

Q1 2015

Dream Industrial REIT

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industrial REIT

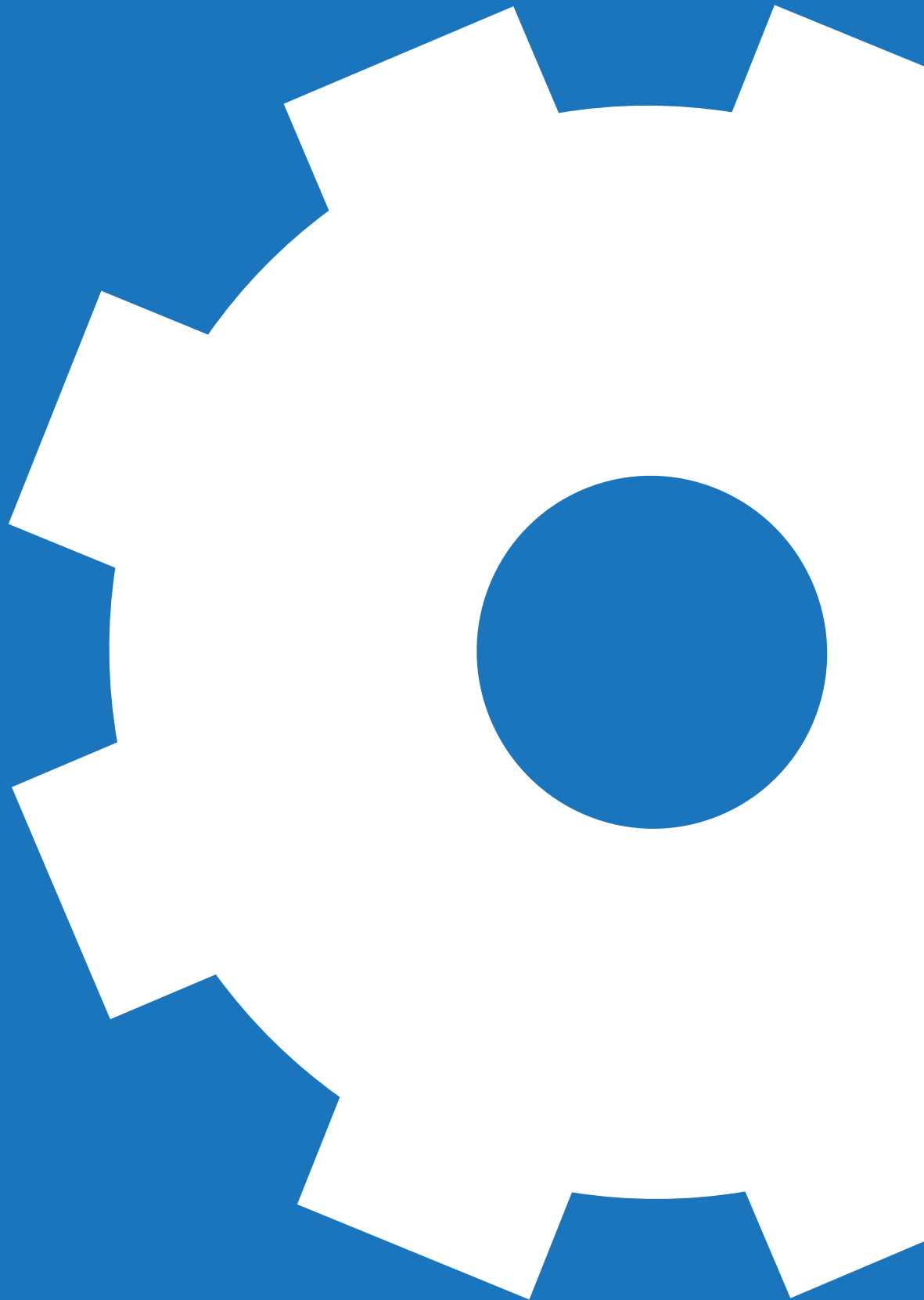
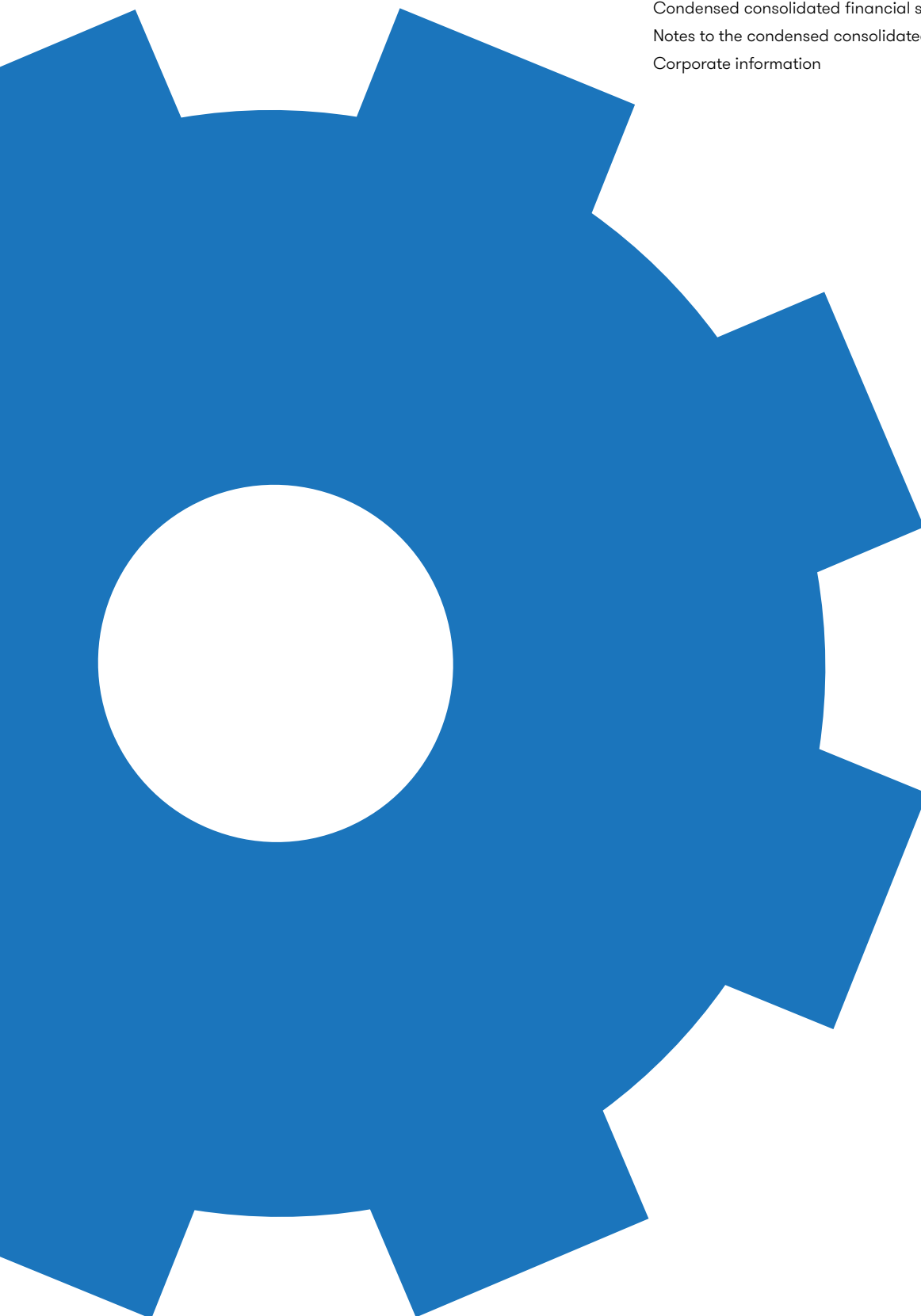


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Letter to unitholders

Dream Industrial REIT continued to deliver strong results in the first quarter of 2015, with a 2.5% increase in AFFO compared to the same quarter in the prior year and 180,000 square feet of lease commitments, representing a 29% increase over the prior quarter. We continue to make improvements to our operational platform by strengthening our leasing and property operations teams and enhancing our tenant relationships.

The first quarter of 2015 was a successful quarter in terms of leasing momentum, with signed commitments for future occupancy totalling 180,000 square feet versus 140,000 square feet in the prior quarter. This is a reflection of the efforts of our leasing teams across the country, the strength of our core markets as well as the quality of our assets in those markets.

Our business performed well and in line with our expectations, with 20 cents per unit of AFFO and 614,000 square feet of new leases and renewals commenced during the quarter at 9.9% higher rents over expiries and terminations. Although our occupancy declined at quarter-end to 95.3% from 96% in the prior quarter, we believe our occupancy bottomed out in March and will come back up as our commitments start to take place in the coming quarters.

In our Western Canada portfolio, we continue to experience positive leasing with rent increases on renewals and a retention ratio of 78%. We have yet to see any negative impact on leasing or our receivables from the decline in oil prices, and we continue to closely monitor our markets and strengthen the relationships with our tenants. In our Ontario and Eastern Canada portfolios, we experienced a drop in occupancy this quarter due to expected vacancies, many of which will be backfilled with new and existing tenants expanding into the vacated space.

Despite the slight increase in availability rates across Canadian industrial markets, the industry continues to be on solid footing. According to CBRE, the main driver of the increase in availability relates to the 4.4 million square feet of warehouse space vacated by Target on its departure, which is expected to be purchased by users.

Our financial metrics, including comparative properties net operating income, are stable at the end of the quarter, with debt-to-total assets of 52.4%, weighted average term to maturity of 3.9 years and \$144 million of unencumbered assets. This provides us with the capacity and flexibility to acquire and successfully finance growth when appropriate to do so in a way that will add value to our unitholders. At the same time, the Trust has maintained its AFFO payout ratio at 86.6%.

