ 6,380
Reinvested on January 15, 2017	1,670	50	1,720	1,670	50	1,720
Total distributions reinvested	$ 3,883	$ 116	$ 3,999	$ 7,864	$ 236	$ 8,100
Distributions paid in cash	$ 9,817			$ 46,567		
Reinvestment to distribution ratio	28.3%			14.4%		
Ratio of distributions paid in cash	71.7%			85.6%		

(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, 2016 were $13.7 million. Distributions declared for the year ended December 31, 2016 were $54.4 million. Of the distributions declared for the three months ended December 31, 2016, $3.9 million, or 28.3%, was reinvested in additional Units resulting in a ratio of distributions paid in cash of 71.7%, and for the year ended December 31, 2016, $7.9 million, or approximately 14.4%, was reinvested in additional Units resulting in a ratio of distributions paid in cash of 85.6%.

OUR RESULTS OF OPERATIONS

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Investment properties revenue	**$ 42,715**	$ 44,463	**$ 174,689**	$ 176,992
Investment properties operating expenses	**(13,939)**	(14,550)	**(57,302)**	(57,546)
Net rental income	**28,776**	29,913	**117,387**	119,446
Other income				
Interest and fee income	**41**	7	**68**	22
	41	7	**68**	22
Other expenses				
General and administrative	**(2,503)**	(2,220)	**(9,931)**	(8,967)
Interest:				
Interest expense on debt	**(8,762)**	(8,892)	**(35,363)**	(35,309)
Subsidiary redeemable units	**(3,311)**	(3,247)	**(13,050)**	(12,986)
Depreciation and amortization	**(14)**	(16)	**(54)**	(48)
	(14,590)	(14,375)	**(58,398)**	(57,310)
Fair value adjustments and other items				
Fair value adjustments to investment properties	**(7,784)**	(7,300)	**(32,033)**	(8,907)
Fair value adjustments to financial instruments	**(13,385)**	13,193	**(22,351)**	22,571
Net losses on transactions and other activities	**(2,630)**	(36,112)	**(7,912)**	(40,367)
	(23,799)	(30,219)	**(62,296)**	(26,703)
Income (loss) before income taxes	**(9,572)**	(14,674)	**(3,239)**	35,455
Recovery of (deferred) income taxes	**(30)**	(57)	**549**	(266)
Net income (loss) for the period	**$ (9,602)**	$ (14,731)	**$ (2,690)**	$ 35,189

Investment properties revenue

Investment properties revenue includes rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Investment properties revenue totalled $42.7 million for the quarter, a decrease of $1.7 million, or 3.9%, over the prior year comparative quarter, primarily as a result of the impact of sold properties net of acquisitions, decrease in operating cost recoveries and straight-line rent. For the year ended December 31, 2016, investment properties revenue decreased by $2.3 million, or 1.3%, over the prior year comparative period, primarily due to the impact of sold properties net of acquisitions and lower straight-line rent, slightly offset by an increase in operating cost recoveries.

Investment properties operating expenses

Operating expenses comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants. Operating expenses fluctuate with changes in occupancy levels, weather, utility costs, realty taxes, and repairs and maintenance.

Investment properties operating expenses decreased by $0.6 million, or 4.2%, when compared to the prior year comparative quarter (a decrease of $0.2 million, or 0.4%, for the year ended December 31, 2016). The decrease for the periods was primarily due to dispositions completed offset by the increase in bad debt expenses.

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 as noted below:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Asset management fee	**$ 1,012**	$ 1,048	**$ 4,129**	$ 4,182
Deferred compensation expenses	**347**	290	**1,421**	1,383
Professional fees	**425**	363	**1,548**	1,358
General corporate expenses(1)	**719**	519	**2,833**	2,044
Total	**$ 2,503**	$ 2,220	**$ 9,931**	$ 8,967

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

General and administrative expenses increased by $0.3 million, or 12.7%, from the prior year comparative quarter ($1.0 million, or 10.8%, increase compared to the year ended December 31, 2015), primarily due to higher professional fees and general corporate expenses as a result of increased spending on process improvements and technology related costs.

Fair value adjustments to investment properties

During the three months and year ended December 31, 2016, the Trust recorded fair value losses of $7.8 million and $32.0 million, respectively. For the three months ended December 31, 2016, fair value losses of $8.9 million, $2.3 million and $1.7 million were recorded in Western Canada, Québec and Eastern Canada, respectively, and a gain of $5.1 million was recorded in Ontario. For the year ended December 31, 2016, fair value losses of $29.5 million and $14.7 million were recorded in Western Canada and Eastern Canada, respectively, and were slightly offset by fair value gains recorded in Ontario and Québec of $6.8 million and $5.4 million, respectively.

Interest expense – debt

Interest expense on debt for the quarter ended December 31, 2016 decreased by $0.1 million, or 1.5%, compared to the prior year comparative quarter (stable at $35.0 million when compared to the year ended December 31, 2015). The decrease for the quarter was primarily due to interest savings from refinancing the maturing debt at lower interest rates during 2016 and 2015, offset by lower amortization of mark-to-market adjustments from assumed debt as a result of mortgage maturities.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments include fair value adjustments on the conversion feature of convertible debt, remeasurement of the carrying value of subsidiary redeemable units, remeasurement of the deferred trust units and fair value adjustment to interest rate swap. For the quarter ended December 31, 2016, we recognized a loss of $12.6 million on the measurement of the subsidiary redeemable units (loss of $25.0 million for the year ended December 31, 2016) due to an increase in the trading value of REIT Units at the end of Q4 2016 compared to the end of Q3 2016 and December 31, 2015.

During the quarter, the remeasurement on conversion feature of the convertible debentures resulted in a loss of $1.7 million (gain of $3.3 million for the year ended December 31, 2016) primarily as a result of a decrease in trading price of the convertible debentures at the end of Q4 2016 and an increase in trading price when compared to Q4 2015.

In August 2015, the Trust entered into an interest rate swap agreement for an initial notional value of $50 million to effectively fix the interest rate on a variable rate mortgage. The Trust did not apply hedge accounting to this relationship; therefore the fair value adjustment on the interest rate swap is recognized in net income. The fair value adjustment on this interest rate swap resulted in a gain of $1.3 million for Q4 2016 ($0.4 million gain for the year ended December 31, 2016).

Net losses on transactions and other activities

Included in net losses on transactions and other activities is $0.4 million in debt settlement costs for the three months ended December 31, 2016 ($0.6 million for the year ended December 31, 2016) and $1.0 million in transaction costs recorded for the year ended December 31, 2016 relating to business combinations completed in previous years. In Q4 2016, we recorded $0.1 million of net loss on sale of investment properties ($0.8 million for the year ended December 31, 2016).

During the fourth quarter of 2016, a cost reduction program was implemented to further improve the effectiveness of the Trust's property operations and general and administrative support platform. As a result of implementing this program, the Trust incurred a charge of $1.1 million.

Internal leasing costs remained fairly consistent when compared to the three months and year ended December 31, 2015.

Related party transactions

Dream Industrial and its subsidiaries enter into transactions with related parties that are disclosed in Note 23 to the consolidated financial statements. The consolidated financial statements are available on our website and SEDAR. Pursuant to the Asset Management Agreement and the Shared Services and Cost Sharing Agreement, during Q4 2016, we paid $1.8 million (year ended December 31, 2016 – $6.5 million) to DAM. Pursuant to the Services Agreement, during Q4 2016, we paid $0.9 million (year ended December 31, 2016 – $3.5 million) to Dream Office REIT.

Net operating income ("NOI")

We define NOI as investment properties revenue less investment properties operating expenses, including the share of net rental income from investments in joint venture and property management income, if any. As a result of the Trust not having any net rental income from investments in joint ventures or property management income, during the periods ended December 31, 2016, NOI is the same as net rental income presented in the consolidated financial statements.

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

	Three months ended December 31,				Year ended December 31,			
	2016		2015		**2016**		2015	
Total portfolio	**Amount**	**%**	Amount	%	**Amount**	**%**	Amount	%
Western Canada	**$ 11,055**	**38%**	$ 11,661	39%	**$ 45,293**	**39%**	$ 46,151	39%
Ontario	**7,752**	**27%**	7,778	26%	**30,765**	**26%**	30,015	25%
Québec	**5,612**	**20%**	5,989	20%	**23,191**	**20%**	24,172	20%
Eastern Canada	**4,357**	**15%**	4,485	15%	**18,138**	**15%**	19,108	16%
NOI	**$ 28,776**	**100%**	$ 29,913	100%	**$ 117,387**	**100%**	$ 119,446	100%
Net rental income reported per consolidated financial statements	**$ 28,776**		$ 29,913		**$ 117,387**		$ 119,446	

For the three months ended December 31, 2016, the NOI decreased by $1.1 million, or 3.8%, when compared to the same quarter last year. The decrease in NOI was primarily due to the impact of sold properties and bad debt expenses on NOI, slightly offset by an increase in comparative properties NOI. The decrease in NOI of $2.1 million, or 1.7%, for the year ended December 31, 2016 when compared to the same period last year was due largely to the impact of sold properties net of the acquisitions completed, an increase in bad dad debt expenses and reduction in straight-line rent offset by an increase in comparative properties NOI.

Comparative properties NOI

NOI 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, 2015 and exclude the properties sold in the quarters and property classified as asset held for sale at December 31, 2016. Comparative properties NOI excludes lease termination fees, other rental income, straight-line rent, bad debt expenses and amortization of lease incentives.

	Three months ended December 31,				Year ended December 31,			
			Growth				Growth	
	2016	2015	$	%	**2016**	2015	$	%
Western Canada	**$ 11,071**	$ 11,468	$ (397)	(3)	**$ 44,628**	$ 44,945	$ (317)	(1)
Ontario	**7,244**	7,145	99	1	**28,456**	28,179	277	1
Québec	**5,616**	5,277	339	6	**21,940**	21,174	766	4
Eastern Canada	**4,445**	4,332	113	3	**18,037**	18,216	(179)	(1)
Comparative properties NOI	**28,376**	28,222	154	1	**113,061**	112,514	547	—
Lease termination fees	**21**	—	21		**126**	98	28	
Other rental income	**150**	185	(35)		**448**	400	48	
Acquisitions	**396**	361	35		**1,537**	603	934	
Straight-line rent	**180**	326	(146)		**1,278**	1,840	(562)	
Bad debt expenses	**(400)**	(133)	(267)		**(824)**	(434)	(390)	
Amortization of lease incentives	**(249)**	(173)	(76)		**(742)**	(507)	(235)	
NOI	**$ 28,474**	$ 28,788	$ (314)	(1)	**$ 114,884**	$ 114,514	$ 370	—
NOI from property held for sale	**43**	105	(62)		**219**	489	(270)	
NOI from sold properties	**259**	1,020	(761)		**2,284**	4,443	(2,159)	
NOI including income from asset held for sale and sold properties	**$ 28,776**	$ 29,913	$ (1,137)	(4)	**$ 117,387**	$ 119,446	$ (2,059)	(2)
Net rental income reported per consolidated financial statements	**$ 28,776**	$ 29,913			**$ 117,387**	$ 119,446		
Average occupancy (comparative properties)	**93.7%**	94.0%			**93.9%**	94.3%		
In-place rental rates (per sq. ft.) at quarter-end (comparative properties)	**$ 7.22**	$ 7.23			**$ 7.22**	$ 7.23		

Overall, the comparative properties NOI for the fourth quarter of 2016 increased by $0.2 million, or 0.5%, when compared to the same quarter in 2015 and increased by $0.5 million, or 0.5%, for the year ended December 31, 2016 when compared to the same period last year. The increase in Québec was driven by higher average occupancy, and the increases in Ontario and Eastern Canada were due to higher operating cost recoveries, offset by the lower average occupancy in Western Canada. For the year ended December 31, 2016, the increase in Québec, from higher average occupancy and higher operating cost recoveries in Ontario, was offset by decreases in both Western Canada and Eastern Canada where the average occupancies were lower.

NOI prior quarter comparison

The comparative properties discussed in the following table include properties acquired prior to July 1, 2016 and exclude the properties sold in both quarters and property classified as asset held for sale at December 31, 2016.

Overall, the comparative properties NOI decreased by $0.1 million, or 0.4%, when compared to the previous quarter. Higher NOI from Ontario and Québec was largely offset by a decrease in Eastern Canada. The decrease in Eastern Canada primarily resulted from the absence of incremental operating cost recoveries recorded in the prior quarter.

Three months ended	**December 31, 2016**	September 30, 2016	Growth $	Growth %
Western Canada	**$ 11,248**	$ 11,276	$ (28)	—
Ontario	**7,463**	7,417	46	1
Québec	**5,616**	5,530	86	2
Eastern Canada	**4,445**	4,658	(213)	(5)
Comparative properties NOI	**28,772**	28,881	(109)	—
Lease termination fees	**21**	34	(13)	
Other rental income	**150**	162	(12)	
Straight-line rent	**180**	273	(93)	
Bad debt expenses	**(400)**	(241)	(159)	
Amortization of lease incentives	**(249)**	(192)	(57)	
NOI	**$ 28,474**	$ 28,917	$ (443)	(2)
NOI from property held for sale	**43**	80	(37)	
NOI from sold properties	**259**	429	(170)	
NOI including income from asset held for sale and sold properties	**$ 28,776**	$ 29,426	$ (650)	(2)
Net rental income reported per consolidated financial statements	**$ 28,776**	$ 29,426		
Average occupancy (comparative properties)	**93.8%**	93.9%		
In-place rental rates (per sq. ft.) at quarter-end (comparative properties)	**$ 7.19**	$ 7.17		

Funds from operations and adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Net income (loss)	**$ (9,602)**	$ (14,731)	**$ (2,690)**	$ 35,189
Add (deduct):				
Amortization of lease incentives	**249**	173	**742**	507
Interest expense on subsidiary redeemable units	**3,311**	3,247	**13,050**	12,986
Fair value adjustments to investment properties	**7,784**	7,300	**32,033**	8,907
Fair value adjustments to financial instruments	**13,385**	(13,193)	**22,351**	(22,571)
Transaction costs	**—**	—	**969**	—
Net loss on sale of investment properties	**130**	41	**817**	1,285
Fair value adjustments of DUIP included in general and administrative expenses	**2**	(88)	**(53)**	(245)
Debt settlement costs (gains)	**369**	—	**583**	(318)
Internal leasing costs	**1,019**	1,023	**4,056**	3,917
Impairment of goodwill	**—**	34,903	**—**	34,903
(Recovery of) deferred income taxes	**30**	57	**(549)**	266
FFO	**$ 16,677**	$ 18,732	**$ 71,309**	$ 74,826
FFO	**$ 16,677**	$ 18,732	**$ 71,309**	$ 74,826
Add (deduct):				
Amortization of fair value adjustments on assumed debt	**(175)**	(471)	**(1,162)**	(2,221)
Deferred unit compensation expense excluding fair value adjustments	**345**	378	**1,474**	1,628
Straight-line rent	**(180)**	(326)	**(1,278)**	(1,840)
Investment in business transformation activities	**42**	145	**417**	580
	16,709	18,458	**70,760**	72,973
Deduct:				
Normalized initial direct leasing costs and non-recoverable recurring capital expenditures	**2,221**	2,267	**8,941**	8,998
AFFO	**$ 14,488**	$ 16,191	**$ 61,819**	$ 63,975

Funds from operations

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
FFO	**$ 16,677**	$ 18,732	**$ 71,309**	$ 74,826
FFO per Unit – basic[1]	**$ 0.21**	$ 0.24	**$ 0.92**	$ 0.97
FFO per Unit – diluted[1]	**$ 0.21**	$ 0.24	**$ 0.90**	$ 0.95

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

Diluted FFO per Unit for the three months ended December 31, 2016 decreased to $0.21 per Unit from $0.24 per Unit, or 10.5%, when compared to the same quarter prior year. For the year ended December 31, 2016, diluted FFO was $0.90 per Unit when compared to $0.95 per Unit for the same period in 2015. The decreases for both periods were largely due to the impact of sold properties and higher bad debt expenses, the cost reduction program charge, and higher general and administrative expenses.