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



Brent Chapman
President and Chief Executive Officer

May 5, 2015

Management's discussion and analysis

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

SECTION I – OVERVIEW AND FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW

Adjusted funds from operations ("AFFO") per unit for the quarter was 20.2 cents, an increase of 0.5 cents, or 2.5%, over the prior year comparative quarter, which reflects growth in comparative properties net operating income ("NOI") as well as the effect of accretive acquisitions completed in the third quarter of 2014.

Funds from operations ("FFO") per unit for the quarter was 23.7 cents, an increase of 0.3 cents, or 1.3%, over the prior year comparative quarter. The increase resulted from the same factors as the increase in AFFO per unit.

Occupancy (including commitments on vacant space) decreased from 96.0% at the end of Q4 2014 to 95.3%. A total of 614,000 square feet of new leases and renewals commenced in the quarter and expiries totalled 757,000 square feet. Approximately 60% of our expiries renewed during the quarter, with Western Canada at 78%. Known vacancies in Ontario and Eastern Canada reduced the portfolio average, but were in line with our expectations. Our occupancy includes 180,000 square feet of commitments on vacant space, of which 78% will commence during Q2 2015. In April 2015, we completed a 60,000 square foot lease in Québec for a term of five months which is expected to contribute \$0.3 million to NOI. This short-term lease has not been included in committed occupancy.

In-place rent was \$7.10 per square foot compared to \$7.05 at December 31, 2014, which we estimate is approximately \$0.28, or 3.9%, below the current rental market rates. The multi-tenant nature of two-thirds of our portfolio, and its associated relatively short weighted average lease term of 3.5 years, provide the Trust with a good opportunity for rent growth in the short to medium term.

Our portfolio size remained at 16.9 million square feet, with investment properties totalling \$1.7 billion, reflecting a weighted average capitalization rate of 6.70% on stabilized NOI, which is consistent with the December 31, 2014 capitalization rates.

As at March 31, 2015, the ratio of secured debt, excluding convertible debentures, to total assets was 44.9%. Debt-to-total assets stood at 52.4% at March 31, 2015, including the convertible debentures. The weighted average remaining term on our debt was 3.9 years and the weighted average face interest rate on our debt was 4.01%, which is higher than we are currently seeing in the market for comparable mortgage debt.

Overall, the Trust has performed in line with management's expectations for the quarter.

OUTLOOK

We enter 2015 with stable industrial market fundamentals after experiencing positive growth during 2014 with historically low availability rates. Overall, market fundamentals for industrial real estate continued to be strong as the Western Canada market hasn't shown significant signs of weakness, and the Ontario and Eastern Canada markets are poised for growth due to the forecasted increases in the manufacturing and export sectors.

As of the date of this MD&A, we have obtained leasing commitments for over one million square feet of new and renewal leasing commencing in 2015, which represents approximately 53% of our 2.1 million square feet of remaining expiries for the year.

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

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

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	As at		
	March 31, 2015	December 31, 2014	March 31, 2014
Portfolio			
Number of properties	216	216	205
Gross leasable area ("GLA") (in millions of sq. ft.)	16.9	16.9	15.6
Occupancy rate – including committed	95.3%	96.0%	96.3%
Occupancy rate – in place	94.2%	95.2%	95.3%
Average occupancy for the period	94.7%	94.6%	94.9%
Average in-place base rent per sq. ft.	\$ 7.10	\$ 7.05	\$ 6.96
Weighted average remaining lease term (years)	4.3	4.4	4.6
Estimated market rent in excess of in-place rent (%)	3.9%	4.4%	6.0%
Three months ended			
	March 31, 2015	December 31, 2014	March 31, 2014
Operating results			
Investment properties revenue	\$ 43,940	\$ 44,588	\$ 40,914
NOI ⁽¹⁾	29,703	29,989	27,215
FFO ⁽¹⁾	18,621	18,833	17,044
AFFO ⁽¹⁾	15,603	15,541	14,006
Fair value increase (decrease) to investment properties	911	(1,919)	501
Distributions			
Declared distributions	\$ 13,427	\$ 13,404	\$ 12,487
DRIP participation rate	7.7%	5.9%	8.5%
Per unit amounts⁽²⁾			
Distribution rate	\$ 0.17	\$ 0.17	\$ 0.17
Basic			
FFO ⁽¹⁾	0.24	0.25	0.24
AFFO ⁽¹⁾	0.20	0.20	0.20
Diluted			
FFO ⁽¹⁾	0.24	0.24	0.23
AFFO ⁽¹⁾	0.20	0.20	0.20
Payout ratio (%)⁽³⁾			
FFO	73.8%	72.9%	74.8%
AFFO	86.6%	86.6%	88.8%

	As at		
	March 31, 2015	December 31, 2014	March 31, 2014
Financing			
Weighted average effective interest rate ⁽⁴⁾	3.83%	3.85%	3.86%
Weighted average face interest rate	4.01%	4.07%	4.17%
Weighted average remaining term to maturity (years)	3.9	3.9	4.2
Interest coverage ratio ⁽²⁾	3.0 times	3.0 times	2.9 times
Debt-to-adjusted EBITDA ⁽²⁾	8.5	8.5	8.5
Unencumbered assets	\$ 144,187	\$ 166,094	\$ 138,022

(1) NOI, FFO and AFFO are non-GAAP measures. Reconciliation to the relevant GAAP measures can be found under the heading "Our results of operations". See "Non-GAAP measures and other disclosures" for description of these non-GAAP measures.

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

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

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

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, 2014 and the condensed consolidated financial statements for the period ended March 31, 2015.

This management’s discussion and analysis (“MD&A”) is dated as at May 5, 2015.

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

- “REIT Units”, meaning the REIT Units
- “LP B Units” and “subsidiary redeemable units”, meaning the Class B Units of Dream Industrial LP
- “Units”, meaning REIT Units and LP B Units

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

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

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust’s control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest rates.

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

All forward-looking information is as of May 5, 2015. Dream Industrial does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information about these assumptions, risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our website at www.dreamindustrialreit.ca.

BACKGROUND

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 24.2% at May 5, 2015. Our REIT Units are listed on the Toronto Stock Exchange under the trading symbol DIR.UN.

At March 31, 2015, we owned 216 light industrial income-producing buildings totalling 16.9 million square feet of GLA. Our properties are located in primary and secondary markets in seven Canadian provinces.

OUR OBJECTIVES

We are committed to:

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

Distributions

We currently pay monthly distributions of \$0.058 per Unit, or \$0.70 per Unit on an annual basis. At March 31, 2015, approximately 7.7% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP") (see a description of Our equity on page 18).

	2015				2014				2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Annualized distribution rate	\$ 0.70	\$ 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	\$ 0.058
Period-end closing price	\$ 9.01	\$ 8.42	\$ 9.05	\$ 9.73	\$ 9.40	\$ 8.85	\$ 8.74	\$ 9.08	
Annualized distribution yield on closing price (%) ⁽¹⁾	7.8%	8.3%	7.7%	7.2%	7.4%	7.9%	8.0%	7.7%	

(1) Annualized distribution yield is calculated as the annualized distribution rate divided by period-end closing unit 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 and across all asset classes, which we believe will provide us with the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

Seeking accretive growth opportunities

Dream Industrial REIT seeks to invest in desirable, highly functional properties located in major industrial centres that are well-leased on a long-term basis to quality tenants. When evaluating acquisitions we consider a variety of criteria, including per

Unit accretion; replacement cost of the asset, its functionality and appeal to future tenants; and how 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.

Today, our portfolio consists of 216 properties comprising 16.9 million square feet of GLA. Our properties are located in desirable business parks, situated close to highways, and generally considered functional and well suited for their respective markets. The occupancy rate across our portfolio is 95.3%. Our occupancy rate includes lease commitments totalling approximately 180,000 square feet for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Our properties are geographically diversified as follows:

	March 31, 2015			December 31, 2014		
	Number of properties	Owned GLA (sq. ft.)	% of owned GLA	Number of properties	Owned GLA (sq. ft.)	% of owned GLA
Western Canada	77	4,825,191	28.5	77	4,824,509	28.5
Ontario	60	5,031,825	29.7	60	5,031,825	29.7
Québec	40	4,274,667	25.2	40	4,274,667	25.2
Eastern Canada	39	2,812,378	16.6	39	2,811,898	16.6
Total	216	16,944,061	100.0	216	16,942,899	100.0

Our portfolio consists of multi-tenant buildings totalling 10.7 million square feet, or comprising 64% of total GLA, and single-tenant buildings totalling 6.2 million square feet, or 36% of total GLA. Of the 6.2 million square feet of single-tenant space, 5.2 million 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 regular basis, thereby taking advantage of supply-constrained market conditions. Small bay multi-tenant buildings tend to have higher construction costs and tend to be located in denser urban markets, which increases the barriers to competition from new supply. Selective ownership of single-tenant buildings provides a source of stable cash flow with relatively less management effort required. In addition to the geographic distribution, maintaining a balance of the two building types in the portfolio is part of our diversification strategy.

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

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

Performance indicators	March 31, 2015			December 31, 2014		
	Multi-tenant buildings	Single-tenant buildings	Total	Multi-tenant buildings	Single-tenant buildings	Total
Occupancy rate – including committed	94.3%	97.0%	95.3%	94.8%	98.1%	96.0%
Occupancy rate – in place ⁽¹⁾	92.6%	97.0%	94.2%	93.5%	98.1%	95.2%
Average in-place base rental rates (per sq. ft.)	\$ 7.44	\$ 6.52	\$ 7.10	\$ 7.38	\$ 6.50	\$ 7.05
Tenant maturity profile – average term to maturity (years)	3.5	5.7	4.3	3.6	5.8	4.4
Owned GLA (in millions of sq. ft.)	10.7	6.2	16.9	10.7	6.2	16.9

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

Occupancy

At March 31, 2015, the overall percentage of occupied and committed space across our portfolio remained high at 95.3%, which was 0.7% lower than occupancy at December 31, 2014, and 1% lower than occupancy at March 31, 2014.

(percentage)	March 31, 2015	December 31, 2014	March 31, 2014
Western Canada	97.8	97.5	98.3
Ontario	97.1	97.9	98.0
Québec	91.4	93.5	94.0
Eastern Canada	93.4	93.9	93.4
Total	95.3	96.0	96.3
Portfolio size (millions of sq. ft.)	16.9	16.9	15.6

Occupancy roll-forward

Leasing activity for the first quarter included approximately 455,000 square feet of renewals and approximately 159,000 square feet of new leases.

The following table details the change in occupancy (including committed) during the three months ended March 31, 2015:

	Weighted average rate per sq. ft.	For the three months ended March 31, 2015 (sq. ft.)	As a % of total GLA
Occupancy (including committed) at beginning of period		16,268,573	96.0%
Vacancy committed for future occupancy		(139,732)	(0.8%)
Occupancy at beginning of period		16,128,841	95.2%
Remeasurements/reclassifications		(30)	0.0%
Occupancy at beginning of period – restated		16,128,811	95.2%
Expiries (all leases)	\$ 6.87	(757,065)	(4.5%)
Early terminations and bankruptcies	\$ 5.84	(24,608)	(0.1%)
New leases	\$ 7.26	159,248	0.9%
Renewals	\$ 7.60	454,635	2.7%
Occupancy – March 31, 2015		15,961,021	94.2%
Vacancy committed for future occupancy		179,993	1.1%
Occupancy (including committed) – March 31, 2015		16,141,014	95.3%

The committed occupancy on vacant space based on existing contractual commitments at March 31, 2015 totalled 180,000 square feet. Of this committed space, 78% becomes occupied in Q2 2015 with the balance taking occupancy in Q3 2015.

	For the three months ended March 31, 2015
Tenant retention ratio	60.1%
Expiring rents on renewed space (per sq. ft.)	\$ 7.23
Renewal to expiring rent spread (per sq. ft.)	\$ 0.37

The tenant retention ratio for the total portfolio was 60.1% during the first quarter. The Western Canada tenant retention ratio was 78%, while known vacancies in Ontario and Québec reduced the portfolio average.

In-place rental rates

At March 31, 2015, estimated current market rents were 3.9% higher than portfolio average in-place base rents, presenting us with the opportunity to capture gains when space is renewed or newly leased.

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

	March 31, 2015			December 31, 2014			March 31, 2014		
	Average in-place base rent	Estimated market rent ⁽¹⁾	Estimated market rent/in-place rent (%)	Average in-place base rent	Estimated market rent ⁽¹⁾	Estimated market rent/in-place rent (%)	Average in-place base rent	Estimated market rent ⁽¹⁾	Estimated market rent/in-place rent (%)
Total portfolio	\$ 8.96	\$ 9.65	7.7	\$ 8.88	\$ 9.65	8.7	\$ 8.66	\$ 9.73	12.4
Western Canada	6.02	6.11	1.5	6.02	6.12	1.7	6.07	6.18	1.8
Ontario	6.13	6.23	1.6	6.09	6.21	2.0	6.01	6.22	3.5
Québec	7.20	7.35	2.1	7.17	7.35	2.5	7.12	7.35	3.2
Eastern Canada									
Total	\$ 7.10	\$ 7.38	3.9	\$ 7.05	\$ 7.36	4.4	\$ 6.96	\$ 7.38	6.0

(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.

Leasing and tenant profile

The average remaining lease term and other portfolio information are detailed in the following table. Overall, our average remaining lease term is 4.3 years and our average tenant size is 12,000 square feet. Our single-tenant buildings have an average remaining lease term of 5.7 years and our multi-tenant buildings have an average remaining lease term of 3.5 years.

	March 31, 2015			December 31, 2014			March 31, 2014		
	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.)
Total portfolio	4.3	9,112	\$ 8.96	4.4	9,103	\$ 8.88	4.3	8,968	\$ 8.66
Western Canada	3.9	18,444	6.02	3.9	18,246	6.02	4.2	17,486	6.07
Ontario	5.8	26,943	6.13	5.8	26,997	6.09	6.3	27,408	6.01
Québec	3.1	6,485	7.20	3.2	6,488	7.17	3.4	6,531	7.12
Eastern Canada									
Total	4.3	12,109	\$ 7.10	4.4	12,123	\$ 7.05	4.6	11,900	\$ 6.96

The following table details our lease maturity profile by region at March 31, 2015. The table distinguishes between lease expiries that have yet to be renewed or re-leased and expiries for which we have leasing commitments. In the remainder of 2015, 2,084,000 square feet contractually expire. As at March 31, 2015, leasing commitments for 887,000 square feet of new and renewal leases commencing in 2015 had been obtained which represents 42.6% of the expiring tenancies. As of the date of this MD&A, commitments commencing in the remainder of 2015 total over one million square feet. Our current maturity profile is well balanced with 12.3% of leases expiring in the remainder of 2015, 15.0% expiring in 2016 and 13.4% expiring in 2017.

(in sq. ft.)	Monthly and short-term tenancies	2015 remainder	2016	2017	2018	2019	2020+	Total
Western Canada								
Expiries ⁽¹⁾	-	(637,111)	(658,181)	(716,223)	(691,642)	(475,794)	(1,949,156)	(5,128,107)
Expiries committed for renewals	-	322,720	12,000	55,644	17,700	-	-	408,064
Expiries profile, net of renewals	-	(314,391)	(646,181)	(660,579)	(673,942)	(475,794)	(1,949,156)	(4,720,043)
Vacancies committed for new leases	-	52,356	-	-	-	-	-	52,356
Expiries, net of commitments obtained	-	(262,035)	(646,181)	(660,579)	(673,942)	(475,794)	(1,949,156)	(4,667,687)
Ontario								
Expiries ⁽¹⁾	-	(672,622)	(666,430)	(720,877)	(906,441)	(648,836)	(1,540,786)	(5,155,992)
Expiries committed for renewals	-	258,675	9,604	-	-	-	-	268,279
Expiries profile, net of renewals	-	(413,947)	(656,826)	(720,877)	(906,441)	(648,836)	(1,540,786)	(4,887,713)
Vacancies committed for new leases	-	87,644	-	-	-	-	-	87,644
Expiries, net of commitments obtained	-	(326,303)	(656,826)	(720,877)	(906,441)	(648,836)	(1,540,786)	(4,800,069)
Québec								
Expiries ⁽¹⁾	(1,894)	(265,595)	(599,045)	(511,836)	(209,741)	(436,209)	(2,091,021)	(4,115,341)
Expiries committed for renewals	-	67,065	122,771	-	18,753	-	-	208,589
Expiries profile, net of renewals	(1,894)	(198,530)	(476,274)	(511,836)	(190,988)	(436,209)	(2,091,021)	(3,906,752)
Vacancies committed for new leases	-	-	-	-	-	-	-	-
Expiries, net of commitments obtained	(1,894)	(198,530)	(476,274)	(511,836)	(190,988)	(436,209)	(2,091,021)	(3,906,752)
Eastern Canada								
Expiries ⁽¹⁾	(7,622)	(508,403)	(612,584)	(323,541)	(290,432)	(319,683)	(675,249)	(2,737,514)
Expiries committed for renewals	-	58,364	7,555	-	-	-	45,089	111,008
Expiries profile, net of renewals	(7,622)	(450,039)	(605,029)	(323,541)	(290,432)	(319,683)	(630,160)	(2,626,506)
Vacancies committed for new leases	-	39,993	-	-	-	-	-	39,993
Expiries, net of commitments obtained	(7,622)	(410,046)	(605,029)	(323,541)	(290,432)	(319,683)	(630,160)	(2,586,513)
Total portfolio								
Expiries ⁽¹⁾	(9,516)	(2,083,731)	(2,536,240)	(2,272,477)	(2,098,256)	(1,880,522)	(6,256,212)	(17,136,954)
Expiries committed for renewals	-	706,824	151,930	55,644	36,453	-	45,089	995,940
Expiries profile, net of renewals	(9,516)	(1,376,907)	(2,384,310)	(2,216,833)	(2,061,803)	(1,880,522)	(6,211,123)	(16,141,014)
Vacancies committed for new leases	-	179,993	-	-	-	-	-	179,993
Expiries, net of commitments obtained	(9,516)	(1,196,914)	(2,384,310)	(2,216,833)	(2,061,803)	(1,880,522)	(6,211,123)	(15,961,021)

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

The following table details expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in similar properties at March 31, 2015. For the remainder of 2015, the expiring rents exceed estimated market rents for similar properties by 2% largely driven by certain single-tenant leases. For 2016, the estimated market rents are 3.3% above the expiring rents. This represents an opportunity to increase rents as space is re-leased.

(per sq. ft.)	Current monthly tenancies	Remainder of 2015	2016	2017	2018
Expiring rents					
Western Canada	\$ -	\$ 8.98	\$ 8.18	\$ 9.86	\$ 10.49
Ontario	-	6.57	6.16	6.23	6.42
Québec	4.97	5.84	4.18	5.73	5.57
Eastern Canada	2.40	6.30	7.29	7.53	8.17
Portfolio average	\$ 2.91	\$ 6.93	\$ 6.60	\$ 7.39	\$ 7.92
Estimated market rents⁽¹⁾					
Western Canada	\$ -	\$ 9.31	\$ 9.06	\$ 10.23	\$ 10.80
Ontario	-	6.02	5.78	6.31	6.26
Québec	6.15	5.38	4.71	5.80	5.29
Eastern Canada	6.25	6.35	7.21	7.55	7.87
Estimated market rent average	\$ 6.23	\$ 6.79	\$ 6.82	\$ 7.54	\$ 7.88
Market rent over expiring rent		-2.0%	3.3%	2.0%	-0.5%

(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.