Basic FFO per Unit for the three months and year ended December 31, 2016 decreased by 11.9% and 5.7%, respectively, when compared to the same periods last year due to the same reasons as discussed above for the decrease in diluted FFO per Unit.

Adjusted funds from operations

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
AFFO	**$ 14,488**	$ 16,191	**$ 61,819**	$ 63,975
AFFO per Unit – basic[1]	**$ 0.19**	$ 0.21	**$ 0.79**	$ 0.83
AFFO per Unit – diluted[1]	**$ 0.19**	$ 0.21	**$ 0.79**	$ 0.82

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

Diluted AFFO per Unit for the three months and year ended December 31, 2016 decreased by 10.1% and 4.0%, respectively, when compared to the same periods last year, primarily due to the same factors impacting FFO offset by the reversal of certain accounting adjustments, such as straight-line rent and fair value adjustments on assumed debt.

Basic AFFO per Unit for the three months and year ended December 31, 2016 decreased by 11.4% and 4.3%, respectively, when compared to the same periods last year due to the same reasons as discussed for the decrease in diluted AFFO per Unit.

SELECTED ANNUAL INFORMATION

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

	2016	2015	2014
Investment properties revenue	**$ 174,689**	$ 176,992	$ 166,249
Income (loss) before income taxes	**(3,239)**	35,455	69,330
Net income (loss)	**(2,690)**	35,189	68,001
Total assets	**1,658,076**	1,720,920	1,742,710
Non-current financial liabilities	**956,389**	899,806	947,716
Distributions per Unit	**0.70**	0.70	0.70
Distributions declared[1]	**54,617**	53,965	51,289
Units outstanding			
REIT Units	**59,633,237**	58,645,223	58,035,125
LP B Units	**18,551,855**	18,551,855	18,551,855

(1) Includes distributions on LP B Units.

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2015:

Key leasing, financing and portfolio information

	2016				2015			
	Q4[1]	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Leasing								
Occupancy rate – including committed (period-end)	**95.2%**	94.5%	94.7%	94.7%	95.0%	94.6%	95.0%	95.3%
Occupancy rate – in-place (period-end)	**93.8%**	93.2%	93.7%	93.5%	93.4%	93.2%	93.8%	94.2%
Tenant renewal ratio	**66.1%**	72.3%	59.6%	69.2%	63.2%	65.1%	64.1%	60.1%
Average in-place base rent per sq. ft. (period-end)	**$ 7.19**	$ 7.13	$ 7.14	$ 7.15	$ 7.14	$ 7.15	$ 7.15	$ 7.10
Estimated market rent in excess of in-place rent (%)	**1.3%**	1.5%	1.4%	2.7%	2.9%	2.9%	3.4%	3.9%
Financing								
Weighted average face interest rate[2]	**3.81%**	3.83%	3.86%	3.87%	3.91%	3.94%	3.94%	4.01%
Interest coverage ratio (times)[3]	**3.1**	3.1	3.1	3.1	3.1	3.1	3.1	3.0
Level of debt (debt-to-total assets)[3]	**52.6%**	52.7%	53.3%	53.7%	53.8%	52.2%	52.6%	52.4%
Portfolio								
Number of properties	**213**	217	219	219	219	220	221	216
GLA (in millions of sq. ft.)	**16.2**	16.6	17.0	17.0	17.0	16.9	17.0	16.9

(1) Excludes property held for sale.

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

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

Results of operations

	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment properties revenue	**$ 42,715**	$ 43,233	$ 44,704	$ 44,037	$ 44,463	$ 43,634	$ 44,955	$ 43,940
Investment properties operating expenses	**(13,939)**	(13,807)	(15,174)	(14,382)	(14,550)	(13,762)	(14,997)	(14,237)
Net rental income	**28,776**	29,426	29,530	29,655	29,913	29,872	29,958	29,703
Other income	**41**	4	7	16	7	11	1	3
Other expenses	**(14,590)**	(14,525)	(14,681)	(14,602)	(14,375)	(14,318)	(14,364)	(14,253)
Fair value adjustments and other items	**(23,799)**	(947)	(14,981)	(22,569)	(30,219)	349	14,354	(11,187)
Income (loss) before income taxes	**(9,572)**	13,958	(125)	(7,500)	(14,674)	15,914	29,949	4,266
Recovery of (deferred) income taxes	**(30)**	325	351	(97)	(57)	(79)	(23)	(107)
Net income (loss)	**$ (9,602)**	$ 14,283	$ 226	$ (7,597)	$ (14,731)	$ 15,835	$ 29,926	$ 4,159
Other comprehensive income (loss)								
Unrealized gain (loss) on interest rate swap	**$ 360**	$ 157	$ 144	$ 47	$ 120	$ (119)	$ 198	$ (1,254)
	360	157	144	47	120	(119)	198	(1,254)
Comprehensive income (loss)	**$ (9,242)**	$ 14,440	$ 370	$ (7,550)	$ (14,611)	$ 15,716	$ 30,124	$ 2,905

Calculation of funds from operations

	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
NET INCOME (LOSS)	**$ (9,602)**	$ 14,283	$ 226	$ (7,597)	$ (14,731)	$ 15,835	$ 29,926	$ 4,159
Add (deduct):								
Amortization	**249**	192	162	139	173	135	104	95
Interest expense on subsidiary redeemable units	**3,311**	3,246	3,247	3,246	3,247	3,247	3,246	3,246
Fair value adjustments to investment properties	**7,784**	18,648	2,465	3,136	7,300	2,583	(65)	(911)
Fair value adjustments to financial instruments	**13,385**	(19,497)	11,211	17,252	(13,193)	(4,387)	(14,973)	9,982
Net loss on sale of investment properties	**130**	472	145	70	41	281	—	963
Fair value adjustments of DUIP included in general and administrative expenses	**2**	(27)	10	(38)	(88)	(60)	(69)	(28)
Debt settlement costs (gains)	**369**	218	—	(4)	—	115	(433)	—
Internal leasing costs	**1,019**	981	1,035	1,021	1,023	914	972	1,008
Transaction costs	**—**	—	—	969	—	—	—	—
Impairment of goodwill	**—**	—	—	—	34,903	—	—	—
(Recovery of) deferred income taxes	**30**	(325)	(351)	97	57	79	23	107
FFO	**$ 16,677**	$ 18,191	$ 18,150	$ 18,291	$ 18,732	$ 18,742	$ 18,731	$ 18,621
FFO per Unit – basic(1)	**$ 0.21**	$ 0.23	$ 0.23	$ 0.24	$ 0.24	$ 0.24	$ 0.24	$ 0.24
FFO per Unit – diluted(1)(2)	**$ 0.21**	$ 0.23	$ 0.23	$ 0.23	$ 0.24	$ 0.24	$ 0.24	$ 0.24

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

(2) Diluted FFO per Unit for each quarter listed above excludes $2.0 million in interest on convertible debentures.

	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
FUNDS FROM OPERATIONS (FFO)	**$ 16,677**	$ 18,191	$ 18,150	$ 18,291	$ 18,732	$ 18,742	$ 18,731	$ 18,621
Add (deduct):								
Amortization of fair value adjustment on assumed debt	**(175)**	(262)	(343)	(382)	(471)	(532)	(564)	(654)
Deferred unit compensation expense excluding fair value adjustments	**345**	374	373	382	378	376	508	366
Straight-line rent	**(180)**	(273)	(440)	(385)	(326)	(441)	(433)	(640)
Investment in business transformation activities	**42**	125	125	125	145	145	145	145
	16,709	18,155	17,865	18,031	18,458	18,290	18,387	17,838
Adjusted for:								
Normalized initial direct leasing costs and non-recoverable recurring capital expenditures	**2,221**	2,232	2,242	2,246	2,267	2,246	2,250	2,235
Adjusted funds from operations (AFFO)	**$ 14,488**	$ 15,923	$ 15,623	$ 15,785	$ 16,191	$ 16,044	$ 16,137	$ 15,603
AFFO per Unit – basic and diluted(1)(2)	**$ 0.19**	$ 0.20	$ 0.20	$ 0.20	$ 0.21	$ 0.21	$ 0.21	$ 0.20
Weighted average Units outstanding for FFO and AFFO(3)								
Basic (in thousands)	**78,099**	77,875	77,717	77,456	77,214	77,059	76,895	76,701
Diluted (in thousands)	**88,302**	88,096	87,931	87,608	87,318	87,152	86,982	86,773

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

(2) Diluted AFFO per Unit for each quarter listed above excludes $1.9 million in interest on convertible debentures.

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

NON-GAAP MEASURES AND OTHER DISCLOSURES

The following non-GAAP measures are important measures used by management in evaluating the Trust's underlying operating performance and debt management. These non-GAAP measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

Funds from operations

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

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

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 IFRS, and is not necessarily indicative of cash available to fund the Trust's needs. AFFO is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers. In calculating AFFO, we also normalize leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased.

In determining AFFO, the Trust assumes 8% of NOI, adjusted for straight-line rent, property management income and amortization of tenant inducements for normalized initial direct leasing costs and non-recoverable maintenance capital expenditures. Management uses 8% of NOI adjusted for the above items as the normalized initial direct leasing costs and non-recoverable maintenance 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. We also evaluate the impact of leasing activity based on averages of our portfolio from time to time based on actual experience.

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 investment properties revenue, less investment properties operating expenses, plus the share of net rental income from investments in joint ventures and property management income, if any. This non-GAAP measure is an important measure used by the Trust in evaluating property operating performances; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers. As a result of the Trust not having any net rental income from investments in joint ventures or property management income during the periods ended December 31, 2016 and December 31, 2015, NOI is the same as net rental income presented in the consolidated financial statements. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", NOI has been reconciled to net rental income under the heading "Net operating income".

Stabilized NOI

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

Comparative properties NOI

Comparative properties NOI is an important non-GAAP measure used by management to evaluate the performance of the properties fully owned by the Trust in the current and comparative periods presented. 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 REITs. Comparative properties NOI excludes lease termination fees and certain other adjustments, straight-line rents, bad debt expenses and amortization of lease incentives.

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

Weighted average number of Units

The basic weighted average number of Units outstanding used in the FFO and AFFO calculations includes the weighted average of all REIT Units, LP B Units, and vested but unissued deferred trust units and income deferred trust units. The diluted weighted average number of Units assumes the conversion of the convertible debentures and includes the unvested deferred trust units and income deferred trust units. As at December 31, 2016, there were 718,046 deferred trust units and income deferred trust units outstanding.

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Weighted average Units outstanding for basic per Unit amounts (in thousands)	**78,099**	77,214	**77,790**	76,969
Weighted average Units outstanding for diluted per Unit amounts (in thousands)	**88,302**	87,318	**87,962**	87,055

Level of debt (debt-to-total assets)

Management believes this non-GAAP measure is an important measure in the management of our debt levels. Level of debt is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other issuers. Level of debt (debt-to-total assets) as shown 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, 2016**	December 31, 2015
Non-current debt	**$ 780,622**	$ 750,584
Current debt	**87,725**	172,517
Total debt	**868,347**	923,101
Add (deduct):		
Unamortized financing costs	**5,932**	5,375
Unamortized fair value adjustments	**(1,346)**	(2,601)
Total debt at principal amount outstanding	**872,933**	925,875
Total assets	**$ 1,658,076**	$ 1,720,920
Debt-to-total assets	**52.6%**	53.8%

Debt-to-adjusted EBITDA

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

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

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

Amounts per consolidated financial statements		**Three months ended December 31, 2016**		Three months ended December 31, 2015
Non-current debt	**$**	**780,622**	$	750,584
Current debt		**87,725**		172,517
Total debt		**868,347**		923,101
Add (deduct):				
Unamortized financing costs		**5,932**		5,375
Unamortized fair value adjustments		**(1,346)**		(2,601)
Total debt at principal amount outstanding	**$**	**872,933**	$	925,875
Income (loss) before income taxes	**$**	**(9,572)**	$	(14,674)
Add (deduct):				
Fair value adjustments to investment properties		**7,784**		7,300
Fair value adjustments to financial instruments		**13,385**		(13,193)
Net losses on transactions and other activities		**2,630**		36,112
Interest – debt		**8,762**		8,892
Interest – subsidiary redeemable units		**3,311**		3,247
Depreciation and amortization		**14**		16
Other items included in investment properties revenues(1)		**(361)**		(547)
Adjusted EBITDA – quarterly		**25,953**		27,153
Normalized NOI of acquired property for the quarter(2)		**—**		36
Adjusted EBITDA – quarterly	**$**	**25,953**	$	27,189
Adjusted EBITDA – annualized	**$**	**103,812**	$	108,756
Debt-to-adjusted EBITDA (years)		**8.4**		8.5

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

(2) Represents the incremental NOI had the acquisition occurred on October 1, 2015, determined using average daily NOI times the number of days the Trust did not own the properties.

Interest coverage ratio

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

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		**2016**		2015		**2016**		2015
Net rental income	**$**	**28,776**	$	29,913	**$**	**117,387**	$	119,446
Add (deduct):								
Interest and other		**41**		7		**68**		22
General and administrative expenses		**(2,503)**		(2,220)		**(9,931)**		(8,967)
Deferred unit compensation expense		**347**		290		**1,421**		1,383
		26,661		27,990		**108,945**		111,884
Interest expense incurred, at contractual rate	**$**	**8,536**	$	9,028	**$**	**35,022**	$	36,292
Interest coverage ratio (times)		**3.1**		3.1		**3.1**		3.1

Adjusted cash generated from (utilized in) operating activities

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

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

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

As the Trust uses adjusted cash generated from (utilized in) operating activities in determining its cash available for distribution, the following table also outlines the difference between adjusted cash generated from (utilized in) operating activities and distributions paid and payable:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Net income (loss)	**$ (9,602)**	$ (14,731)	**$ (2,690)**	$ 35,189
Cash generated from (utilized in) operating activities	**11,094**	12,492	**58,585**	58,974
Add (deduct):				
Investment in lease incentives and initial direct leasing costs	**2,789**	2,758	**11,257**	7,564
Change in non-cash working capital	**2,148**	2,391	**(2,030)**	3,224
Adjusted cash generated from (utilized in) operating activities	**16,031**	17,641	**67,812**	69,762
Distributions paid and payable(1)	**13,766**	13,535	**54,617**	53,965
Excess of adjusted cash generated from (utilized in) operating activities over distributions paid and payable	**2,265**	4,106	**13,195**	15,797
Excess (shortfall) of net income over distributions paid and payable	**(23,368)**	(28,266)	**(57,307)**	(18,776)
Excess (shortfall) of cash generated from (utilized in) operating activities over distributions paid and payable	**$ (2,672)**	$ (1,043)	**$ 3,968**	$ 5,009

(1) Includes distributions on LP B Units.