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 three months ended March 31, 2015, a total of 614,000 square feet was leased and occupied with related costs of \$1.7 million, representing an average rate of \$2.83 per square foot leased.

Performance indicators	Total
Operating activities	
Portfolio size (sq. ft.)	16,944,061
Occupied and committed	95.3%
Square footage leased and occupied in 2015	613,883
Lease incentives and initial direct leasing costs for square footage leased and occupied in 2015	\$ 1,736

Tenant base profile

Our tenant base consists of a diverse range of high-quality businesses and, with 1,333 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 88,000 square feet across our single-tenant buildings and 8,000 square feet across our multi-tenant buildings.

The following table outlines the contributions of our top ten tenants to our rental revenue.

Tenant	Owned area (sq. ft.)	Owned area (%)	Annualized base rent (%)	Weighted average remaining lease term (years)
Spectra/Premium Industries	642,368	3.8	3.6	10.2
TC Transcontinental	523,345	3.1	3.1	7.0
Gienow Windows & Doors Inc.	351,306	2.1	2.2	7.6
Molson Breweries Properties	225,000	1.3	2.1	7.8
The Brick Warehouse LP	327,000	1.9	2.0	9.2
Clean Harbors Industrial	113,506	0.7	1.7	5.0
Royal Group Inc.	346,035	2.0	1.7	2.8
United Agri Products Canada Inc.	275,335	1.6	1.2	8.5
Nellson Nutraceutical Canada	210,710	1.2	1.2	4.5
Array Canada Inc.	209,754	1.2	1.0	5.8
Total	3,224,359	18.9	19.8	7.3

On an annualized base rent basis, no single tenant represents more than 5% of total revenue of the portfolio, and the weighted average remaining lease term for the top ten tenants stands strong at 7.3 years.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

At March 31, 2015, the fair value of our investment property portfolio was \$1.7 billion, reflecting a weighted average capitalization rate ("cap rate") of 6.70% on stabilized NOI, excluding property management income.

The valuation approach for investment properties uses both the direct capitalization method and discounted cash flow method. The results of both methods are evaluated by considering the reasonableness of the range of values calculated under both methods. Fair value of a property is determined at the point within that range that is most representative of the fair value in the circumstances. The direct capitalization method applies a cap rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value is further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using cap rates in the range of 6.00% to 8.25%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal capitalization rates specific to each property.

The fair value of our investment properties excluding vacant land is set out below.

	March 31, 2015	December 31, 2014
Western Canada	\$ 649,375	\$ 647,117
Ontario	434,950	435,430
Québec	327,937	327,396
Eastern Canada	271,258	270,816
Total	\$ 1,683,520	\$ 1,680,759

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

	Capitalization rates – Total portfolio			
	March 31, 2015		December 31, 2014	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	6.00–8.25	6.43	6.00–8.25	6.42
Ontario	6.00–7.75	6.60	6.00–7.75	6.60
Québec	6.50–8.00	7.07	6.50–8.00	7.17
Eastern Canada	6.50–7.75	7.06	6.50–7.75	7.05
Total	6.00–8.25	6.70	6.00–8.25	6.71

Dispositions

The following dispositions were completed during the three months ended March 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
Total	84,284	\$ 10,900	\$ (963)	\$ 3,277	

(1) Gross proceeds before transaction costs.

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

Building improvements and leasing costs

The table below represents costs incurred during the three months ended March 31:

	Three months ended March 31,	
	2015	2014
Building improvements		
Recoverable capital expenditures	\$ 13	\$ 180
Other capital expenditures	101	363
Initial leasing costs and lease incentives		
Leasing costs	493	471
Landlord's work	535	533
Tenant improvements	323	230
Other leasing costs	480	223
Total	\$ 1,945	\$ 2,000

Other capital expenditures primarily consisted of upgrades completed on certain properties which tend to increase the Trust's ability to obtain higher rental rates. Other leasing costs consisted of costs incurred to bring certain properties and units up to the Trust's operating standards as identified at the time of acquisition and costs incurred towards major reconfiguration to attract and put in place high value tenancies or to improve the quality of the asset.

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 condensed consolidated financial statements prepared under IFRS, our current liabilities exceed our current assets by \$151.9 million. Typically, real estate entities seek to address liquidity needs by having a balanced debt maturity schedule, undrawn credit facilities, and a pool of unencumbered assets. We are able to use our revolving credit facility on short notice which eliminates the need to hold a significant amount of cash and cash equivalents on hand. Working capital balances fluctuate significantly from period to period depending on the timing of receipts and payments. Debt obligations that are due within one year amount to \$116.7 million, which we typically refinance with mortgages of terms between five and ten years. Amounts payable outstanding at the end of any reporting period depends primarily on the timing of leasing costs, capital expenditures incurred as well as the impact of transaction costs incurred on any acquisitions completed during the reporting period. Our unencumbered assets pool as at March 31, 2015 is \$144.2 million. With our balanced debt maturity schedule, undrawn credit facility and unencumbered assets pool, we have sufficient liquidity as at March 31, 2015.

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:

	March 31, 2015	December 31, 2014
Financing metrics		
Debt	\$ 910,846	\$ 921,293
Weighted average effective interest rate ⁽¹⁾	3.83%	3.85%
Weighted average face interest rate	4.01%	4.07%
Interest coverage ratio ⁽²⁾	3.0	3.0
Debt-to-adjusted EBITDA ⁽³⁾	8.5	8.5
Level of debt (debt-to-total assets) ⁽⁴⁾	52.4%	52.9%
Variable rate debt as percentage of total debt	2.4%	4.4%
Liquidity metrics		
Maximum proportion of debt maturities and principal repayments due in any one year	19.1% (2019)	18.8% (2019)
Weighted average term to maturity (years)	3.9	3.9
Encumbered assets	\$ 1,539,333	\$ 1,514,665
Cash on hand	1,939	78
Unencumbered assets	144,187	166,094
Undrawn lines of credit	50,800	33,572

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

(2) The interest coverage ratio (non-GAAP measure) for the three months ended March 31, 2015 and year ended December 31, 2014 is calculated as net rental income plus interest and fee income, less general and administrative expenses, plus deferred unit compensation expense, all divided by interest expense on debt excluding deferred financing and mark-to-market adjustments. The detailed calculation of interest coverage ratio can be found under the heading "Non-GAAP measures and other disclosures".

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

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

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 3.0 times, demonstrating our ability to more than adequately cover interest expense requirements. At March 31, 2015, our weighted average face rate of interest is 4.01% and, after accounting for market adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 3.83%.

	March 31, 2015			December 31, 2014		
	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages	\$ 763,737	\$ -	\$ 763,737	\$ 755,194	\$ -	\$ 755,194
Revolving credit facility	-	21,434	21,434	-	40,609	40,609
Convertible debentures	125,675	-	125,675	125,490	-	125,490
Total	\$ 889,412	\$ 21,434	\$ 910,846	\$ 880,684	\$ 40,609	\$ 921,293
Percentage	97.6%	2.4%	100.0%	95.6%	4.4%	100.0%
Weighted average face rate						
(period-end)	4.03%	3.01%	4.01%	4.10%	3.42%	4.07%
Average term to maturity (years)	3.9	1.3	3.9	4.0	1.5	3.9

Mortgages payable are recorded net of \$7.0 million of fair value adjustments upon initial recognition and \$2.3 million of financing costs. At March 31, 2015, amounts recorded for the convertible debentures are net of a \$2.3 million discount allocated to their conversion features on issuance and fair value adjustment and net of \$2.7 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.

	Amount	Three months ended March 31, 2015		
		Term to maturity (years)	Face interest rate (%)	Effective interest rate (%)
New mortgage	\$ 33,000	7.0	2.63	2.75

On March 5, 2015, we completed financing for a \$33 million mortgage on a portfolio of four properties with a term of seven years at a face interest rate of 2.63% and an effective interest rate of 2.75%, which was used to refinance a \$10.1 million mortgage on a portfolio of three properties at a face interest rate of 4.69%.

Revolving credit facility

The following table summarizes details of the Trust's revolving credit facility as at March 31, 2015:

	Borrowing capacity	Letter of credit and forwards agreement	Principal amount outstanding ⁽¹⁾	Available to be drawn ⁽²⁾	Interest rate ⁽³⁾	Maturity date
Revolving credit facility ⁽⁴⁾	\$ 75,000	\$ 2,500	\$ 21,700	\$ 50,800	3.01%	June 30, 2016

(1) Excludes financing costs.

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

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

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

Changes in debt levels are as follows:

	Face interest rate	Three months ended March 31, 2015			
		Mortgages	Revolving credit facility	Convertible debentures	Total
Debt as at January 1, 2015	4.07%	\$ 755,194	\$ 40,609	\$ 125,490	\$ 921,293
New debt placed	2.63%	33,000	-	-	33,000
Scheduled repayments		(5,888)	-	-	(5,888)
Lump sum repayments	4.21%	(17,650)	(19,228)	-	(36,878)
Other adjustments ⁽¹⁾		(919)	53	185	(681)
Debt as at March 31, 2015	4.01%	\$ 763,737	\$ 21,434	\$ 125,675	\$ 910,846

(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 March 31, 2015:

	Debt maturities	Scheduled repayments on non-maturing debt	Amount	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2015	\$ 101,929	\$ 17,166	\$ 119,095	13.07	3.07	3.43
2016	114,970	19,694	134,664	14.77	3.15	4.03
2017	108,791	16,799	125,590	13.78	3.84	4.46
2018	80,709	12,696	93,405	10.25	3.62	3.36
2019	163,242	10,658	173,900	19.08	5.29	4.66
2020 and thereafter	244,506	20,252	264,758	29.05	3.69	3.87
Total	\$ 814,147	\$ 97,265	\$ 911,412	100.00	3.87	4.02
Unamortized financing costs			(5,274)			
Unamortized fair value adjustments			4,708			
Total			\$ 910,846			

Convertible debentures

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

	Date issued	Maturity date	Conversion price	Outstanding principal March 31, 2015	Outstanding principal May 5, 2015	REIT Units if converted May 5, 2015
5.25% Debentures	December 13, 2012	December 31, 2019	\$ 13.80	\$ 86,250	\$ 86,250	6,250,000
5.25% Debentures	December 19, 2012	December 31, 2019	13.80	25,000	25,000	1,811,594
6.75% Debentures	May 15, 2013 ⁽¹⁾	November 30, 2017	12.37	19,420	19,420	1,569,927
Total				\$ 130,670	\$ 130,670	9,631,521

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

The fair value of the conversion feature of the convertible debentures is remeasured each period, with changes in fair value being recorded in comprehensive income. At March 31, 2015, the conversion feature amounted to a \$1.2 million financial asset (December 31, 2014 – \$3 financial liability) and was included in other non-current assets on the condensed 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 condensed consolidated financial statements.

Dream Industrial did not enter into any operating or finance leases as lessee during this reporting period. As at March 31, 2015, the Trust has entered into lease agreements with tenants that may require leasing and tenant improvement costs of approximately \$3.5 million (March 31, 2014 – \$3.3 million).

The Trust's future commitment for business transformation activities under the Shared Services and Cost Sharing Agreement with DREAM Asset Management Corp. ("DAM") is \$2.0 million (March 31, 2014 – \$2.4 million). We are presently in the early stages of business transformation activities that will transform our operating platform to allow us to improve data integrity, realize operating efficiencies, establish business analytic tools and ultimately generate better business outcomes. This initiative will form the foundation of our continuous improvement culture.

OUR EQUITY

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

	March 31, 2015		December 31, 2014	
	Number of Units	Amount	Number of Units	Amount
REIT Units	58,196,975	\$ 577,858	58,035,125	\$ 576,399
Retained earnings	-	46,732	-	52,774
Add: LP B Units	18,551,855	167,152	18,551,855	156,206
Accumulated other comprehensive loss	-	(1,776)	-	(522)
Total	76,748,830	\$ 789,966	76,586,980	\$ 784,857

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

At March 31, 2015, Dream Office REIT, indirectly through its wholly owned subsidiaries, held 18,551,855 LP B Units representing a total ownership interest of approximately 24.2%.

The following table summarizes the changes in our outstanding equity.

	REIT Units	LP B Units	Total
Total Units outstanding on January 1, 2015	58,035,125	18,551,855	76,586,980
Units issued pursuant to DRIP	109,846	-	109,846
Units issued pursuant to Unit Purchase Plan	1,150	-	1,150
Units issued pursuant to Deferred Unit Incentive Plan (“DUIP”)	50,854	-	50,854
Total Units outstanding on March 31, 2015	58,196,975	18,551,855	76,748,830
Percentage of all Units	75.8%	24.2%	100.0%
Units issued pursuant to Unit Purchase Plan	222	-	222
Units issued pursuant to DRIP on April 15, 2015	40,450	-	40,450
Units vested and issued pursuant to DUIP on April 15, 2015	3,202	-	3,202
Total Units outstanding on May 5, 2015⁽¹⁾	58,240,849	18,551,855	76,792,704
Percentage of all Units	75.8%	24.2%	100.0%

(1) The date of this report.

Normal course issuer bid

On December 15, 2014, the Toronto Stock Exchange accepted the Trust’s Notice of Intention to make a normal course issuer bid, which commenced on December 17, 2014 and will remain in effect until the earlier of December 16, 2015 or the date on which the Trust has purchased the maximum number of REIT Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 5,688,097 REIT Units (representing 10% of the REIT’s public float of 56,880,965 REIT Units as at December 1, 2014). To the date of this report, no purchases 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 March 31, 2015		
	Declared distributions	3% bonus distributions ⁽¹⁾	Total
2015 distributions			
Paid in cash or reinvested in Units	\$ 8,950	\$ 20	\$ 8,970
Payable at March 31, 2015	4,477	-	4,477
Total distributions⁽²⁾	\$ 13,427	\$ 20	\$ 13,447
2015 reinvestment			
Reinvested to March 31, 2015	\$ 679	\$ 20	\$ 699
Reinvested on April 15, 2015	354	11	365
Total distributions reinvested	\$ 1,033	\$ 31	\$ 1,064
Distributions paid in cash	\$ 12,394		
Reinvestment to distribution ratio	7.7%		
Ratio of distributions paid in cash	92.3%		

(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 March 31, 2015 were \$13.4 million. Of the distributions declared for the three months ended March 31, 2015, \$1.0 million, or approximately 7.7%, was reinvested in additional Units resulting in a ratio of distributions paid in cash of 92.3%.

OUR RESULTS OF OPERATIONS

Three months ended	March 31, 2015	December 31, 2014	March 31, 2014
Investment properties revenue	\$ 43,940	\$ 44,588	\$ 40,914
Investment properties operating expenses	(14,237)	(14,599)	(13,699)
Net rental income	29,703	29,989	27,215
Other revenue			
Interest and fee income	3	1	8
	3	1	8
Other expenses			
General and administrative	(2,202)	(2,160)	(1,959)
Interest:			
Interest expense on debt	(8,795)	(8,889)	(8,119)
Subsidiary redeemable units	(3,246)	(3,246)	(2,849)
Depreciation and amortization	(10)	(14)	(5)
	(14,253)	(14,309)	(12,932)
Fair value adjustments and other items			
Fair value adjustments to investment properties	911	(1,919)	501
Fair value adjustments to financial instruments	(9,982)	11,580	(9,336)
Gains (costs) on transactions and other activities	(2,116)	(1,089)	(1,035)
	(11,187)	8,572	(9,870)
Income before income taxes	4,266	24,253	4,421
Recovery (deferred) income taxes	(107)	60	(310)
Net income for the period	\$ 4,159	\$ 24,313	\$ 4,111

Investment properties revenue

Investment properties revenue includes net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Investment properties revenue totalled \$43.9 million for the quarter, an increase of \$3.0 million, or 7.4%, compared to the prior year comparative quarter, primarily due to acquisitions completed in September 2014.

Investment properties revenue decreased by \$0.6 million, or 1.5%, when compared to the prior quarter. The increase in revenue due to rental rates and a slight increase in average occupancy were offset by certain recovery adjustments recorded in Q4 2014 that did not occur in Q1 2015 and the sale of four properties in February 2015.

Investment properties operating expenses

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

Investment properties operating expenses increased by \$0.5 million, or 3.9%, over the prior year comparative quarter due to growth in our portfolio. Investment properties expenses decreased by \$0.4 million, or 2.5%, when compared to the prior quarter, primarily due to the properties sold in February 2015, offset by an 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 for the three months ended March 31, 2015, December 31, 2014 and March 31, 2014:

Three months ended	March 31, 2015	December 31, 2014	March 31, 2014
Asset management fee	\$ 1,044	\$ 1,049	\$ 966
Deferred compensation expenses	338	319	291
Professional fees	328	392	248
General corporate expenses ⁽¹⁾	492	400	454
Total	\$ 2,202	\$ 2,160	\$ 1,959

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

General and administrative expenses increased by \$0.2 million, or 12.4%, from the prior year comparative quarter, primarily due to higher fees resulting from the acquisitions completed in Q3 2014, an increase in deferred compensation expenses resulting from the issuance of additional units, an increase in professional fees and a slight increase in general corporate expenses.

General and administrative expenses were consistent with last quarter.

Fair value adjustments to investment properties

The value of investment properties remained stable at \$1.7 billion. The fair value gain of \$0.9 million in Q1 2015 reflects periodic adjustments that were made to individual properties, and totals 0.1% of the total fair value of the portfolio.

Interest expense – Debt

Interest expense on debt for the quarter ended March 31, 2015 increased by \$0.7 million compared to the prior year comparative quarter. The increase in interest expense resulting from carrying new debt from the acquisitions completed in September 2014 and the interest costs incurred on the credit facility during Q1 2015 were offset by savings in interest costs from the refinancing of mortgages completed during 2014 and Q1 2015 at lower interest rates.

The decrease of \$0.1 million in interest expense on debt when compared to the prior quarter is a result of interest savings on the mortgage refinancing completed in Q1 2015 as well as interest savings from the credit facility repayments in Q1 2015.

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 and remeasurement of the deferred trust units. For the quarter ended March 31, 2015, we recognized a loss of \$10.9 million on the measurement of the subsidiary redeemable units due to the increase in the trading value of REIT Units at the end of Q1 2015 compared to the end of Q4 2014.

During Q1 2015, the remeasurement of the conversion feature of the convertible debentures resulted in a gain of \$1.2 million primarily as a result of fluctuations in inputs, such as volatility and trading price and credit spreads, used to value the conversion feature of the convertible debentures.

The remeasurement of the deferred trust units resulted in a loss of \$0.2 million during Q1 2015 due to the increase in the trading value of REIT Units at the end of Q1 2015 compared to the end of Q4 2014.

Gains (costs) on transactions and other activities

The following table summarizes the nature of expenses included:

Three months ended	March 31, 2015	December 31, 2014	March 31, 2014
Debt settlement costs	\$ -	\$ -	\$ (59)
Net loss on sale of investment properties	(963)	-	-
Investment in business transformation activities	(145)	(113)	(100)
Internal leasing costs	(1,008)	(976)	(841)
Acquisition costs	-	-	(35)
Total	\$ (2,116)	\$ (1,089)	\$ (1,035)

Included in gains (costs) on transactions and other activities in Q1 2015 is \$0.1 million related to process and technology improvement costs. We are presently in the early stages of a new initiative that will transform our operating platform to allow us to improve data integrity, realize operating efficiencies, establish business analytic tools and ultimately generate better business outcomes. This initiative will form the foundation of our continuous improvement culture.