For the three months ended December 31, 2016, adjusted cash generated from (utilized in) operating activities exceeded distributions paid and payable by $2.3 million ($13.2 million for the year ended December 31, 2016) compared to $4.1 million for the three months ended December 31, 2015 ($15.8 million for the year ended December 31, 2015).

Shortfall of cash generated from (utilized in) operating activities over distributions paid and payable was $2.7 million for the three months ended December 31, 2016 ($4.0 million excess for the year ended December 31, 2016) compared to a $1.0 million shortfall for the three months ended December 31, 2015 ($5.0 million excess for the year ended December 31, 2015). The shortfalls of cash generated from (utilized in) operating activities over distributions paid and payable for the three months ended December 31, 2016 and December 31, 2015 were primarily driven by the change in non-cash working capital as well as investment in lease incentives and initial direct leasing costs. Accordingly, the Trust believes these shortfalls were primarily as a result of timing differences between the realization of working capital, investment in lease incentives and initial direct leasing costs and the declaration of distributions and thus did not constitute an economic return of capital.

For the three months ended December 31, 2016, distributions paid and payable exceeded net income by $23.4 million ($57.3 million for the year ended December 31, 2016) compared to $28.3 million for the three months ended December 31, 2015 ($18.8 million for the year ended December 31, 2015). Net income is net of distributions paid and payable on subsidiary redeemable units of $3.3 million for the three months ended December 31, 2016 ($13.1 million for the year ended December 31, 2016), which amounts are also included in distributions paid and payable. The shortfalls for the three months and year ended December 31, 2016 were primarily driven by the fair value adjustments to financial instruments and investment properties. The shortfalls for the three months and year ended December 31, 2015 were largely driven by the $34.9 million of goodwill impairment loss recorded under net losses on transactions and other activities of the consolidated statements of net income (loss) and comprehensive income (loss). As this is a non-cash item and does not affect cash generated from (utilized in) operating activities and adjusted cash generated from (utilized in) operating activities (a non-GAAP term), the Trust does not believe that the distributions for the affected periods represent a return of capital and, accordingly, the Trust does not anticipate cash distributions will be suspended in the foreseeable future.

Of the distributions paid and payable for the three months ended December 31, 2016, $4.0 million ($8.1 million for the year ended December 31, 2016) was reinvested into the DRIP. Over time, reinvestments pursuant to the DRIP will increase the number of Units outstanding, which may result in upward pressure on the total amount of cash distributions. Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust, which allows for any unforeseen expenditures and the variability in cash distributions as a result of additional Units issued pursuant to the Trust's DRIP.

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,	
	2016	2015	**2016**	2015
Cash generated from (utilized in) operating activities	**$ 11,094**	$ 12,492	**$ 58,585**	$ 58,974
Add (deduct):				
Initial direct leasing costs and lease incentives incurred	**2,789**	2,758	**11,257**	7,564
Change in non-cash working capital	**2,148**	2,391	**(2,030)**	3,224
Amortization of financing costs on debt	**(401)**	(335)	**(1,503)**	(1,238)
Depreciation of property and equipment	**(14)**	(16)	**(54)**	(48)
Investment in business transformation activities	**42**	145	**417**	580
Internal leasing costs	**1,019**	1,023	**4,056**	3,917
Normalized initial direct leasing costs and non-recoverable recurring capital expenditures	**(2,221)**	(2,267)	**(8,941)**	(8,998)
Other	**32**	—	**32**	—
AFFO	**$ 14,488**	$ 16,191	**$ 61,819**	$ 63,975

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

For the December 31, 2016 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. During the year ended December 31, 2016, Dream Industrial implemented the internal control – Integrated Framework (2013) ("COSO Framework"), as published by the Committee of Sponsoring Organizations of the Treadway Commission. Using the COSO Framework, the Certifying Officers, together with other members of management, have evaluated the design and operation of Dream Industrial's internal control over financial reporting. Based on that evaluation, the Certifying Officers have concluded that Dream Industrial's internal control over financial reporting was effective as at December 31, 2016.

There were no changes in Dream Industrial's internal control over financial reporting during the financial year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, Dream Industrial's internal control over financial reporting.

SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

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

Critical accounting judgments

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

Investment properties

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

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

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

Business combinations

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

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

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

In particular, the Trust considers the following:

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

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

Estimates and assumptions

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

Valuation of investment properties

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

Valuation of financial instruments

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

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

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

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

Revenue recognition

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Trust 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” (“IAS 39”). IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity’s own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. The entity’s own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets, “fair value through other comprehensive income”, will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial instruments – disclosures

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Leases

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

Statement of cash flows

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

Share-based payments

IFRS 2, "Share-based Payments" ("IFRS 2") clarifies how to account for certain types of share-based payment transactions. It was amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes. The amendments to IFRS 2 are effective for years beginning on or after January 1, 2018. The Trust is currently assessing the impact of IFRS 2 on the consolidated financial statements.

Additional information

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

SECTION VI – SUPPLEMENTARY INFORMATION

The following tables within this section below include supplementary information on our portfolio as at December 31, 2016.

PROPERTY LIST AND SELECTED DATA

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
7140 40th Street SE, Calgary	100%	351,306	351,306	1978/2007	30.0	13.8	13.8	1	5.8	100.0%
1919 84th Avenue (Park 19), Edmonton	100%	48,365	48,365	1975/1987	21.0	3.7	3.7	1	2.4	100.0%
2721 Hopewell Place NE, Calgary	100%	37,690	37,690	2006	22.0	1.9	1.9	1	5.8	100.0%
204 26229 Township Road 531A (Parkland County), Edmonton	100%	34,904	34,904	2005	24.0	9.0	9.0	1	3.2	100.0%
6908 6th Street SE (Glenmore Business Park), Calgary	100%	31,467	31,467	1978	18.0	3.2	3.2	1	2.7	100.0%
3917 81st Avenue, Edmonton	100%	30,353	30,353	2006	28.0	5.5	5.5	1	4.3	100.0%
2876 Sunridge Way NE (Sunridge Business Park), Calgary	100%	30,000	30,000	2000	16.0	2.3	2.3	1	3.9	100.0%
3250 Sunridge Way NE (Sunridge Business Park), Calgary	100%	27,180	27,180	2000	24.0	2.1	2.1	1	3.6	100.0%
15301 100th Street, Grand Prairie	100%	27,058	27,058	2005	24.0	27.3	27.3	1	3.2	100.0%
2240 Premier Way (GE Turbine), Edmonton	100%	26,381	26,381	2003	30.0	1.5	1.5	1	1.6	100.0%
1802 Stock Road, Regina	50%	46,157	23,079	2012	28.0	3.6	1.8	1	6.4	100.0%
7121 6th Street SE (Glenmore Business Park), Calgary	100%	19,274	19,274	1984	20.0	0.9	0.9	1	4.9	100.0%
120 Pond Street East, Brooks	100%	14,305	14,305	2006	24.0	5.2	5.2	1	4.8	100.0%
363 Maxwell Crescent, Regina	50%	23,415	11,708	1984/1997	24.0	0.4	0.2	1	4.2	100.0%
1105 Pettigrew Avenue, Regina	50%	12,234	6,117	1980/2012	18.0	2.1	1.1	1	1.3	100.0%
2190 Industrial Drive, Regina	50%	11,677	5,839	2006	18.0	2.7	1.5	1	0.4	100.0%
1640 Broder Street, Regina	50%	11,169	5,585	1989/1997	16.0	1.1	0.5	1	7.1	100.0%
Western Canada Single-tenant	**93.3%**	**782,935**	**730,611**		**26.1**	**86.3**	**81.5**	**17**	**4.7**	**100.0%**
310 Henderson Drive, Regina	100%	373,284	373,284	1976	24.0	24.0	24.0	2	6.8	100.0%
15303 128th Avenue, Edmonton	100%	177,058	177,058	1977/2004	25.0	12.4	12.4	3	7.1	100.0%
611-615 71st Avenue SE & 7515 6th Street SE (Glenmore Business Park), Calgary	100%	167,751	167,751	1979	20.0	6.5	6.5	17	3.1	96.9%
628 668 Henderson Drive (Chestermere), Regina	100%	164,251	164,251	1975	19.0	9.1	9.1	19	3.5	91.6%
7504 30th Street SE, Calgary	100%	138,729	138,729	1976	22.0	6.0	6.0	2	5.7	100.0%
11445 163rd Street (Alberta Park), Edmonton	100%	130,065	130,065	1981	22.0	5.2	5.2	6	2.7	56.9%
9603-9699 45th Avenue NW, Edmonton	100%	110,496	110,496	1975	22.0	6.0	6.0	20	2.6	87.2%
603 Park Street, Regina	100%	109,691	109,691	1978	19.0	6.8	6.8	18	2.6	97.4%
3916 61st Avenue, Calgary	100%	99,978	99,978	1976	26.0	5.1	5.1	2	3.2	100.0%
7004-7042 30th Street SE, Calgary	100%	94,332	94,332	1976	18.0	5.3	5.3	7	5.8	100.0%
651 Henderson Drive (Henderson Business Centre), Regina	100%	90,242	90,242	1982	19.0	5.0	5.0	20	2.8	100.0%
26229 Township Road 531, Parkland County	100%	89,242	89,242	1968	24.7	6.5	6.5	10	1.9	75.2%
7008 5th Street SE (Glenmore Business Park), Calgary	100%	85,961	85,961	1975	17.0	3.7	3.7	7	2.6	100.0%
11404 Winterburn Rd NW, Edmonton	100%	80,909	80,909	2004	23.8	6.3	6.3	15	1.8	93.9%
7004 5th Street SE (Glenmore Business Park), Calgary	100%	79,369	79,369	1975	20.0	3.4	3.4	11	4.1	100.0%
9451 45th Avenue (Southwood Centre), Edmonton	100%	75,172	75,172	1998	28.0	4.5	4.5	2	2.3	100.0%
4710-4760 14th Street NE (McCall Industrial Park), Calgary	100%	73,029	73,029	1976	18.0	4.0	4.0	21	3.1	100.0%
2777 23rd Avenue NE (Sunridge Business Park), Calgary	100%	67,250	67,250	2001	24.0	3.8	3.8	3	2.1	100.0%
3510 29th Street NE (ACC Centre), Calgary	100%	65,022	65,022	1998	24.0	3.0	3.0	7	3.6	100.0%
7111 6th Street SE (Glenmore Business Park), Calgary	100%	64,939	64,939	1985	20.0	2.9	2.9	4	4.6	100.0%
3401 19th Street, Calgary	100%	63,962	63,962	1976	22.0	4.1	4.1	6	3.3	100.0%
2150 29th Street NE (Sunridge Business Park), Calgary	100%	59,865	59,865	1999	24.0	3.3	3.3	7	4.1	100.0%
7710 5th Street SE (Glenmore Business Park), Calgary	100%	59,035	59,035	1980	20.0	2.3	2.3	25	2.9	94.5%
2175 29th Street NE (Sunridge Business Park), Calgary	100%	58,184	58,184	2000	24.0	3.5	3.5	3	3.6	100.0%
2256 29th Street NE (Sunridge Business Park), Calgary	100%	58,015	58,015	1998	24.0	3.5	3.5	5	2.3	100.0%
4403-4435 97th Street North West, Edmonton	100%	57,813	57,813	1975	24.0	3.2	3.2	5	5.4	100.0%
550 71st Avenue SE (Glenmore Business Park), Calgary	100%	57,776	57,776	1982	12.0	2.6	2.6	9	2.1	86.8%
1139-1165 40th Avenue NE, Calgary	100%	57,466	57,466	1974	20.0	2.9	2.9	6	3.6	100.0%
2928 Sunridge Way NE (Sunridge Business Park), Calgary	100%	57,243	57,243	2003	24.0	4.1	4.1	4	2.0	100.0%
2151 32nd Street NE (Sunridge Business Park), Calgary	100%	57,225	57,225	1999	24.0	3.4	3.4	6	3.2	100.0%