Internal leasing costs increased by \$0.2 million when compared to the same quarter in the prior year largely as a result of an increase in compensation expenses.

Related party transactions

Dream Industrial and its subsidiaries enter into transactions with related parties which are disclosed in Note 20 to the condensed consolidated financial statements. Pursuant to the Asset Management Agreement and Shared Services and Cost Sharing Agreement, during Q1 2015, we paid \$1.3 million to DAM. Pursuant to the Services Agreement, during Q1 2015, we paid \$1.6 million to Dream Office REIT.

Net operating income

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

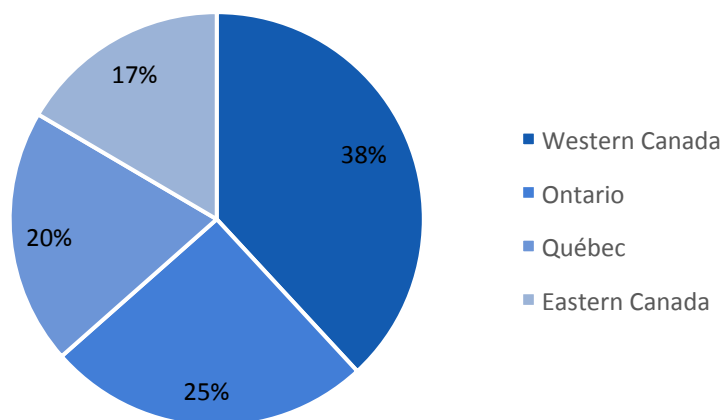
NOI is an important measure used by management in evaluating property operating performance; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

Three months ended	March 31, 2015	December 31, 2014	March 31, 2014
Total portfolio			
Western Canada	\$ 11,323	\$ 11,551	\$ 9,798
Ontario	7,533	7,616	7,281
Québec	5,932	6,041	5,290
Eastern Canada	4,915	4,781	4,846
Net operating income	29,703	29,989	27,215
Net rental income reported per condensed consolidated financial statements	\$ 29,703	\$ 29,989	\$ 27,215

For the three months ended March 31, 2015, net operating income was \$29.7 million, an increase of \$2.5 million compared to the prior year comparative period. The increase is attributable to the increase in comparative properties growth and due to the income generated by investment properties acquired in September 2014. Net operating income for the three months ended March 31, 2015 decreased by \$0.3 million when compared to the previous quarter, primarily due to certain recovery adjustments recorded in Q4 2014 that did not occur in Q1 2015 and the sale of four properties in February 2015.

NOI BY REGION

(Three months ended March 31, 2015)



NOI comparative properties

Net operating income shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following table are properties acquired prior to January 1, 2014 and exclude the properties sold in February 2015, which were classified as assets held for sale as at December 31, 2014. Comparative properties NOI excludes lease termination fees, straight-line rents, bad debt expenses and amortization of tenant inducements.

	Three months ended March 31,			
	2015	2014	Growth	
			Amount	%
Western Canada	\$ 9,800	\$ 9,346	\$ 454	5
Ontario	7,024	7,150	(126)	(2)
Québec	5,097	5,099	(2)	-
Eastern Canada	4,913	4,841	72	1
Comparative properties NOI	26,834	26,436	398	2
Lease termination fees	15	97	(82)	
Acquisitions	2,403	-	2,403	
Straight-line rent	640	665	(25)	
Bad debt expenses	(129)	(129)	-	
Amortization of tenant inducements	(95)	(40)	(55)	
NOI	\$ 29,668	\$ 27,029	\$ 2,639	10
NOI from sold properties	\$ 35	\$ 186	\$ (151)	
NOI including income from sold properties	29,703	27,215	2,488	9
Net rental income reported per condensed consolidated financial statements	\$ 29,703	\$ 27,215		
Average occupancy (comparative properties)	94.5%	94.8%		
In-place rental rates (per sq. ft.) at quarter-end (comparative properties)	\$ 7.14	\$ 6.94		

Overall, the comparative properties NOI for the first quarter of 2015 increased by \$0.4 million, or 1.5%, when compared to the same period in 2014. The growth in comparative properties NOI resulted from a growth in the Western Canada region, where we experienced an increase in the weighted average occupancy and rental rates, and an increase in the Eastern Canada region, where we experienced a growth in rental rates. The decrease in NOI in the Ontario region resulted primarily from a decrease in average occupancy.

NOI prior quarter comparison

The comparative properties discussed in the following table include properties acquired prior to October 1, 2014 and exclude the properties sold in February 2015, which were classified as assets held for sale as at December 31, 2014.

Comparative properties NOI over the previous quarter remained stable at \$29.2 million as a result of increase in occupancy and rental rates in Q1 2015, which was offset by certain recovery adjustments recorded in Q4 2014 that did not occur in Q1 2015.

	Three months ended			
	March 31, 2015	December 31, 2014	Growth	
			Amount	%
Western Canada	\$ 11,137	\$ 11,160	\$ (23)	-
Ontario	7,435	7,520	(85)	(1)
Québec	5,752	5,852	(100)	(2)
Eastern Canada	4,913	4,708	205	4
Comparative properties NOI	29,237	29,240	(3)	-
Lease termination fees	15	6	9	
Straight-line rent	640	770	(130)	
Bad debt expenses	(129)	(75)	(54)	
Amortization of tenant inducements	(95)	(75)	(20)	
NOI	\$ 29,668	\$ 29,866	\$ (198)	(1)
NOI from sold properties	\$ 35	\$ 123	\$ (88)	
NOI including income from sold properties	29,703	29,989	(286)	(1)
Net rental income reported per condensed consolidated financial statements	\$ 29,703	\$ 29,989		
Average occupancy (comparative properties)	94.7%	94.6%		
In-place rental rates (per sq. ft.) at quarter-end (comparative properties)	\$ 7.10	\$ 7.05		

Funds from operations and adjusted funds from operations

	Three months ended March 31,	
	2015	2014
Net income	\$ 4,159	\$ 4,111
Add (deduct):		
Amortization of tenant inducements	95	40
Interest expense on subsidiary redeemable units	3,246	2,849
Fair value adjustments to investment properties	(911)	(501)
Fair value adjustments to financial instruments	9,982	9,336
Net loss on sale of investment properties	963	-
Fair value adjustments of DUIP included in general and administrative expenses	(28)	(36)
Debt settlement costs	-	59
Internal leasing costs	1,008	841
Acquisition costs	-	35
Deferred income taxes	107	310
FFO	\$ 18,621	\$ 17,044
Funds from operations	\$ 18,621	\$ 17,044
Add (deduct):		
Amortization of fair value adjustments on debt	(654)	(792)
Deferred unit compensation expense excluding fair value adjustments	366	327
Straight-line rent	(640)	(665)
Investment in business transformation activities	145	100
	17,838	16,014
Deduct:		
Normalized initial direct leasing costs and lease incentives	1,397	1,255
Normalized recurring capital expenditures	838	753
AFFO	\$ 15,603	\$ 14,006

Funds from operations

	Three months ended March 31,	
	2015	2014
FFO	\$ 18,621	\$ 17,044
FFO per Unit – basic	\$ 0.24	\$ 0.24
FFO per Unit – diluted	\$ 0.24	\$ 0.23

Diluted FFO per Unit for the three months ended March 31, 2015 was \$0.24, an increase of 1.3% when compared to the comparative quarter in 2014 primarily due to acquisitions completed in September 2014 as well as growth in comparative properties NOI.

Adjusted funds from operations

	Three months ended March 31,	
	2015	2014
AFFO	\$ 15,603	\$ 14,006
AFFO per Unit – basic	\$ 0.20	\$ 0.20
AFFO per Unit – diluted	\$ 0.20	\$ 0.20

Basic AFFO per Unit increased by 0.6 cents, or 3.0%, when compared to the comparative quarter in 2014, primarily due to the acquisitions completed in September 2014 combined with a growth in comparative properties NOI.

QUARTERLY INFORMATION

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

Key leasing, financing and portfolio information

	2015				2014				2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Leasing									
Occupancy rate – including committed (period-end)	95.3%	96.0%	95.5%	95.6%	96.3%	95.7%	95.1%	95.8%	
Occupancy rate – in place (period-end)	94.2%	95.2%	93.9%	94.0%	95.3%	94.4%	94.1%	95.2%	
Tenant retention rate	60.1%	70.3%	68.9%	57.9%	80.3%	69.6%	71.1%	66.2%	
Average in-place base rent per sq. ft. (period-end)	\$ 7.10	\$ 7.05	\$ 7.03	\$ 7.04	\$ 6.96	\$ 6.92	\$ 6.89	\$ 6.90	
Estimated market rent in excess of in-place rent (%)	3.9%	4.4%	5.0%	5.1%	6.0%	6.4%	6.8%	4.9%	
Financing									
Weighted average effective interest rate	3.83%	3.85%	3.86%	3.82%	3.86%	3.84%	3.83%	3.81%	
Weighted average face interest rate	4.01%	4.07%	4.11%	4.16%	4.17%	4.18%	4.18%	4.19%	
Debt – average term to maturity (years)	3.9	3.9	4.1	4.1	4.2	4.1	4.4	4.5	
Interest coverage ratio (times)	3.0	3.0	3.0	3.0	2.9	2.9	2.9	2.9	
Unencumbered assets (in millions)	\$ 144.2	\$ 166.1	\$ 119.2	\$ 120.6	\$ 138.0	\$ 122.2	\$ 112.0	\$ 83.6	
Debt-to-total assets	52.4%	52.9%	52.8%	52.4%	52.4%	52.6%	52.5%	53.0%	
Portfolio									
Number of properties	216	216	220	205	205	206	206	206	
Gross leasable area (in millions of sq. ft.)	16.9	16.9	17.0	15.6	15.6	15.7	15.7	15.7	