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
501-529 36th Avenue SE, Calgary	100%	57,191	57,191	1974	18.0	2.9	2.9	6	3.9	100.0%
4504-4576 14th Street NE, Calgary	100%	57,132	57,132	1976	16.0	4.1	4.1	31	2.8	100.0%
2121 29th Street NE (Sunridge Business Park), Calgary	100%	56,979	56,979	2000	24.0	3.8	3.8	3	2.3	100.0%
6812 6th Street SE (Glenmore Business Park), Calgary	100%	56,970	56,970	1978	20.0	5.7	5.7	6	3.3	100.0%
402 McDonald Street (Imperial Business Centre), Regina	100%	56,177	56,177	1984	18.0	2.8	2.8	15	2.3	95.3%
2985 23rd Avenue NE (Sunridge Business Park), Calgary	100%	54,065	54,065	2000	24.0	3.0	3.0	3	3.0	100.0%
4402-4434 10th Street NE, Calgary	100%	53,992	53,992	1974	16.0	3.1	3.1	7	2.8	100.0%
7003 5th Street SE (Glenmore Business Park), Calgary	100%	52,825	52,825	1975	20.0	2.7	2.7	13	5.6	90.4%
16134-114th Avenue NW, Edmonton	100%	47,925	47,925	2006	26.8	4.4	4.4	8	3.1	91.0%
2886 Sunridge Way NE (Sunridge Business Park), Calgary	100%	44,433	44,433	2001	24.0	3.5	3.5	3	1.7	100.0%
610 70th Avenue SE (Glenmore Business Park), Calgary	100%	44,218	44,218	1985	20.0	3.5	3.5	12	3.3	100.0%
1512-1514 8th Street, Edmonton	100%	42,670	42,670	1980	20.0	10.2	10.2	2	2.9	100.0%
535-561 36th Avenue SE, Calgary	100%	41,440	41,440	1974	16.0	1.9	1.9	2	9.2	100.0%
5824 Burbank Road SE, Calgary	100%	39,837	39,837	1972	20.0	2.4	2.4	5	6.0	100.0%
310 Hoffer Drive (McDonald Business Centre), Regina	100%	38,007	38,007	1985	18.0	2.8	2.8	6	2.6	70.2%
4001 19th Street, Calgary	100%	36,939	36,939	1978	22.0	2.5	2.5	7	2.4	100.0%
6810 6th Street SE (Glenmore Business Park), Calgary	100%	31,726	31,726	1978	19.0	3.2	3.2	3	3.5	100.0%
6804-6818 30th Street SE, Calgary	100%	30,027	30,027	1976	16.0	1.2	1.2	2	3.2	40.1%
7131 6th Street SE (Glenmore Business Park), Calgary	100%	29,002	29,002	1982	20.0	1.3	1.3	2	4.3	100.0%
6023-6039 Centre Street South, Calgary	100%	28,792	28,792	1973	15.0	1.5	1.5	5	3.0	87.5%
4502-4516 10th Street NE, Calgary	100%	28,641	28,641	1974	16.0	1.4	1.4	6	2.3	100.0%
16104-114th Avenue NW, Edmonton	100%	28,624	28,624	1972	20.0	4.4	4.4	8	2.3	100.0%
3030 Sunridge Way NE (Sunridge Business Park), Calgary	100%	26,967	26,967	2000	24.0	2.1	2.1	5	3.3	100.0%
6043-6055 Centre Street South, Calgary	100%	25,234	25,234	1973	15.0	1.3	1.3	5	3.1	100.0%
530-544 38A Avenue SE, Calgary	100%	23,987	23,987	1974	16.0	1.2	1.2	7	2.3	100.0%
7007 5th Street SE (Glenmore Business Park), Calgary	100%	23,371	23,371	1974	19.0	1.2	1.2	3	2.5	100.0%
616 71st Avenue SE (Glenmore Business Park), Calgary	100%	21,894	21,894	1985	21.0	1.0	1.0	2	1.7	50.0%
1135-1149 45th Avenue NE, Calgary	100%	21,552	21,552	1974	16.0	1.3	1.3	6	2.4	100.0%
6910 6th Street SE (Glenmore Business Park), Calgary	100%	21,268	21,268	1978	16.0	2.1	2.1	4	2.2	100.0%
4620-4640 11th Street NE, Calgary	100%	21,161	21,161	1971	16.0	1.4	1.4	11	2.8	100.0%
102-114 61st Avenue SW, Calgary	100%	18,890	18,890	1973	14.0	1.1	1.1	4	2.1	100.0%
4001-4019 23rd Street NE, Calgary	100%	15,767	15,767	1976	16.0	1.1	1.1	5	4.8	100.0%
2915-2925 58th Avenue SE, Calgary	100%	15,599	15,599	1976	16.0	1.0	1.0	6	2.9	100.0%
3503-3521 62nd Avenue SE, Calgary	100%	13,413	13,413	1975	13.0	1.2	1.2	7	1.8	100.0%
125 McDonald Street, Regina	50%	14,080	7,041	1975	13.0	1.2	0.6	2	2.4	71.9%
Western Canada Multi-tenant	**99.8%**	**4,144,149**	**4,137,110**		**21.1**	**251.9**	**251.3**	**494**	**3.8**	**95.5%**
Western Canada	**98.8%**	**4,927,084**	**4,867,721**		**21.9**	**338.2**	**332.8**	**511**	**4.0**	**96.1%**
275 Wellington Street East, Aurora	100%	317,000	317,000	1986	27.0	16.3	16.3	1	5.2	100.0%
45 Progress Avenue, Toronto	100%	209,754	209,754	1965/2000	24.0	10.3	10.3	1	4.0	100.0%
3230 Mainway Drive, Burlington	100%	207,703	207,703	1965	21.0	9.9	9.9	1	8.8	100.0%
290 Humberline Drive, Etobicoke	100%	180,329	180,329	1981/2010	20.0	6.9	6.9	1	6.1	100.0%
750 Creditstone Road, Vaughan	100%	176,535	176,535	1999	24.0	9.0	9.0	1	1.0	100.0%
121 Pippin Road, Vaughan	100%	169,500	169,500	1999	24.0	8.6	8.6	1	3.0	100.0%
580 Industrial Road, London	100%	113,595	113,595	1972/2002	24.0	12.7	12.7	1	1.1	100.0%
441 Chrislea Road, Vaughan	100%	100,626	100,626	1998	22.0	4.1	4.1	1	1.8	100.0%
2130 South Service Road West, Oakville	100%	98,175	98,175	1986/2005	24.0	4.4	4.4	0	-	0.0%
970 Fraser Drive, Burlington	100%	95,444	95,444	1999	28.0	6.9	6.9	1	11.0	100.0%
274 Humberline Drive, Etobicoke	100%	80,540	80,540	1981	20.0	3.9	3.9	1	3.3	100.0%
2226 South Service Road West, Oakville	100%	79,174	79,174	1980	22.0	3.5	3.5	1	4.0	100.0%
439 Sovereign, London	100%	77,877	77,877	1988	22.0	5.6	5.6	1	1.8	100.0%
9305 Twin Oaks Drive, Windsor	100%	74,239	74,239	1996	28.0	5.2	5.2	1	3.6	100.0%
2 Lone Oak Court, Toronto	100%	72,197	72,197	2001	24.0	4.4	4.4	1	5.5	100.0%
6885-6895 Menway Court, Mississauga	100%	66,383	66,383	1988	20.0	3.4	3.4	1	0.2	100.0%
896 Meyerside Drive, Mississauga	100%	46,774	46,774	1986	20.0	2.4	2.4	1	9.4	100.0%
880 Rangeview Road, Mississauga	100%	45,600	45,600	1977/2005	24.0	3.2	3.2	1	5.8	100.0%
135 Pinebush Road, Cambridge	100%	44,470	44,470	2001	60.0	5.6	5.6	1	3.5	100.0%
5905 Kennedy Road, Mississauga	100%	38,158	38,158	1988	22.0	2.1	2.1	1	4.1	100.0%
6045 Kestrel Road, Mississauga	100%	34,879	34,879	1986	20.0	1.8	1.8	1	2.3	100.0%
2946 Walker Road, Windsor	100%	32,264	32,264	1960	22.0	4.0	4.0	1	3.0	100.0%
781 Westgate Road, Oakville	100%	29,850	29,850	1985	22.0	4.2	4.2	1	3.7	100.0%

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
6520 Gottardo Court, Mississauga	100%	25,932	25,932	1987	18.0	1.2	1.2	1	5.0	100.0%
750 Barmac Drive, Toronto	100%	23,959	23,959	1979	18.0	1.5	1.5	1	2.2	100.0%
7420 Pacific Circle, Mississauga	100%	23,777	23,777	1987	18.0	1.2	1.2	1	2.5	100.0%
1300 Fewster Road, Mississauga	100%	23,500	23,500	1969	14.0	1.2	1.2	1	4.5	100.0%
5805 Kennedy Road, Mississauga	100%	21,780	21,780	1986	18.0	1.0	1.0	1	0.5	100.0%
5380 Timberlea Boulevard, Mississauga	100%	19,988	19,988	1986	18.0	1.0	1.0	1	3.1	100.0%
5462 Timberlea Boulevard, Mississauga	100%	17,708	17,708	1977	18.0	1.0	1.0	1	3.4	100.0%
5370 Timberlea Boulevard, Mississauga	100%	16,682	16,682	1986	18.0	0.8	0.8	1	3.2	100.0%
5750 Coopers Avenue, Mississauga	100%	16,366	16,366	1987	18.0	0.9	0.9	1	4.2	100.0%
5444 Timberlea Boulevard, Mississauga	100%	15,316	15,316	1977	18.0	0.9	0.9	1	1.1	100.0%
Ontario Single-tenant	**100%**	**2,596,074**	**2,596,074**		**23.6**	**149.1**	**149.1**	**32**	**4.3**	**96.2%**
6581-6601 Kitimat Road, Mississauga	100%	318,363	318,363	1986	25.0	16.9	16.9	15	2.8	100.0%
2360 Cornwall Road, Oakville	100%	199,736	199,736	2004	28.0	10.3	10.3	3	3.8	100.0%
45 A & B West Wilmot Street, Richmond Hill	100%	189,128	189,128	1986	19.0	8.0	8.0	39	2.7	90.1%
255 Wicksteed Avenue, Toronto	100%	177,562	177,562	1955	24.0	8.0	8.0	4	2.4	100.0%
2140-2150 Winston Park Drive, Mississauga	100%	172,331	172,331	1987	19.0	7.5	7.5	43	2.1	91.5%
90 Nolan Court, Markham	100%	124,890	124,890	1982	18.0	7.0	7.0	29	2.5	100.0%
55 Horner Avenue, Etobicoke	100%	93,516	93,516	1988	22.0	6.2	6.2	4	1.9	100.0%
4515/4525 Rhodes Drive, Windsor	100%	92,089	92,089	1999	22.0	9.0	9.0	7	2.6	100.0%
3 & 5 Blair Drive, Brampton	100%	82,232	82,232	2001	28.0	6.4	6.4	2	2.5	100.0%
1111 Tristar Drive, Mississauga	100%	77,726	77,726	1986	22.0	3.7	3.7	2	1.9	100.0%
903-951 Matheson Boulevard, Mississauga	100%	77,420	77,420	1977	18.0	3.8	3.8	7	4.0	92.2%
1100 Courtney Park Drive, Mississauga	100%	72,393	72,393	1981	22.0	3.4	3.4	3	0.9	68.5%
100 Lingard Road, Cambridge	100%	70,154	70,154	2003	46.0	5.4	5.4	2	2.1	100.0%
5825-5895 Kennedy Road, Mississauga	100%	67,846	67,846	1988	15.0	3.4	3.4	8	4.3	100.0%
6400 Shawson Drive, Mississauga	100%	61,817	61,817	1981	22.0	2.9	2.9	3	1.9	100.0%
5554 Tomken Road, Mississauga	100%	61,623	61,623	1979	18.0	3.2	3.2	9	1.9	100.0%
6300 Viscount Road, Mississauga	100%	60,179	60,179	1966	16.0	4.3	4.3	4	2.9	99.7%
845 Harrington Court, Burlington	100%	55,118	55,118	1982	15.0	4.0	4.0	7	3.9	82.7%
5716-5730 Coopers Avenue, Mississauga	100%	53,668	53,668	1987	14.0	3.4	3.4	22	2.5	96.8%
855 Matheson Boulevard, Mississauga	100%	46,652	46,652	1986	18.0	2.0	2.0	13	2.0	100.0%
5448 Timberlea Boulevard, Mississauga	100%	32,025	32,025	1977	16.0	1.8	1.8	2	2.8	100.0%
5430 Timberlea Boulevard, Mississauga	100%	31,448	31,448	1977	17.0	1.8	1.8	2	1.6	100.0%
5466 Timberlea Boulevard, Mississauga	100%	28,657	28,657	1977	18.0	1.6	1.6	2	6.8	100.0%
135 East Beaver Creek, Richmond Hill	100%	28,506	28,506	1986	17.0	1.8	1.8	2	1.2	100.0%
5420 Timberlea Boulevard, Mississauga	100%	19,816	19,816	1977	18.0	1.1	1.1	2	2.5	100.0%
Ontario Multi-tenant	**100%**	**2,294,895**	**2,294,895**		**22.1**	**126.9**	**126.9**	**236**	**2.7**	**96.8%**
Ontario	**100%**	**4,890,969**	**4,890,969**		**22.9**	**276.0**	**276.0**	**268**	**3.5**	**96.5%**
1411, 1421 and 1451 Rue Ampère, Boucherville	100%	457,875	457,875	1998/2002	27.0	21.6	21.6	1	8.4	100.0%
1900 Dickson Street (Molson Distribution Centre), Montréal	100%	225,000	225,000	2003	26.0	17.1	17.1	1	6.0	100.0%
2350 de la Province, Longueuil	100%	222,464	222,464	1967	20.0	11.5	11.5	1	5.1	100.0%
1125 50th Avenue, Montréal	100%	210,710	210,710	2000	26.0	13.3	13.3	1	2.7	100.0%
8000 Avenue Blaise-Pascal, Montréal	100%	206,345	206,345	1993	23.0	13.8	13.8	1	5.2	100.0%
1313 Autoroute Chomedey, Laval	100%	184,493	184,493	1999	26.0	8.1	8.1	1	8.4	100.0%
650 Rue Bergeron, Drummondville	100%	181,000	181,000	2007	28.0	10.5	10.5	1	1.0	100.0%
2340 St. Laurent Blvd., Ottawa	100%	114,724	114,724	1989	24.0	6.2	6.2	1	8.3	100.0%
101 Autoroute 440, Laval	100%	68,444	68,444	1977	22.0	4.6	4.6	1	1.4	100.0%
1805 50e Avenue, Lachine	100%	60,750	60,750	1986	19.0	2.3	2.3	1	4.4	100.0%
1421 Rue Nobel, Sainte-Julie	100%	50,878	50,878	1998	22.0	4.3	4.3	1	4.8	100.0%
3700-3720 AutoRoute des Laurentides, Laval	100%	49,500	49,500	2002	24.0	3.6	3.6	1	5.6	100.0%
1870 Boulevard Saint-Régis, Dollard-des-Ormeaux	100%	40,231	40,231	1984	22.0	1.8	1.8	1	4.4	100.0%
29 Rue de Varennes, Gatineau	100%	23,959	23,959	2006	20.0	3.4	3.4	1	4.1	100.0%
361 Boulevard Montpellier, St. Laurent	100%	19,220	19,220	1987	18.0	1.2	1.2	1	9.8	100.0%
Québec Single-tenant	**100%**	**2,115,593**	**2,115,593**		**24.7**	**123.3**	**123.3**	**15**	**5.7**	**100.0%**
2995 Boulevard le Corbusier, Laval	100%	130,824	130,824	1975	24.0-29.0	4.7	4.7	5	5.7	98.1%
5000 Rue Fairway & 1645 50^{e} Avenue, Lachine	100%	106,517	106,517	1978	18.0	5.5	5.5	4	1.0	85.5%
1700-1764 50^{e} Avenue, Lachine	100%	94,569	94,569	1989	24.0	4.2	4.2	2	0.6	100.0%
1100-1154 Rue Berlier, Laval	100%	91,843	91,843	1975	18.0	4.5	4.5	8	2.5	86.5%
9090-9100 Boulevard Cavendish, St Laurent	100%	89,322	89,322	1987	18.0	7.5	7.5	6	2.0	100.0%

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
333 Chemin du Tremblay, Boucherville	100%	86,842	86,842	1987	18.0	3.8	3.8	5	5.3	100.0%
1876-1936 32e Avenue, Lachine	100%	84,659	84,659	1987	18.0	4.7	4.7	3	2.8	82.8%
1500 Rue Nobel, Boucherville	100%	82,081	82,081	1989	18.0	4.1	4.1	6	3.0	90.5%
2000 32e Avenue, Lachine	100%	81,288	81,288	1985	18.0	4.8	4.8	3	3.8	84.5%
1624-1692 50e Avenue, Lachine	100%	79,094	79,094	1975	19.0	4.3	4.3	7	2.8	100.0%
1151-1179 Autoroute 440, Laval	100%	78,938	78,938	1975	19.0	3.9	3.9	14	3.5	99.0%
10001-10091 Renaude-Lapointe, Montréal	100%	77,846	77,846	1987	18.0	3.7	3.7	4	5.3	100.0%
2101 Rue Nobel, Sainte-Julie	100%	73,411	73,411	1992	20.0	4.8	4.8	4	2.9	70.4%
1950 32e Avenue, Montréal	100%	71,923	71,923	1988	18.0	4.5	4.5	8	3.3	100.0%
1825-1865 32e Avenue, Montréal	100%	71,616	71,616	1986	18.0	4.9	4.9	8	2.5	94.1%
4300-4400 Boulevard Bois-Franc, St Laurent	100%	68,575	68,575	1987	18.0	3.9	3.9	3	3.6	100.0%
4605-4645 Rue Fairway & 1405-1465 46e Avenue, Lachine	100%	60,728	60,728	1974	19.0	4.0	4.0	6	5.9	100.0%
1010 Rue Berlier & 2854-2870 Boulevard Industriel, Laval	100%	58,622	58,622	1975	19.0	3.1	3.1	6	3.3	84.5%
1025-1087 Autoroute 440, Laval	100%	56,622	56,622	1979	18.0	2.8	2.8	10	2.2	95.7%
585-625 Avenue Meloche, Dorval	100%	54,667	54,667	1981	18.0	2.7	2.7	1	4.4	35.3%
135 Chemin du Tremblay, Boucherville	100%	49,808	49,808	1989	16.0	2.4	2.4	9	1.1	100.0%
Québec Multi-tenant	**100%**	**1,649,795**	**1,649,795**		**17.1**	**88.8**	**88.8**	**122**	**3.2**	**91.6%**
Québec	**100%**	**3,765,388**	**3,765,388**		**21.3**	**212.1**	**212.1**	**137**	**4.7**	**96.3%**
58 Wright Avenue (Burnside Business Park), Dartmouth	100%	43,000	43,000	1972	24.0	2.4	2.4	1	4.5	100.0%
50 Garland Avenue (Burnside Business Park), Dartmouth	100%	35,574	35,574	2006	10.0	2.5	2.5	1	10.3	79.8%
80 Thornhill Drive (Burnside Business Park), Dartmouth	100%	10,090	10,090	1984	20.0	1.1	1.1	1	2.8	100.0%
Eastern Canada Single-tenant	**100%**	**88,664**	**88,664**		**17.9**	**6.0**	**6.0**	**3**	**6.3**	**91.9%**
202 Brownlow Avenue (Burnside Business Park), Dartmouth	100%	212,388	212,388	1986	18.0	13.8	13.8	56	3.9	88.1%
320-340 Wright Avenue (Burnside Business Park), Dartmouth	100%	170,160	170,160	2007	24.0	10.6	10.6	12	3.3	100.0%
201 Brownlow Avenue (Burnside Business Park), Dartmouth	100%	160,160	160,160	1988	16.0	10.7	10.7	31	4.3	92.9%
7 Mellor Avenue, Dartmouth	100%	122,490	122,490	2007	24.0	7.2	7.2	12	4.2	100.0%
10 Morris Drive (Burnsdie Business Park), Dartmouth	100%	118,748	118,748	1979	18.0	7.5	7.5	20	3.5	81.1%
71 Thornhill Drive, Dartmouth	100%	100,322	100,322	1980	28.0	5.2	5.2	2	3.6	100.0%
131-135 Ilsley Avenue (Burnside Business Park), Dartmouth	100%	97,942	97,942	1984	18.0	6.6	6.6	14	1.9	75.2%
121 Ilsley Avenue, Dartmouth	100%	97,113	97,113	1983	19.0	8.0	8.0	19	2.7	89.8%
75 Akerley Boulevard, Dartmouth	100%	96,228	96,228	1982	19.0	7.8	7.8	18	2.8	91.3%
222 Edinburgh Drive, Moncton	100%	93,613	93,613	1977/1999	22.0	7.7	7.7	5	2.0	52.1%
11 Morris Drive (Burnside Business Park), Dartmouth	100%	89,872	89,872	1977	18.0	5.0	5.0	20	4.0	92.4%
120 Troop Avenue (Burnside Business Park), Dartmouth	100%	87,214	87,214	2004	24.0	5.7	5.7	6	4.9	100.0%
100 Ilsley Avenue (Burnside Business Park), Dartmouth	100%	76,178	76,178	1984	14.0	6.1	6.1	18	3.7	100.0%
100 Wright Avenue (Burnside Business Park), Dartmouth	100%	76,149	76,149	1979	18.0	4.4	4.4	11	3.5	93.3%
55 Akerley Boulevard, Dartmouth	100%	75,398	75,398	1975	19.0	5.8	5.8	5	6.6	65.0%
51 Raddall Avenue (Burnside Business Park), Dartmouth	100%	70,177	70,177	1986	18.0	4.7	4.7	10	4.1	96.6%
170 Joseph Zatzman Drive (Burnside Business Park), Dartmouth	100%	67,193	67,193	1981	16.0	4.0	4.0	11	2.0	75.3%
50 Akerley Boulevard (Burnside Business Park), Dartmouth	100%	62,765	62,765	1983	18.0	1.6	1.6	12	3.0	100.0%
10 Vidito Drive, Dartmouth	100%	61,988	61,988	1980	22.0	2.7	2.7	2	2.3	100.0%
101 Thornhill Drive (Burnside Business Park), Dartmouth	100%	61,381	61,381	1982	18.0	3.8	3.8	6	2.4	68.8%
105 Akerly Boulevard (Burnside Business Park), Dartmouth	100%	57,850	57,850	1983	18.0	3.3	3.3	6	4.1	93.4%
30-58 Mosher Drive (Burnside Business Park), Dartmouth	100%	56,937	56,937	1972	18.0	2.6	2.6	3	1.7	80.1%
29-59 Mosher Drive (Burnside Business Park), Dartmouth	100%	54,367	54,367	1974	18.0	3.6	3.6	4	4.8	100.0%
50 Troop Avenue (Burnside Business Park), Dartmouth	100%	53,859	53,859	2001	24.0	3.6	3.6	3	2.2	100.0%
32 Troop Avenue (Burnside Business Park), Dartmouth	100%	47,790	47,790	2000	24.0	3.3	3.3	4	3.2	100.0%
109 Ilsley Avenue (Burnside Business Park), Dartmouth	100%	44,987	44,987	1987	16.0	3.1	3.1	12	2.6	74.5%
81 Wright Avenue (Burnside Business Park), Dartmouth	100%	44,366	44,366	1986	20.0	3.6	3.6	4	2.2	100.0%
95 Akerley Boulevard, Dartmouth	100%	38,106	38,106	1980	14.0	2.1	2.1	14	2.9	100.0%

Property	Ownership	Total GLA in square feet	Owned share of total GLA in square feet	Year built/ renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	Owned share of site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
30 Simmonds Drive (Burnside Business Park), Dartmouth	100%	37,877	37,877	1982	16.0	2.8	2.8	8	2.4	100.0%
40 Thornhill Drive (Burnside Business Park), Dartmouth	100%	32,186	32,186	1982	16.0	3.8	3.8	10	3.2	100.0%
50 Thornhill Drive (Burnside Business Park), Dartmouth	100%	32,065	32,065	1983	16.0	3.8	3.8	10	2.6	86.3%
60 Thornhill Drive (Burnside Business Park), Dartmouth	100%	32,002	32,002	1986	16.0	2.0	2.0	5	5.1	78.3%
10 Thornhill Drive, Dartmouth	100%	28,616	28,616	1983	15.0	3.4	3.4	9	1.5	90.5%
16 Garland Avenue (Burnside Business Park), Dartmouth	100%	10,888	10,888	2008	14.0	1.5	1.5	4	3.0	100.0%
Eastern Canada Multi-tenant	**100%**	**2,569,375**	**2,569,375**		**19.4**	**171.4**	**171.4**	**386**	**3.4**	**89.7%**
Eastern Canada	**100%**	**2,658,039**	**2,658,039**		**19.3**	**177.4**	**177.4**	**389**	**3.5**	**89.8%**
Total	**99.6%**	**16,241,480**	**16,182,117**		**21.6**	**1,003.7**	**998.3**	**1,305**	**3.9**	**95.2%**

LARGEST TENANTS BY GLA(1)

Tenant	Total area in square feet	Properties	City	Province
Spectra Premium Industries Inc.	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.	370,691	7140 40th Street SE	Calgary	Alberta
		628-668 Henderson Drive	Regina	Saskatchewan
United Agri Products Canada Inc.	275,335	310 Henderson Drive	Regina	Saskatchewan
Nellson Nutraceutical Canada	234,555	1125 50th Avenue	Montréal	Québec
		5000 Rue Fairway & 1645 50e Avenue	Montréal	Québec
Molson Breweries Properties	225,000	1900 Dickson Street (Molson Distribution Centre)	Montréal	Québec
Hasbro Canada Corporation	222,464	2350 Rue de la Province	Longueuil	Québec
Array Canada Inc.	209,754	45 Progress Avenue	Toronto	Ontario
Pioneer Distribution Inc.	207,703	3230 Mainway Drive	Burlington	Ontario
McKesson Canada Corporation	181,000	650 Rue Bergeron	Drummondville	Québec
Alumicor Limited	180,329	290 Humberline Drive	Etobicoke	Ontario
Royal Group Inc.	176,535	750 Creditstone Road	Vaughan	Ontario
North American Profiles Canada	169,500	121 Pippin Road	Vaughan	Ontario
RockTenn-Container Canada/RockTenn-Preprint Canada	134,863	7420 Pacific Circle	Mississauga	Ontario
		6581-6601 Kitimat Road	Mississauga	Ontario
DIRTT Environmental Solutions	122,419	7504 30th Street SE	Calgary	Alberta
The Dollco Corporation	114,724	2340 St. Laurent Boulevard	Ottawa	Ontario
Colabor Limited Partnership	113,595	580 Industrial Road	London	Ontario
Legendary Logistics Inc.	104,260	2360 Cornwall Road	Oakville	Ontario
Aquarium Services Warehouse	100,626	441 Chrislea Road	Vaughan	Ontario
Total	**4,309,066**			

(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 21, 2017

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, 2016 and December 31, 2015 and the consolidated statements of net income (loss) and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2016 and December 31, 2015 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, 2016 and December 31, 2015 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 21, 2017

Consolidated balance sheets

(in thousands of Canadian dollars)	Note	**December 31, 2016**	December 31, 2015
Assets			
NON-CURRENT ASSETS			
Investment properties	8	**$ 1,634,315**	$ 1,700,992
Other non-current assets		**3,716**	315
		1,638,031	1,701,307
CURRENT ASSETS			
Amounts receivable	11	**4,088**	4,807
Prepaid expenses and other assets		**5,362**	5,234
Cash and cash equivalents		**6,595**	1,022
		16,045	11,063
Assets held for sale	18	**4,000**	8,550
Total assets		**$ 1,658,076**	$ 1,720,920
Liabilities			
NON-CURRENT LIABILITIES			
Debt	12	**$ 780,622**	$ 750,584
Subsidiary redeemable units	13	**158,247**	133,202
Deferred Unit Incentive Plan	14	**4,350**	2,807
Other non-current liabilities	15	**13,170**	13,733
		956,389	900,326
CURRENT LIABILITIES			
Debt	12	**87,725**	172,517
Amounts payable and accrued liabilities	16	**22,852**	21,194
		110,577	193,711
Total liabilities		**1,066,966**	1,094,037
Equity			
Unitholders' equity		**589,252**	581,476
Retained earnings		**2,727**	46,984
Accumulated other comprehensive loss		**(869)**	(1,577)
Total equity	17	**591,110**	626,883
Total liabilities and equity		**$ 1,658,076**	$ 1,720,920

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 (loss) and comprehensive income (loss)

			Year ended December 31,		
(in thousands of Canadian dollars)	Note		**2016**		2015
Investment properties revenue		**$**	**174,689**	$	176,992
Investment properties operating expenses			**(57,302)**		(57,546)
Net rental income			**117,387**		119,446
Other income					
Interest and fee income			**68**		22
			68		22
Other expenses					
General and administrative			**(9,931)**		(8,967)
Interest:					
Interest expense on debt	19		**(35,363)**		(35,309)
Subsidiary redeemable units	19		**(13,050)**		(12,986)
Depreciation and amortization			**(54)**		(48)
			(58,398)		(57,310)
Income before fair value adjustments and other items, and income taxes			**59,057**		62,158
Fair value adjustments and other items					
Fair value adjustments to investment properties	8, 18		**(32,033)**		(8,907)
Fair value adjustments to financial instruments	20		**(22,351)**		22,571
Net losses on transactions and other activities	21		**(7,912)**		(40,367)
			(62,296)		(26,703)
Income (loss) before income taxes			**(3,239)**		35,455
Recovery of (deferred) income taxes	10		**549**		(266)
Net income (loss) for the year		**$**	**(2,690)**	$	35,189
Other comprehensive gain (loss)					
Unrealized gain (loss) on effective interest rate hedge	12	**$**	**708**	$	(1,055)
			708		(1,055)
Comprehensive income (loss) for the year		**$**	**(1,982)**	$	34,134

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, 2016		**58,645,223**	**$**	**581,476**	**$**	**46,984**	**$**	**(1,577)**	**$**	**626,883**
Net loss for the year		**—**		**—**		**(2,690)**		**—**		**(2,690)**
Distributions paid and payable	16	**—**		**—**		**(41,567)**		**—**		**(41,567)**
Distribution Reinvestment Plan	17	**876,787**		**6,919**		**—**		**—**		**6,919**
REIT Units issued for vested deferred trust units	14	**109,488**		**875**		**—**		**—**		**875**
Unit Purchase Plan	17	**1,739**		**14**		**—**		**—**		**14**
Issue costs		**—**		**(32)**		**—**		**—**		**(32)**
Other comprehensive income	12	**—**		**—**		**—**		**708**		**708**
Balance at December 31, 2016		**59,633,237**	**$**	**589,252**	**$**	**2,727**	**$**	**(869)**	**$**	**591,110**

(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, 2015		58,035,125	$	576,399	$	52,774	$	(522)	$	628,651
Net income for the year		—		—		35,189		—		35,189
Distributions paid and payable	16	—		—		(40,979)		—		(40,979)
Distribution Reinvestment Plan	17	532,125		4,402		—		—		4,402
REIT Units issued for vested deferred trust units	14	74,689		673		—		—		673
Unit Purchase Plan	17	3,284		28		—		—		28
Issue costs		—		(26)		—		—		(26)
Other comprehensive loss		—		—		—		(1,055)		(1,055)
Balance at December 31, 2015		58,645,223	$	581,476	$	46,984	$	(1,577)	$	626,883

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)	Note	Year ended December 31, 2016	2015
Generated from (utilized in) operating activities			
Net income (loss) for the year		**$ (2,690)**	$ 35,189
Non-cash items:			
Depreciation and amortization	24	**1,137**	(428)
Other adjustments	24	**57,462**	22,015
Investment in lease incentives and initial direct leasing costs	8	**(11,257)**	(7,564)
Interest paid on subsidiary redeemable units	19	**11,903**	12,986
Change in non-cash working capital	24	**2,030**	(3,224)
		58,585	58,974
Generated from (utilized in) investing activities			
Additions to property and equipment		**(28)**	(46)
Investment in building improvements	8	**(18,522)**	(8,854)
Transaction costs paid		**(1,795)**	(2,566)
Net proceeds from disposal of investment properties		**69,962**	20,578
Acquisition of investment properties	7	**—**	(21,016)
		49,617	(11,904)
Generated from (utilized in) financing activities			
Mortgage financings, net of financing costs	12	**144,440**	138,952
Draw on revolving credit facility, net of financing costs		**38,250**	56,700
Mortgage principal repayments		**(24,377)**	(24,041)
Mortgage lump sum repayments		**(158,315)**	(86,584)
Repayment of revolving credit facility		**(55,000)**	(81,628)
Distributions paid on Units	16	**(35,706)**	(36,541)
Interest paid on subsidiary redeemable units	19	**(11,903)**	(12,986)
Cash (paid) proceeds on issue of Units		**(18)**	2
		(102,629)	(46,126)
Change in cash and cash equivalents		**5,573**	944
Cash and cash equivalents, beginning of year		**1,022**	78
Cash and cash equivalents, end of year		**$ 6,595**	$ 1,022

See accompanying notes to the consolidated financial statements.