Results of operations

	2015				2014				2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Investment properties revenue	\$ 43,940	\$ 44,588	\$ 40,319	\$ 40,428	\$ 40,914	\$ 41,149	\$ 37,842	\$ 34,703	
Investment properties operating expenses	(14,237)	(14,599)	(12,293)	(12,894)	(13,699)	(14,089)	(10,621)	(9,949)	
Net rental income	29,703	29,989	28,026	27,534	27,215	27,060	27,221	24,754	
Other revenue	3	1	3	5	8	5	17	186	
Other expenses	(14,253)	(14,309)	(13,591)	(13,053)	(12,932)	(13,001)	(12,988)	(12,117)	
Fair value adjustments and other items	(11,187)	8,572	8,574	3,158	(9,870)	(3,096)	7,762	21,414	
Income before income taxes	4,266	24,253	23,012	17,644	4,421	10,968	22,012	34,237	
Recovery (deferred) income taxes	(107)	60	48	(1,127)	(310)	464	(1,352)	(272)	
Net income	\$ 4,159	\$ 24,313	\$ 23,060	\$ 16,517	\$ 4,111	\$ 11,432	\$ 20,660	\$ 33,965	
Other comprehensive income (loss)									
Unrealized gain (loss) on interest rate swap	\$ (1,254)	\$ (423)	\$ 47	\$ (309)	\$ 163	\$ -	\$ -	\$ -	
	(1,254)	(423)	47	(309)	163	-	-	-	
Comprehensive income	\$ 2,905	\$ 23,890	\$ 23,107	\$ 16,208	\$ 4,274	\$ 11,432	\$ 20,660	\$ 33,965	

Calculation of funds from operations

	2015				2014				2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
NET INCOME	\$ 4,159	\$ 24,313	\$ 23,060	\$ 16,517	\$ 4,111	\$ 11,432	\$ 20,660	\$ 33,965	
Add (deduct):									
Amortization	95	75	58	37	40	21	71	20	
Interest expense on subsidiary redeemable units	3,246	3,246	2,982	2,849	2,849	2,848	2,850	2,849	
Fair value adjustments to investment properties	(911)	1,919	3,569	(7,124)	(501)	182	(2,263)	(846)	
Fair value adjustments to financial instruments	9,982	(11,580)	(13,218)	4,758	9,336	1,775	(6,114)	(32,149)	
Net loss on sale of investment properties	963	-	-	-	-	-	-	-	
Fair value adjustments of DUIP included in general and administrative expenses	(28)	(56)	(33)	(10)	(36)	(61)	(71)	(53)	
Debt settlement (costs) gains	-	-	-	-	59	13	(49)	-	
Internal leasing costs	1,008	976	975	1,131	841	1,126	664	563	
Acquisition recovery (costs)	-	-	-	(2,023)	35	-	-	11,018	
FFO share related to non-controlling interest of C2C	-	-	-	-	-	-	(23)	(67)	
Recovery (deferred) income taxes	107	(60)	(48)	1,127	310	(464)	1,352	272	
FFO	\$ 18,621	\$ 18,833	\$ 17,345	\$ 17,262	\$ 17,044	\$ 16,872	\$ 17,077	\$ 15,572	
FFO per Unit – basic ⁽¹⁾	\$ 0.24	\$ 0.25	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.23	
FFO per Unit – diluted ⁽¹⁾⁽²⁾	\$ 0.24	\$ 0.24	\$ 0.23	\$ 0.24	\$ 0.23	\$ 0.23	\$ 0.24	\$ 0.23	

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

(2) Diluted FFO for Q1 2015, Q4 2014, Q3 2014, Q2 2014, Q1 2014, Q4 2013, Q3 2013 and Q2 2013 excludes \$2.0 million, \$2.0 million, \$2.0 million, \$2.0 million, \$2.0 million, \$2.0 million, \$2.0 million and \$1.8 million in interest on convertible debentures, respectively.

	2015				2014				2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
FUNDS FROM OPERATIONS	\$ 18,621	\$ 18,833	\$ 17,345	\$ 17,262	\$ 17,044	\$ 16,872	\$ 17,077	\$ 15,572	
Add (deduct):									
Amortization of fair value adjustments on debt	(654)	(768)	(750)	(765)	(792)	(812)	(877)	(924)	
Deferred unit compensation expense excluding fair value adjustments	366	375	383	314	327	351	378	493	
Straight-line rent	(640)	(770)	(733)	(660)	(665)	(784)	(823)	(801)	
Investment in business transformation activities	145	113	100	100	100	-	-	-	
FFO share related to non-controlling interest of C2C	-	-	-	-	-	-	23	67	
AFFO share related to non-controlling interest of C2C	-	-	-	-	-	-	(20)	(56)	
	17,838	17,783	16,345	16,251	16,014	15,627	15,758	14,351	
Adjusted for:									
Normalized initial direct leasing costs and lease incentives	1,397	1,401	1,293	1,279	1,255	1,248	1,267	1,138	
Normalized recurring capital expenditures	838	841	776	767	753	749	762	683	
Adjusted funds from operations	\$ 15,603	\$ 15,541	\$ 14,276	\$ 14,205	\$ 14,006	\$ 13,630	\$ 13,729	\$ 12,530	
AFFO per Unit – basic and diluted ⁽¹⁾	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.19	\$ 0.19	\$ 0.19	
Weighted average Units outstanding for FFO and AFFO									
Basic (in thousands)	76,701	76,572	72,699	71,440	71,289	71,133	70,931	66,930	
Diluted (in thousands)	86,773	86,610	82,735	81,447	81,196	80,955	80,761	75,830	

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

NON-GAAP MEASURES AND OTHER DISCLOSURES

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

Funds from operations

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

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

Adjusted funds from operations

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

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 recurring capital expenditures. Management uses 8% of NOI as the normalized initial direct leasing costs and recurring capital expenditures based on assessments of the condition of our properties, history from vendors, internal capital expenditure budgets, level of expiries and appraisal data, taking into account that these expenditures typically are not incurred at a rate that is consistent from period to period. This assumption will be re-evaluated from time to time based on actual experience as our expenditure pattern is established in the future.

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

NOI

NOI is defined by the Trust as the total investment property revenue less investment property operating expenses, including the share of net rental income from investments in joint ventures and property management income, if any. This non-GAAP measurement is an important measure used by the Trust in evaluating property operating performances; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts. During Q1 2015, the Trust did not have any investments in joint ventures; NOI is the same as net rental income presented in the condensed consolidated financial statements. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures and Additional GAAP Measures", NOI has been reconciled to net rental income under the heading "Net operating income".

Stabilized NOI

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

Comparative properties NOI

Comparative properties NOI is an important non-GAAP measure used by management to evaluate the performance of the properties fully owned by the Trust in the current and comparative period presented. This non-GAAP measure is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts. Comparative properties NOI excludes lease termination fees and certain other adjustments, straight-line rents, bad debt expenses and amortization of tenant inducements.

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

Weighted average number of Units

The basic weighted average number of Units outstanding used in the FFO and AFFO calculations includes the weighted average of all REIT Units, LP B Units, and vested but unissued deferred trust units and income deferred trust units. The diluted weighted average number of Units assumes the conversion of the convertible debentures and includes the unvested deferred trust units and income deferred trust units.

	Three months ended March 31,	
	2015	2014
Weighted average Units outstanding for basic per unit amounts (in thousands)	76,701	71,289
Weighted average Units outstanding for diluted per unit amounts (in thousands)	86,773	81,196

Level of debt (debt-to-total assets)

Management believes this non-GAAP measurement is an important measure in the management of our debt levels. Level of debt as shown below is determined as total debt at principal amount outstanding divided by total assets.

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

	March 31,	December 31,
Amounts per condensed consolidated financial statements	2015	2014
Non-current debt	\$ 770,766	\$ 778,059
Current debt	140,080	143,234
Total debt	910,846	921,293
Add (deduct):		
Unamortized financing costs	5,274	5,315
Unamortized mark-to-market adjustments	(4,708)	(5,430)
Total debt at principal amount outstanding	911,412	921,178
Total assets	\$ 1,739,976	\$ 1,742,710
Debt-to-total assets	52.4%	52.9%

Debt-to-adjusted EBITDA

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

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

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

	Three months ended March 31, 2015	Three months ended December 31, 2014
Amounts per condensed consolidated financial statements		
Non-current debt	\$ 770,766	\$ 778,059
Current debt	140,080	143,234
Total debt	910,846	921,293
Add (deduct):		
Unamortized financing costs	5,274	5,315
Unamortized mark-to-market adjustments	(4,708)	(5,430)
Total debt at principal amount outstanding	911,412	921,178
Net income before taxes	4,266	24,253
Add (deduct):		
Fair value adjustments to investment properties	(911)	1,919
Fair value adjustments to financial instruments	9,982	(11,580)
Gains (costs) on transactions and other activities	2,116	1,089
Interest – debt	8,795	8,889
Interest – subsidiary redeemable units	3,246	3,246
Depreciation and amortization	10	14
Other items included in investment properties revenues ⁽¹⁾	(560)	(701)
Adjusted EBITDA – quarterly	26,944	27,129
Adjusted EBITDA – annualized	\$ 107,776	\$ 108,516
Debt-to-adjusted EBITDA (years)	8.5	8.5

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

Interest coverage ratio

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

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

	Three months ended March 31,	
	2015	2014
Amounts per condensed consolidated financial statements		
Net rental income	\$ 29,703	\$ 27,215
Add (deduct):		
Interest and fee income	3	8
General and administrative expenses	(2,202)	(1,959)
Deferred unit compensation expense	338	291
	27,842	25,555
Interest expense incurred, at contractual rate	\$ 9,168	\$ 8,672
Interest coverage ratio (times)	3.0	2.9

Adjusted cash generated from (utilized in) operating activities

In any given period, actual distributions declared may differ from cash generated from (utilized in) operating activities, primarily due to seasonal fluctuations in non-cash working capital and the impact of lease incentives and initial direct leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. These seasonal or short-term fluctuations are funded, if necessary, with our revolving credit facility. The Trust determines distributions and the distribution rate by, among other considerations, its assessment of cash flow as determined using adjusted cash generated from (utilized in) operating activities (a non-GAAP measure), which 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.