Note 1
ORGANIZATION
Dream Industrial Real Estate Investment Trust ("Dream Industrial REIT", "Dream Industrial" or "the Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dream Industrial include the accounts of Dream Industrial and its subsidiaries. Dream Industrial's portfolio comprises industrial properties located in 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 301, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "DIR.UN". Dream Industrial's consolidated financial statements for the year ended December 31, 2016 were authorized for issuance by the Board of Trustees on February 21, 2017, after which date they may be amended only with the Board of Trustees' approval.

Equity is described in Note 17; 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 are classified as liabilities; for simplicity, throughout the Notes, reference is made to "subsidiary redeemable units", meaning the LP B Units of Dream Industrial LP ("DILP").

At December 31, 2016, Dream Office Real Estate Investment Trust ("Dream Office REIT"), directly and indirectly through its subsidiaries, held 18,551,855 (December 31, 2015 – 18,551,855) subsidiary redeemable units, being all of the subsidiary redeemable units of the Trust. At December 31, 2016, Dream Office REIT, directly and indirectly through its subsidiaries, held 882,473 REIT Units.

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

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

Other non-current assets

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

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

Business combinations

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

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

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 the 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. For the year ended December 31, 2015, the Trust recognized a goodwill impairment loss of $34,903 in the consolidated statements of net income and comprehensive income (see Note 21). There was no goodwill balance as at December 31, 2015.

Revenue recognition

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

Distributions

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

Income taxes

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

For 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 14, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the grant of deferred trust units and income deferred trust units to trustees, employees and affiliates and their service providers (including the asset manager). Over the vesting period, deferred units are recorded as a liability, and compensation expense is recognized at amortized cost based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding REIT Units, with changes in fair value being recognized in comprehensive income as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are only settled in REIT Units.

Cash and cash equivalents

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

Financial instruments

Designation of financial instruments

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

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

Financial assets

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

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

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

Financial liabilities

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

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

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

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

Interest on debt

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

Equity

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

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

- The total expected cash flows attributable to the REIT Units over their lives are based substantially on the profit or loss, and the change in the recognized net assets and unrecognized net assets of the Trust over the life of the REIT Units.

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

Provisions

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

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

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

Note 4

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amount of the asset or liability affected.

Critical accounting judgments

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

Investment properties

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

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

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

Business combinations

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

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

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

In particular, the Trust considers the following:

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

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

Estimates and assumptions

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

Valuation of investment properties

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

Valuation of financial instruments

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

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

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, 2016. These changes were made in accordance with the applicable transitional provisions.

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 the disclosure of accounting policies. The amendment gives guidance that information within the consolidated balance sheets and consolidated statements of net income and comprehensive income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the consolidated statements of net income and 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. This amendment had no material impact on the consolidated financial statements.

Acquisitions of interests in joint operations

IFRS 11, "Joint Arrangements" ("IFRS 11"), has been amended to require the application of IFRS 3, "Business Combinations" ("IFRS 3"), to transactions where an investor obtains an interest in a joint operation that constitutes a business. The amendment to IFRS 11 is effective for periods beginning on or after January 1, 2016. This amendment had no material impact on the consolidated financial statements.

Note 6

FUTURE ACCOUNTING POLICY CHANGES

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

Revenue recognition

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Trust 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" ("IAS 39"). IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The entity's own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets, "fair value through other comprehensive income", will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial instruments – disclosures

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Leases

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

Statement of cash flows

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

Share-based payments

IFRS 2, "Shared-based Payments" ("IFRS 2") clarifies how to account for certain types of share-based payment transactions. It was amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes. The amendments to IFRS 2 are effective for years beginning on or after January 1, 2018. The Trust is currently assessing the impact of IFRS 2 on the consolidated financial statements.

Note 7

INVESTMENT PROPERTY ACQUISITIONS

There were no property acquisitions during the year ended December 31, 2016. Detailed below are the investment property acquisitions completed during the year ended December 31, 2015:

Year ended December 31, 2015	Interest acquired (%)		Purchase price(1)	Date acquired
Saskatchewan Portfolio	50.0	$	9,949	May 21, 2015(2)
3230 Mainway Drive, Burlington	100.0		12,522	October 16, 2015
Total		$	22,471	

(1) Includes transaction costs.

(2) Final property in the portfolio of six properties was acquired on July 9, 2015.

The consideration for the year ended December 31, 2015 consisted of:

Cash paid	$	21,016
Transaction costs		857
Assumed non-cash working capital		598
Total consideration for investment properties	$	22,471

On October 16, 2015, the Trust acquired a distribution centre in Burlington, Ontario, through a sale-leaseback transaction for $12,522, including transaction costs. The property is 100% occupied and the term of the lease is ten years with contractual rent steps.

On May 21, 2015, the Trust, in a 50/50 co-ownership arrangement with one of the subsidiaries of Dream Hard Asset Alternatives Trust ("DAT"), completed the acquisition of a 105,000 square foot portfolio of five properties ("Saskatchewan Portfolio") located in Regina, for $8,931, including transaction costs. On July 9, 2015, the Trust and DAT acquired the final property in this portfolio, a 14,000 square foot, multi-tenant, 100% occupied building. The Trust's 50% share of the final property was $1,018, including transaction costs. The portfolio is accounted for as a joint operation. One of the subsidiaries of the Trust provides property management services for the co-owned properties. DAT and the Trust have a common asset manager, Dream Asset Management Corporation ("DAM").

Note 8
INVESTMENT PROPERTIES

	Note	Year ended December 31, 2016	Year ended December 31, 2015
Balance at beginning of year		**$ 1,692,856**	$ 1,681,781
Straight-line rent receivable balance at beginning of year		**8,136**	6,302
Adjusted balance at beginning of year		**1,700,992**	1,688,083
Additions:			
Investment property acquisitions[1]	7	**200**	22,471
Building improvements		**18,522**	8,854
Lease incentives and initial direct leasing costs		**11,257**	7,564
Total additions to investment properties		**29,979**	38,889
Investment properties classified as held for sale and disposed during the year	18	**(65,432)**	(18,400)
Gains (losses) included in net income:			
Fair value adjustments to investment properties[2]		**(31,760)**	(8,907)
Straight-line rent		**1,278**	1,834
Amortization of lease incentives		**(742)**	(507)
Total losses included in net income (loss)		**(31,224)**	(7,580)
Balance at end of year		**$ 1,634,315**	$ 1,700,992

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

(2) Change in unrealized losses included in net income (loss) for the years ended December 31, 2016 and December 31, 2015 were $38,770 and $8,557, respectively.

As at December 31, 2016, investment properties with a fair value of $1,353,915 (December 31, 2015 – $1,465,450) are pledged as first-ranking and/or second-ranking collateral for mortgages. As at December 31, 2016, investment properties with a fair value of $163,190 (December 31, 2015 – $123,520) are pledged as security for the Trust's revolving credit facility.

Note 9
JOINT ARRANGEMENTS

		Ownership interest (%)	
Name	Location	**December 31, 2016**	December 31, 2015
Saskatchewan Portfolio	Regina	**50**	50

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

	December 31, 2016	December 31, 2015
Non-current assets	**$ 9,325**	$ 9,575
Current assets	**347**	406
Total assets	**9,672**	9,981
Non-current liabilities	**5,810**	6,057
Current liabilities	**752**	743
Total liabilities	**6,562**	6,800
Net assets	**$ 3,110**	$ 3,181

	Year ended December 31,	
	2016	2015
Net rental income	**$ 698**	$ 433
Other revenue and expenses, fair value adjustments and other items	**(499)**	(431)
Share of net income from investments in co-owned properties	**$ 199**	$ 2

Note 10

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, 2016 and December 31, 2015.

	Year ended December 31, 2016	2015
Income (loss) before income taxes	**$ (3,239)**	$ 35,455
Income (loss) not subject to taxation	**(898)**	(34,855)
Income (loss) in subsidiary corporation	**(4,137)**	600
Tax calculated at the Canadian statutory tax rate of 30.1% (2015 – 30.0%)	**(1,245)**	180
Increase resulting from:		
Adjustment in expected future tax rates	**—**	10
Other items	**696**	76
(Recovery of) deferred income taxes	**$ (549)**	$ 266

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

	December 31, 2016	December 31, 2015
Deferred tax liability related to difference in tax and book basis of investment properties	**$ (2,285)**	$ (2,597)
Deferred tax asset related to difference in tax and book basis of financial instruments	**164**	289
Deferred tax asset related to tax loss carry-forwards	**2,141**	1,392
Deferred tax asset related to difference in tax and book basis of deferred financing costs	**9**	396
Total deferred income tax assets (liabilities)	**$ 29**	$ (520)

Note 11

AMOUNTS RECEIVABLE

	December 31, 2016	December 31, 2015
Trade receivables	**$ 2,143**	$ 2,227
Less: Provision for impairment of trade receivables	**(830)**	(416)
Trade receivables, net	**1,313**	1,811
Other amounts receivable	**2,775**	2,996
Amounts receivable	**$ 4,088**	$ 4,807

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

	Year ended December 31, 2016	2015
As at January 1	**$ 416**	$ 358
Provision for impairment of trade receivables	**824**	434
Receivables written off during the year as uncollectible	**(410)**	(376)
As at December 31	**$ 830**	$ 416

The carrying value of amounts receivable approximates fair value due to their current nature. As at December 31, 2016, trade receivables of approximately $511 (December 31, 2015 – $618) were past due but not considered impaired, as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

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

	December 31, 2016
2017	$ 105,408
2018 to 2021	268,394
2022 to 2032	72,655
Total	$ 446,457

Note 12
DEBT

	December 31, 2016	December 31, 2015
Mortgages[1]	**$ 741,265**	$ 780,948
Revolving credit facility[1]	**—**	15,893
Convertible debentures	**127,082**	126,260
Total	**868,347**	923,101
Less: Current portion	**(87,725)**	(172,517)
Non-current debt	**$ 780,622**	$ 750,584

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

Mortgage financing activities

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

	Year ended December 31, 2016			Year ended December 31, 2015		
	Amount[1]	**Term to maturity (years)**	**Weighted average face interest rate (%)**	Amount[1]	Term to maturity (years)	Weighted average face interest rate (%)
New mortgages	**$ 145,750**	**8.8**	**3.30**	$ 140,250	6.2	2.80

(1) Excludes financing costs.

Convertible debentures

	Carrying value	
	December 31, 2016	December 31, 2015
5.25% Debentures	**$ 107,340**	$ 106,182
6.75% Debentures	**19,742**	20,078
Total	**$ 127,082**	$ 126,260

					Outstanding principal amount	
	Date issued	Maturity date	Original principal issued	Interest rate	**December 31, 2016**	December 31, 2015
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.

Revolving credit facility

On June 30, 2016, the Trust amended its revolving credit facility to extend the maturity date to June 2019, reduce the interest rate by five basis points, increase the number of properties secured under the facility from 19 to 25, and increase the borrowing capacity to $100,000 from $75,000. The following table summarizes certain details of the Trust's revolving credit facility as at December 31:

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

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

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

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

December 31, 2015	Borrowing capacity	Letter of credit and forward agreement	Principal amount outstanding[1]	Available to be drawn[2]	Interest rate[3]	Maturity date
Revolving credit facility[4]	$ 75,000	$ 2,500	$ 16,000	$ 56,500	2.63%	June 30, 2016

(1) Excludes financing costs.

(2) Formula-based amount available to be drawn as at December 31, 2015.

(3) Bankers' acceptance ("BA") rate plus 1.75% or the bank's prime rate plus 0.75%.

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

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

	Weighted average effective interest rates[1]			Debt amount	
	December 31, 2016	December 31, 2015	Maturity dates	**December 31, 2016**	December 31, 2015
Fixed rate					
Mortgages[2]	**3.51%**	3.46%	2017–2026	**$ 741,265**	$ 780,948
Convertible debentures	**6.13%**	6.13%	2017–2019	**127,082**	126,260
Total fixed rate debt	**3.89%**	3.83%		**868,347**	907,208
Variable rate					
Revolving credit facility	**—**	2.63%	2019	**—**	15,893
Total variable rate debt	**—**	2.63%		**—**	15,893
Total debt	**3.89%**	3.81%		**$ 868,347**	$ 923,101

(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. On August 26, 2015, the Trust entered into a seven-year interest rate swap agreement to fix the interest rate of a mortgage on a portfolio of eleven of its properties located in Québec. The swap agreement fixed the interest rate on this mortgage at 2.93% for the seven-year term.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Convertible debentures	Total
2017	$ 69,494	$ 19,420	$ 88,914
2018	112,748	—	112,748
2019	70,182	111,250	181,432
2020	104,672	—	104,672
2021	129,528	—	129,528
2022 and thereafter	255,639	—	255,639
	742,263	130,670	872,933
Unamortized financing costs	(4,122)	(1,810)	(5,932)
Unamortized fair value adjustments	3,124	(1,778)	1,346
	(998)	(3,588)	(4,586)
Total	$ 741,265	$ 127,082	$ 868,347

Other financial instruments

The following table lists the fair value of financial instruments:

	December 31, 2016	December 31, 2015
Fair value of interest rate swaps	**$ 1,006**	$ 2,076
Conversion feature on the convertible debentures	**(3,329)**	—

Interest rate swaps

On August 26, 2015, the Trust completed the refinancing of maturing mortgages on a portfolio of 11 of its properties located in Québec at a variable interest rate of the one-month BA rate plus 1.45% for an initial term of seven years. In order to manage the interest rate risk on the variable interest rate, the Trust also entered into a seven-year interest rate swap agreement for an initial notional value of $50 million, which effectively fixed the interest rate on this mortgage at 2.93% for the seven-year term. At December 31, 2016, the aggregate fair value of the interest swap amounted to a $137 financial liability (December 31, 2015 – $499). The Trust did not apply hedge accounting to this relationship, and therefore the change in fair value of the swap is recognized in net income.

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 the monthly Canadian Dealer Offered Rate ("CDOR") plus 1.4% for an initial term of five years. In order to manage the interest rate risk on the variable interest rate, the Trust 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; therefore, the change in fair value of the effective portion of the hedging derivative is recognized in accumulated other comprehensive loss in the consolidated statements of changes in equity. Settlement of both the fixed and variable portions of the interest rate swap occurs on a monthly basis. The Trust has assessed that there is no ineffectiveness in the cash flow 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 statements of changes in equity. At December 31, 2016, the aggregate fair value of the interest rate swap amounted to an $869 financial liability (December 31, 2015 – $1,577). The associated unrealized gains or losses that are recognized in accumulated other comprehensive loss will be reclassified in the same period during which the interest payments on the hedged item affect net income.

The following table summarizes the details of the interest rate swaps that are outstanding at December 31, 2016:

Transaction date	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument classification	Fair value
February 24, 2014	$ 49,653	3.31%	March 1, 2019	Cash flow hedge	$ 869
August 26, 2015	48,080	2.93%	September 1, 2022	Fair value through profit or loss	137
Non-current debt	$ 97,733	3.12%			$ 1,006

Conversion feature on the convertible debentures

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

	Note		**December 31, 2016**		December 31, 2015
Opening balance		**$**	**—**	$	3
Fair value adjustment on conversion feature of the convertible debentures	20		**(3,329)**		(3)
Ending balance		**$**	**(3,329)**	$	—

Conversion feature on the convertible debentures is included in other non-current assets on the consolidated balance sheets. Remeasurement of the conversion feature is included in the fair value adjustments to financial instruments in the consolidated statements of net income (loss) and comprehensive income (loss) (see Note 20).

Note 13

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, 2016			Year ended December 31, 2015		
	Note	**Number of units issued and outstanding**		**Amount**	Number of units issued and outstanding		Amount
Opening balance		**18,551,855**	**$**	**133,202**	18,551,855	$	156,206
Remeasurement of carrying value	20	**—**		**25,045**	—		(23,004)
Ending balance		**18,551,855**	**$**	**158,247**	18,551,855	$	133,202

During the year ended December 31, 2016, the Trust recorded $13,050 (December 31, 2015 – $12,986) in distributions on the subsidiary redeemable units, which are included as interest expense in the consolidated statements of net income (loss) and comprehensive income (loss) (see Note 19). During the fourth quarter of 2016, all subsidiary redeemable units that are held by the wholly owned subsidiaries of Dream Office REIT elected to enroll in the DRIP effective from the November distributions that were payable on December 15, 2016. Accordingly, the Trust issued 135,283 REIT Units to the subsidiaries of Dream Office REIT for a total cost of $1,115 for the three months ended December 31, 2016.

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, 2016, all issued and outstanding LP Class A Units are owned directly by Dream Industrial and have been eliminated in the consolidated balance sheets.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled on surrender or exchange of such subsidiary redeemable units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT Units that may be obtained on the surrender or exchange of the subsidiary redeemable units to which they relate. As at December 31, 2016, 18,551,855 (December 31, 2015 – 18,551,855) Special Trust Units were issued and outstanding.

Note 14

DEFERRED UNIT INCENTIVE PLAN

The DUIP provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit, and the related distribution of income deferred trust units, vests evenly over a three- or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to defer receipt of REIT Units, such REIT Units will be issued immediately on vesting. As at December 31, 2016, up to a maximum of 1,500,000 (December 31, 2015 – 1,500,000) deferred trust units were issuable under the DUIP.

The movement in DUIP balance was as follows:

	Note		
As at January 1, 2015		$	2,160
Compensation expense during the year			1,383
REIT Units issued for vested deferred trust units			(673)
Remeasurement of carrying value	20		(63)
As at January 1, 2016		$	2,807
Compensation expense during the year			1,421
REIT Units issued for vested deferred trust units			(875)
Remeasurement of carrying value	20		997
As at December 31, 2016		$	4,350

During the year ended December 31, 2016, $1,421 of compensation expense was recorded (December 31, 2015 – $1,383) and included in general and administrative expenses. For the same period, a fair value loss of $997 (December 31, 2015 – fair value gain of $63) was recognized in fair value adjustments to financial instruments representing the remeasurement of the DUIP liability for the year.

	Total units
Outstanding and payable at January 1, 2015	430,894
Granted during the year	243,960
REIT Units issued	(74,689)
Cancelled upon termination	(19,002)
Fractional units paid in cash	(37)
Outstanding and payable at January 1, 2016	581,126
Granted during the year[(1)]	247,237
REIT Units issued	(109,488)
Cancelled upon termination	(789)
Fractional units paid in cash	(40)
Outstanding and payable at December 31, 2016	718,046
Vested but not issued at December 31, 2016	167,614

(1) Includes 57,578 income-deferred trust units granted during the year.

On February 16, 2016, 120,825 deferred trust units were granted to senior management and employees of the Trust. Of the units granted, 30,000 units relate to key management personnel. The grant date value of these deferred trust units was $7.47 per Unit granted.

On March 31, 2016, 8,186 deferred trust units were granted to trustees who elected to receive their 2016 quarterly fees in the form of deferred trust units rather than in cash. The grant date value of these deferred trust units was $7.94 per Unit granted.

On May 3, 2016, 40,000 deferred units were granted to trustees. The grant date value of these deferred trust units was $8.28 per Unit granted.

On June 30, 2016, 6,628 deferred trust units were granted to Trustees who elected to receive their 2016 quarterly fees in the form of deferred trust units rather than in cash. The grant date value of these deferred trust units was $8.68 per Unit granted.

On September 30, 2016, 7,213 deferred trust units were granted to Trustees who elected to receive their 2016 quarterly fees in the form of deferred trust units rather than in cash. The grant date value of these deferred trust units was $7.97 per Unit granted.

On December 31, 2016, 6,807 deferred trust units were granted to Trustees who elected to receive their 2016 quarterly fees in the form of deferred trust units rather than in cash. The grant date value of these deferred trust units was $8.45 per Unit granted.

Note 15

OTHER NON-CURRENT LIABILITIES

	Note		**December 31, 2016**		December 31, 2015
Tenant security deposits		**$**	**12,164**	$	11,137
Deferred income tax liabilities	10		**—**		520
Fair value of interest rate swaps	12		**1,006**		2,076
Total		**$**	**13,170**	$	13,733

Note 16

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2016		December 31, 2015
Trade payables	**$**	**1,146**	$	559
Accrued liabilities and other payables		**12,416**		11,235
Accrued interest		**3,477**		3,635
Rent received in advance		**2,335**		2,344
Distributions payable		**3,478**		3,421
Total	**$**	**22,852**	$	21,194

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

		2016		2015
Paid in cash	**$**	**35,706**	$	36,541
Paid by way of reinvestment in REIT Units(1)		**5,804**		4,402
Less: Payable at December 31, 2015 (December 31, 2014)		**(3,421)**		(3,385)
Plus: Payable at December 31, 2016 (December 31, 2015)		**3,478**		3,421
Total	**$**	**41,567**	$	40,979

(1) Excludes REIT Units issued under the DRIP for LP B Units; see Note 19 for additional information.

On December 19, 2016, the Trust announced a cash distribution of $0.05833 per REIT Unit for the month of December 2016. The December 2016 distribution was paid on January 15, 2017 to unitholders on record as at December 31, 2016.

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, 2016 ($0.70 for the year ended December 31, 2015).

Note 17

EQUITY

	December 31, 2016			December 31, 2015		
	Number of Units		**Amount**	Number of Units		Amount
REIT Units	**59,633,237**	**$**	**589,252**	58,645,223	$	581,476
Retained earnings	**—**		**2,727**	—		46,984
Accumulated other comprehensive loss	**—**		**(869)**	—		(1,577)
Total	**59,633,237**	**$**	**591,110**	58,645,223	$	626,883

Dream Industrial REIT Units

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

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

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, 2016, 876,787 (December 31, 2015 – 532,125) REIT Units were issued under the DRIP and $6,919 (December 31, 2015 – $4,402) 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 commissions, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the year ended December 31, 2016, 1,739 (December 31, 2015 – 3,284) REIT Units were issued under the Unit Purchase Plan for proceeds of $14 (December 31, 2015 – $28).

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on December 19, 2016 and will remain in effect until the earlier of December 18, 2017 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 5,803,445 REIT Units (representing 10% of the REIT’s public float of 58,034,459 REIT Units as at December 1, 2016) through the facilities of the Toronto Stock Exchange (the “TSX”) at prevailing market prices and in accordance with the rules and policies of the TSX. The actual number of REIT Units that may be purchased and the timing of any such purchases will be determined by the Trust, subject to a maximum daily purchase limitation of 29,969 REIT Units except where purchases are made in accordance with block purchase exemptions under applicable TSX rules. For the years ended December 31, 2016 and 2015, the Trust did not purchase for cancellation any Units.

Note 18

ASSETS HELD FOR SALE AND DISPOSITIONS

Assets held for sale

At December 31, 2016, management had committed to a plan to sell one investment property located in Eastern Canada and classified it as an asset held for sale.

	December 31, 2016	December 31, 2015
Investment properties	**$ 4,000**	$ 8,550
Assets held for sale	**$ 4,000**	$ 8,550

The following table summarizes the movements in investment properties classified as assets held for sale during the years ended December 31, 2016 and December 31, 2015:

	Note	**Year ended December 31, 2016**	Year ended December 31, 2015
Balance at beginning of year		**$ 8,550**	$ 10,839
Straight-line rent receivable balance at beginning of year		**—**	61
Adjusted balance at beginning of year		**8,550**	10,900
Add (deduct):			
Capitalized costs		**171**	—
Investment properties classified as held for sale during the year	8	**65,432**	18,400
Fair value adjustments to investment properties		**(273)**	—
Straight-line rent		**—**	6
Investment properties disposed during the year		**(69,880)**	(20,756)
Balance at end of year		**$ 4,000**	$ 8,550

Dispositions

During the year ended December 31, 2016, the following dispositions were completed:

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

(1) Gross proceeds before transaction costs.

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

(3) Vacant land.

During the year ended December 31, 2015, the following dispositions were completed:

		Gross proceeds[(1)]		Loss on sale[(2)]		Mortgage discharged	Date disposed
4501–4509 1st Street SE, Calgary	$	2,300	$	(154)	$	—	February 4, 2015
4515–4519 1st Street SE, Calgary		1,900		(229)		—	February 4, 2015
4523–4529 1st Street SE, Calgary		1,700		(59)		—	February 4, 2015
4021 9th Street SE, Calgary		5,000		(521)		3,277	February 17, 2015
6715 85th Avenue, Fort St. John		4,150		(281)		2,279	September 14, 2015
41 Metropolitan Road, Toronto		5,700		(41)		—	November 17, 2015
Total	$	20,750	$	(1,285)	$	5,556	

(1) Gross proceeds before transaction costs.

(2) Carrying value of assets approximated gross proceeds. The loss on sale arises entirely from debt settlement costs, transaction costs and the write-off of allocated goodwill associated with the cash-generating unit.

Note 19

INTEREST

Interest on debt

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

	Year ended December 31,			
		2016		2015
Interest expense incurred, at contractual rate	**$**	**35,022**	$	36,292
Amortization of financing costs		**1,503**		1,238
Amortization of fair value adjustments		**(1,162)**		(2,221)
Interest expense		**35,363**		35,309
Add/deduct:				
Amortization of financing costs		**(1,503)**		(1,238)
Amortization of fair value adjustments		**1,162**		2,221
Change in accrued interest		**158**		20
Cash interest paid	**$**	**35,180**	$	36,312

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

Interest on subsidiary redeemable units

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

	Year ended December 31,			
		2016		2015
Paid in cash	**$**	**11,903**	$	12,986
Paid by way of reinvestment in REIT Units		**1,115**		—
Less: Interest payable at December 31, 2015 (December 31, 2014)		**(1,082)**		(1,082)
Plus: Interest payable at December 31, 2016 (December 31, 2015)		**1,114**		1,082
Total	**$**	**13,050**	$	12,986

The interest payable at December 31, 2016 was paid on January 15, 2017, through the issuance of 134,281 REIT Units.

Note 20
FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

		Year ended December 31,	
	Note	**2016**	2015
Fair value adjustment on conversion feature of the convertible debentures	12	**$ 3,329**	$ 3
Remeasurement of carrying value of subsidiary redeemable units	13	**(25,045)**	23,004
Remeasurement of carrying value of DUIP	14	**(997)**	63
Fair value adjustment on interest rate swap	12	**362**	(499)
Total		**$ (22,351)**	$ 22,571

Note 21
NET LOSSES ON TRANSACTIONS AND OTHER ACTIVITIES

		Year ended December 31,	
	Note	**2016**	2015
Investment in business transformation	23	**$ (417)**	$ (580)
Internal leasing costs		**(4,056)**	(3,917)
Debt settlement gains (costs)		**(583)**	318
Net loss on sale of investment properties	18	**(817)**	(1,285)
Cost reduction program charge		**(1,070)**	—
Transaction costs		**(969)**	—
Impairment of goodwill		**—**	(34,903)
Total		**$ (7,912)**	$ (40,367)

During the fourth quarter of 2016, a cost reduction program was implemented to further improve the effectiveness of the Trust's property operations and general and administrative support platform. As a result of implementing this program, the Trust incurred a charge of $1,070.

During the year ended December 31, 2016, the Trust recorded $969 in transaction costs relating to business combinations completed in previous years. The Trust also incurred $417 pursuant to the Shared Services and Cost Sharing Agreement with DAM (see Note 23).

Note 22

SEGMENTED INFORMATION

For the years ended December 31, 2016 and December 31, 2015, 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 financing is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, other revenue, other expenses, fair value adjustments to financial instruments, net losses on transactions and other activities and income taxes were not allocated to the segment expenses.

Year ended December 31, 2016	Western Canada	Ontario	Québec	Eastern Canada	Segment total	Other[1]	Total
Operations							
Investment properties revenue	**$ 65,250**	**$ 42,646**	**$ 29,684**	**$ 31,997**	**$ 169,577**	**$ 5,112**	**$ 174,689**
Investment properties operating expenses	**(19,941)**	**(13,334)**	**(7,744)**	**(13,741)**	**(54,760)**	**(2,542)**	**(57,302)**
Net rental income	**45,309**	**29,312**	**21,940**	**18,256**	**114,817**	**2,570**	**117,387**
Other income	—	—	—	—	—	**68**	**68**
Other expenses	—	—	—	—	—	**(58,398)**	**(58,398)**
Fair value adjustments and other items	**(29,506)**	**6,830**	**5,336**	**(14,693)**	**(32,033)**	**(30,263)**	**(62,296)**
Income (loss) before income taxes	**15,803**	**36,142**	**27,276**	**3,563**	**82,784**	**(86,023)**	**(3,239)**
Recovery of income taxes	—	—	—	—	—	**549**	**549**
Net income (loss) for the year	**$ 15,803**	**$ 36,142**	**$ 27,276**	**$ 3,563**	**$ 82,784**	**$ (85,474)**	**$ (2,690)**

(1) Includes revenue and expense items such as lease termination fees, other rental income, straight-line rent, bad debt expenses, amortization of tenant inducements, and net rental income from sold properties, which are included in net rental income but not monitored at a regional level. Other income, other expenses, fair value adjustments to financial instruments and net losses on transactions and other activities are not monitored at a regional level.

Year ended December 31, 2015	Western Canada	Ontario	Québec	Eastern Canada	Segment total	Other[1]	Total
Operations							
Investment properties revenue	$ 64,476	$ 41,433	$ 29,160	$ 33,426	$ 168,495	$ 8,497	$ 176,992
Investment properties operating expenses	(19,113)	(13,070)	(7,986)	(14,721)	(54,890)	(2,656)	(57,546)
Net rental income	45,363	28,363	21,174	18,705	113,605	5,841	119,446
Other income	—	—	—	—	—	22	22
Other expenses	—	—	—	—	—	(57,310)	(57,310)
Fair value adjustments and other items	(3,963)	(3,129)	1,679	(3,494)	(8,907)	(17,796)	(26,703)
Income (loss) before income taxes	41,400	25,234	22,853	15,211	104,698	(69,243)	35,455
Deferred income taxes	—	—	—	—	—	(266)	(266)
Net income (loss) for the year	$ 41,400	$ 25,234	$ 22,853	$ 15,211	$ 104,698	$ (69,509)	$ 35,189

(1) Includes revenue and expense items such as lease termination fees, other rental income, straight-line rent, bad debt expenses, amortization of tenant inducements, and net rental income from sold properties, which are included in net rental income but not monitored at a regional level. Other income, other expenses, fair value adjustments to financial instruments and net losses on transactions and other activities are not monitored at a regional level.

Investment properties

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

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

Year ended December 31, 2015	Western Canada	Ontario	Québec	Eastern Canada	Total
Investment properties	$ 657,375	$ 445,530	$ 327,095	$ 270,992	$ 1,700,992
Total capital expenditures and leasing costs[1]	5,454	4,801	2,626	3,537	16,418

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

Note 23

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dream Industrial and its subsidiaries enter into transactions with related parties. Dream Industrial, DILP (a wholly owned subsidiary of the Trust), Dream Industrial Management LP (a wholly owned subsidiary of DILP), Dream Industrial Management Corp., and Dream Office Management Corp., a subsidiary of Dream Office REIT, are parties to an administrative services agreement (the "Services Agreement") which is automatically renewed on October 4th of every year for additional one-year terms unless terminated by any party. 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 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. The Trust and DAM are party to an amended Shared Services and Cost Sharing Agreement as of April 2, 2015. According to the terms of the amended arrangement, DAM will continue to provide administrative and support services on an as-needed basis and will be reimbursed on a cost recovery basis for any expenses incurred. The Trust will continue to reimburse DAM for any shared costs allocated in each calendar year. This amended agreement provides for the automatic reappointment of DAM for additional one-year terms commencing on January 1 unless and until terminated in accordance with its terms or by mutual agreement of the parties.

As of January 1, 2016, the Shared Services and Cost Sharing Agreement was amended such that future funding costs in respect of technology personnel and technology related platforms ceased subsequent to December 31, 2015. There were no other material changes to the agreement. As a result of the cost reduction program implemented in October 2016, the Trust accelerated payment of the remaining outstanding commitments under the Shared Services and Cost Sharing Agreement totalling $450 and has included under the cost reduction program charge for the year ended December 31, 2016 (see Note 21).

Effective January 1, 2016, Dream Technology Ventures LP ("DTV LP"), a limited partnership, was established by a wholly owned subsidiary of DAM acting as general partner and DAM, Dream Office LP, DILP, Dream Global REIT and Dream Alternatives Master LP as limited partners. Each of the limited partners, including the Trust, will contribute capital to DTV LP to fund costs incurred relating to technology personnel and technology related platforms. In addition, the Trust will be party to a licensing agreement in respect of the use of the developed technology. The Trust accounts for its investment in DTV LP on an equity basis. At December 31, 2016, the Trust recorded contributions of $358 to DTV LP and recorded its share of loss of $260 for the year ended December 31, 2016 in general and administrative expenses in the consolidated financial statements. At December 31, 2016, the Trust's investment in DTV LP was $98, which was included under other non-current assets.

During the fourth quarter of 2016, Dream Office REIT purchased 747,190 REIT Units and also enrolled those Units in DRIP effective from the December 2016 distributions that were payable on January 15, 2017. In addition, the LP B Units that are held by the wholly owned subsidiaries of Dream Office REIT were also enrolled in DRIP to receive REIT Units effective from the November distributions that were payable on December 15, 2016. During the three months ended December 31, 2016, under the DRIP for LP B Units, the Trust issued 135,283 REIT Units to the subsidiaries of Dream Office REIT for a total cost of $1,115. As at December 31, 2016, Dream Office REIT, directly and indirectly through its wholly owned subsidiaries, held 882,473 REIT Units and 18,551,855 LPB Units representing approximately 24.9% ownership in the Trust.

Related party transactions

Fees and cost reimbursements paid and payable to related parties were as follows:

	Note		Year ended December 31, 2016		2015
Incurred under the Asset Management Agreement:					
Base annual management fee (included in general and administrative expenses)		**$**	**4,129**	$	4,182
Acquisition fee (included in acquisition related costs/investment properties)			**—**		216
Expense reimbursements related to financing arrangements (included in debt/unitholders' equity)			**555**		316
Total incurred under the Asset Management Agreement to DAM		**$**	**4,684**	$	4,714
Incurred under the Shared Services and Cost Sharing Agreement:					
Investment in business transformation	21	**$**	**417**	$	580
Strategic services and other			**1,011**		460
Total incurred under the Shared Services and Cost Sharing Agreement to DAM		**$**	**1,428**	$	1,040
Amounts paid and payable to Dream Office REIT:					
Costs reimbursed under the Services Agreement		**$**	**3,682**	$	3,471
Distributions paid and payable to Dream Office REIT on subsidiary redeemable units	13		**13,050**		12,986
Distributions paid and payable to Dream Office REIT on REIT Units			**66**		—
Amounts paid and payable to Dream Office REIT		**$**	**16,798**	$	16,457

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

		December 31, 2016		December 31, 2015
Amounts payable and accrued liabilities to DAM for:				
Asset Management Agreement	**$**	**(491)**	$	(784)
Shared Services and Cost Sharing Agreement		**(168)**		(252)
Funds received on behalf of DAM		**—**		(63)
Total payable to DAM	**$**	**(659)**	$	(1,099)
Amounts receivable from DAM for:				
Reimbursement of costs paid by the Trust	**$**	**—**	$	45
Total receivable from DAM	**$**	**—**	$	45
Amounts payable and accrued liabilities to Dream Office REIT for:				
Services Agreement	**$**	**(430)**	$	(255)
Distributions on subsidiary redeemable units		**(1,114)**		(1,082)
Distributions on REIT Units		**(51)**		—
Total payable to Dream Office REIT	**$**	**(1,595)**	$	(1,337)
Amounts receivable from Dream Office REIT for:				
Deposits Dream Office REIT received on behalf of the Trust	**$**	**—**	$	135
Total receivable from Dream Office REIT	**$**	**—**	$	135

Compensation of key management personnel is as follows:

	Year ended December 31,	
	2016	2015
Unit-based awards granted during the year[1]	**$ 942**	$ 1,163
Trustees' fees paid in cash	**98**	154
Total	**$ 1,040**	$ 1,317

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

Note 24

SUPPLEMENTARY CASH FLOW INFORMATION

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

		Year ended December 31,	
	Note	**2016**	2015
Amortization of lease incentives	8	**$ 742**	$ 507
Amortization of financing costs	19	**1,503**	1,238
Depreciation of property and equipment		**54**	48
Amortization of fair value adjustments on assumed debt	19	**(1,162)**	(2,221)
Total		**$ 1,137**	$ (428)

The components of other adjustments under operating activities include:

		Year ended December 31,	
	Note	**2016**	2015
Deferred unit compensation expense	14	**$ 1,421**	$ 1,383
Straight-line rent	8, 18	**(1,278)**	(1,840)
Fair value adjustments to investment properties	8, 18	**32,033**	8,907
Fair value adjustments to financial instruments	20	**22,351**	(22,571)
Impairment of goodwill		**—**	34,903
Transaction costs	21	**969**	—
Net loss on sale of investment properties	18	**817**	1,285
(Recovery of) deferred income taxes	10	**(549)**	266
Debt settlement costs (gains)	21	**583**	(318)
Non-cash interest on subsidiary redeemable units	19	**1,115**	—
Other adjustments to operating activities		**$ 57,462**	$ 22,015

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

	Year ended December 31,	
	2016	2015
Increase in amounts receivable	**$ (81)**	$ (1,183)
Increase in prepaid expenses and other assets	**(239)**	(757)
Decrease (increase) in other non-current assets	**29**	(101)
Increase (decrease) in amounts payable and accrued liabilities	**1,044**	(1,454)
Increase in tenant security deposits	**1,277**	271
Change in non-cash working capital	**$ 2,030**	$ (3,224)

The following amounts were paid on account of interest:

		Year ended December 31,	
	Note	**2016**	2015
Interest:			
Debt	19	**$ 35,180**	$ 36,312
Subsidiary redeemable units	19	**11,903**	12,986
Total		**$ 47,083**	$ 49,298

Note 25

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 $1,485 (December 31, 2015 – $3,952).

Note 26

CAPITAL MANAGEMENT

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

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

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

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

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

The DILP Partnership Agreement limits the Trust's interest coverage ratio to no less than 1.4 times. The interest coverage ratio, for the purpose of the DILP Partnership Agreement, is calculated as net rental income from continuing operations, plus interest and fee income, less general and administrative expense from continuing operations, all divided by interest expense on total debt. For the year ended December 31, 2016, the Trust's interest coverage ratio was 3.0 times (December 31, 2015 – 3.1 times), reflecting its ability to cover interest expense requirements.

		Year ended December 31,	
	Note	**2016**	2015
Investment properties revenue		**$ 174,689**	$ 176,992
Investment properties operating expenses		**(57,302)**	(57,546)
Net rental income		**117,387**	119,446
Add (deduct):			
Interest and fee income		**68**	22
General and administrative expenses		**(9,931)**	(8,967)
		$ 107,524	$ 110,501
Interest expense – debt	19	**$ 35,363**	$ 35,309
Interest coverage ratio (times)		**3.0**	3.1

Note 27

FINANCIAL INSTRUMENTS

Risk management

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

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has some exposure to interest rate risk, primarily as a result of the Trust's fixed rate debt 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, the Trust has no variable rate debt as at December 31, 2016.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate financial assets and fixed rate debt due to mature in 2017. 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]	$ 6,595	$ (66)	$ (66)	$ 66	$ 66
Financial liabilities					
Fixed rate debt due to mature in a year	$ 65,680	$ 657	$ 657	$ (657)	$ (657)

(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 risk by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash and cash equivalents, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

Liquidity risk is the risk the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. As at December 31, 2016, current liabilities exceeded current assets by $90,532. The Trust's main sources of liquidity are its revolving credit facility and unencumbered assets. The Trust uses its revolving credit facility on short notice, which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period-to-period depending on the timing of receipts and payments. The Trust manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. Scheduled principal repayments that are due within one year amount to $23,234 and debt maturities that are due within one year amount to $65,680. The debt maturities are typically refinanced with mortgages of terms between five and ten years. The Trust's unencumbered assets pool as at December 31, 2016 is $121,210.

Derivative and hedging activity

The Trust uses interest rate swaps to manage its cash flow risk associated with changes in interest rates on variable rate debt. As at December 31, 2016, the Trust has the following interest rate swaps outstanding (December 31, 2015 – $2,076):

Hedging item	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Fair value	Hedged item
Interest rate swap	$ 49,653	3.31%	March 1, 2019	$ 869	Interest payments on forecasted issuance of BA
Interest rate swap	$ 48,080	2.93%	September 1, 2022	$ 137	Interest payments on forecasted issuance of BA

Note 28

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 into or out of Level 3 fair value measurements during the year.

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

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

	Carrying value as at December 31, 2015	Fair value as at December 31, 2015		
		Level 1	Level 2	Level 3
Recurring measurements				
Non-financial assets				
Investment properties	$ 1,700,992	$ —	$ —	$ 1,700,992
Financial liabilities				
Conversion feature on the convertible debentures	—	—	—	—
Fair value of interest rate swaps	2,076	—	—	2,076

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

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

	Carrying value as at December 31, 2015	Fair value as at December 31, 2015		
		Level 1	Level 2	Level 3
Fair values disclosed				
Mortgages	$ 780,948	$ —	$ —	$ 791,386
Revolving credit facility	15,893	—	—	16,000
Convertible debentures	126,260	—	—	130,308

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 holding period. The estimated sale value at the end of the holding period is then calculated by dividing the projected net rental income for year 11 by a terminal rate. These projected cash flows are then added together and discounted at a discount rate reflecting the risks of the property being valued. The following are the significant assumptions used under the two methods in determining the value:

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

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

Significant unobservable inputs in Level 3 valuations are as follows:

	December 31, 2016			December 31, 2015		
	Range (%)		**Weighted average**	Range (%)		Weighted average
Stabilized NOI	**n/a**	**$**	**113,956**	n/a	$	116,308
Cap rate	**5.50–9.25**		**6.71%**	6.00–8.00		6.69%
Discount rate	**6.25–9.00**		**7.58%**	7.00–8.75		7.55%
Terminal rate	**5.75–8.00**		**6.92%**	6.25–8.25		6.88%
Cash flows	**n/a**	**$**	**104,969**	n/a	$	115,284

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

If the cap rate were to increase by 25 basis points ("bps"), the value of investment properties would decrease by $56,569 (December 31, 2015 – $59,928). If the cap rate were to decrease by 25 bps, the value of investment properties would increase by $60,776 (December 31, 2015 – $64,473).

Valuation process

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

Investment properties with an aggregate fair value of $706,760 for the year ended December 31, 2016 (for the year ended December 31, 2015 – $285,140) 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 12), 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, 2016		December 31, 2015	
	Credit spread	**Volatility**	Credit spread	Volatility
5.25% Debentures	**2.259%**	**17.743%**	4.403%	11.110%
6.75% Debentures	**3.879%**	**16.908%**	5.422%	11.830%

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, 2016	**$ 85**	**$ (10)**	**$ 2,048**	**$ (2,148)**
Increase/(decrease) in fair value as at December 31, 2015	$ 5	$ —	$ —	$ (1,168)

Interest rate swaps

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

Mortgages

The fair value of the mortgage payable as at December 31, 2016 has been calculated by discounting the expected cash flows of each debt using a weighted average discount rate of 3.41% (December 31, 2015 – 2.73%). 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, 2016 and December 31, 2015 is based on the convertible debentures' trading price on or about December 31, 2016 and December 31, 2015, respectively, adjusted for the value of the separated conversion feature.

Revolving credit facility

The fair value of the revolving credit facility as at December 31, 2016 and December 31, 2015 approximates the carrying value due to their short-term nature.

Note 29

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2016 consolidated financial statements.

Trustees

Corporate Information

HEAD OFFICE
Dream Industrial
Real Estate Investment Trust
State Street Financial Centre
30 Adelaide Street East, Suite 301
Toronto, Ontario M5C 3H1
Phone: (416) 365-3535
Fax: (416) 365-6565

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

Computershare Trust
Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Phone: (514) 982-7555 or 1 800 564-6253
Fax: (416) 263-9394 or 1 888 453-0330
Web: www.computershare.com
E-mail: service@computershare.com

AUDITORS
PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

CORPORATE COUNSEL
Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place, Suite 6200
Toronto, Ontario M5X 1B8

INVESTOR RELATIONS
Phone: (416) 365-3535
Toll free: 1 877 365-3535
E-mail: industrialinfo@dream.ca
Web: www.dreamindustrialreit.ca

STOCK EXCHANGE LISTING
The Toronto Stock Exchange
Listing Symbols:
REIT Units: DIR.UN
5.25% Convertible Debentures: DIR.DB
6.75% Convertible Debentures: DIN.DB

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

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

Cash purchase: Unitholders may invest in additional units by making cash purchases. To enroll, contact: Computershare Trust Company of Canada 100 University Avenue, 8th Floor Toronto, Ontario M5J 2Y1

Attention: Dividend Reinvestment Services or call their Customer Contact Centre at 1 800 564-6253 (toll free) or (514) 982-7555 dream industrial REIT

Corporate Office

State Street Financial Centre
30 Adelaide Street East, Suite 301
Toronto, Ontario M5C 3H1
Phone: 416.365.3535
Fax: 416.365.6565
dreamindustrialreit.ca