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 cash distributions, as well as the differences between net income and cash distributions, in accordance with the guidelines.

As the Trust uses adjusted cash generated from (utilized in) operating activities (a non-GAAP measure) 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 March 31,	
	2015	2014
Net income	\$ 4,159	\$ 4,111
Cash generated from (utilized in) operating activities	14,811	15,631
Add (deduct):		
Investment in lease incentives and initial direct leasing costs	1,831	1,457
Change in non-cash working capital	334	(1,865)
Adjusted cash generated from (utilized in) operating activities	16,976	15,223
Distributions paid and payable⁽¹⁾	13,447	12,508
Excess of adjusted cash generated from (utilized in) operating activities over distributions paid and payable	3,529	2,715
Shortfall of net income over distributions paid and payable	(9,288)	(8,397)
Excess of cash generated from (utilized in) operating activities over distributions paid and payable	\$ 1,364	\$ 3,123

(1) Includes distributions on LP B Units.

For the three months ended March 31, 2015, adjusted cash generated from (utilized in) operating activities exceeded distributions paid and payable by \$3.5 million (\$2.7 million for the three months ended March 31, 2014). Excess of cash generated from (utilized in) operating activities over distributions paid and payable was \$1.4 million for the three months ended March 31, 2015 compared to a \$3.1 million excess for the three months ended March 31, 2014.

For the three months ended March 31, 2015, distributions paid and payable exceeded net income by \$9.3 million compared to an \$8.4 million shortfall of net income over distributions paid and payable for the three months ended March 31, 2014. Net income is net of distributions paid and payable on subsidiary redeemable units of \$3.2 million for the three months ended March 31, 2015 (\$2.8 million for the three months ended March 31, 2014), which amounts are also included in distributions paid and payable. For the three months ended March 31, 2015, actual distributions paid and payable exceeded net income (excluding distributions paid and payable on subsidiary redeemable units) by \$6.0 million (\$5.5 million for the three months ended March 31, 2014). These shortfalls were primarily driven by the \$10.0 million fair value loss recorded for financial instruments for the period (\$9.3 million for the three months ended March 31, 2014). As these non-cash items are excluded from cash generated from (utilized in) operating activities and adjusted cash generated from (utilized in) operating activities (non-GAAP term), they do not affect the Trust's determination of distributions and the distribution rate. Based on current facts and assumptions, the Trust does not anticipate cash distributions will be reduced or suspended in the foreseeable future.

Of the distributions paid and payable for the three months ended March 31, 2015, \$1.1 million were reinvested into the DRIP. Over time, reinvestments pursuant to the DRIP will increase the number of Units outstanding, which may result in upward pressure on the total amount of cash distributions. Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust, which allows for any unforeseen expenditures and the variability in cash distributions as a result of additional Units issued pursuant to the Trust's DRIP.

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

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

	Three months ended March 31,	
	2015	2014
Cash generated from (utilized in) operating activities	\$ 14,811	\$ 15,631
Add (deduct):		
Initial direct leasing costs and lease incentives incurred	1,831	1,457
Change in non-cash working capital	334	(1,865)
Amortization of financing costs on debt	(281)	(239)
Depreciation of property and equipment	(10)	(5)
Debt settlement costs	-	59
Investment in business transformation activities	145	100
Internal leasing costs	1,008	841
Acquisition costs	-	35
Normalized initial direct leasing costs and lease incentives	(1,397)	(1,255)
Normalized recurring capital expenditures	(838)	(753)
AFFO	\$ 15,603	\$ 14,006

SECTION III – DISCLOSURE CONTROLS AND PROCEDURES

At March 31, 2015, the Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), together with other members of management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Dream Industrial is made known to the Certifying Officers, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the condensed consolidated financial statements in accordance with IFRS.

During the three months ended March 31, 2015, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting. Please refer to our 2014 Annual Report or our Annual Information Form for the year ended December 31, 2014, filed on SEDAR (www.sedar.com).

SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

For a full list and explanations of our risks and uncertainties, please refer to our 2014 Annual Report or our Annual Information Form for the year ended December 31, 2014, filed on SEDAR (www.sedar.com).

SECTION V – CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent liabilities. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the result of which is the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amounts of the asset or liability affected. Dream Industrial’s critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 to the condensed consolidated financial statements and also in our annual consolidated financial statements for the year ended December 31, 2014.

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Future accounting policy changes

Dream Industrial’s changes in accounting policies are described in Note 3 to the condensed consolidated financial statements.

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

SECTION VI – SUPPLEMENTARY INFORMATION

The following tables within this section below include supplementary information to our portfolio as at March 31, 2015.

PROPERTY LIST AND SELECTED DATA

Property	Total GLA in square feet	Year built/renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
7140 40th Street SE, Calgary	351,306	1978/2007	30.0	13.8	1	7.6	100.0%
1919 84th Avenue (Park 19), Edmonton	48,365	1975/1987	21.0	3.7	1	4.2	100.0%
2721 Hopewell Place NE, Calgary	37,690	2006	22.0	1.9	1	7.5	100.0%
204 26229 Township Road 531A (Parkland County), Edmonton	34,904	2005	24.0	9.0	1	4.9	100.0%
6908 6th Street SE (Glenmore Business Park), Calgary	31,467	1978	18.0	3.2	1	4.5	100.0%
3917 81st Avenue, Edmonton	30,353	2006	28.0	5.5	1	6.1	100.0%
2876 Sunridge Way NE (Sunridge Business Park), Calgary	30,000	2000	16.0	2.3	1	5.7	100.0%
3250 Sunridge Way NE (Sunridge Business Park), Calgary	27,180	2000	24.0	2.1	1	5.3	100.0%
15301 100th Street, Grand Prairie	27,058	2005	24.0	13.2	1	4.9	100.0%
2240 Premier Way (GE Turbine), Edmonton	26,381	2003	30.0	1.5	1	3.3	100.0%
7121 6th Street SE (Glenmore Business Park), Calgary	19,274	1984	20.0	0.9	1	1.7	100.0%
6715 85th Avenue, Fort St. John	17,405	2006	28.0	29.7	1	6.5	100.0%
120 Pond Street East, Brooks	14,305	2006	24.0	5.2	1	6.5	100.0%
Western Canada Single-tenant	695,688		26.5	92.0	13	6.4	100.0%
310 Henderson Drive, Regina	373,284	1976	24.0	24.0	2	8.5	100.0%
15303 128th Avenue, Edmonton	177,115	1977/2004	25.0	12.4	2	9.0	88.7%
611-615 71st Avenue SE & 7515 6th Street SE (Glenmore Business Park), Calgary	167,742	1979	20.0	6.5	19	3.9	100.0%
628-668 Henderson Drive (Chestemere), Regina	164,204	1975	19.0	9.1	23	2.8	91.1%
7504 30th Street SE, Calgary	138,729	1976	22.0	6.0	2	5.0	100.0%
11445 163rd Street (Alberta Park), Edmonton	130,142	1981	22.0	5.2	7	2.0	100.0%
9603-9699 45th Avenue NW, Edmonton	110,924	1975	22.0	6.0	20	1.7	100.0%
603 Park Street, Regina	109,478	1978	19.0	6.8	19	2.4	79.1%
3916 61st Avenue, Calgary	99,978	1976	26.0	5.1	2	1.6	100.0%
7004-7042 30th Street SE, Calgary	94,029	1976	18.0	5.3	7	2.1	100.0%
651 Henderson Drive (Henderson Business Centre), Regina	90,232	1982	19.0	5.0	19	2.1	100.0%
26229 Township Road 531, Parkland County	89,242	1968	24.7	6.5	14	2.8	100.0%
7008 5th Street SE (Glenmore Business Park), Calgary	85,961	1975	17.0	3.7	7	3.3	100.0%
11404 Winterburn Rd NW, Edmonton	81,387	2004	23.8	6.3	16	3.1	98.8%
7004 5th Street SE (Glenmore Business Park), Calgary	79,213	1975	20.0	3.4	12	2.7	100.0%
9451 45th Avenue (Southwood Centre), Edmonton	75,172	1998	28.0	4.5	2	3.4	100.0%
4710-4760 14th Street NE (McCall Industrial Park), Calgary	72,908	1976	18.0	4.0	19	3.7	91.7%
2777 23rd Avenue NE (Sunridge Business Park), Calgary	67,250	2001	24.0	3.8	3	3.8	100.0%
3510 29th Street NE (ACC Centre), Calgary	65,009	1998	24.0	3.0	7	4.6	100.0%
7111 6th Street SE (Glenmore Business Park), Calgary	64,939	1985	20.0	2.9	4	4.0	100.0%
3401 19th Street, Calgary	63,962	1976	22.0	4.1	6	2.6	100.0%
2150 29th Street NE (Sunridge Business Park), Calgary	59,865	1999	24.0	3.3	7	2.5	100.0%
7710 5th Street SE (Glenmore Business Park), Calgary	59,225	1980	20.0	2.3	23	2.5	100.0%
2175 29th Street NE (Sunridge Business Park), Calgary	58,184	2000	24.0	3.5	3	5.4	100.0%
2256 29th Street NE (Sunridge Business Park), Calgary	58,015	1998	24.0	3.5	5	4.0	100.0%
550 71st Avenue SE (Glenmore Business Park), Calgary	57,744	1982	12.0	2.6	10	3.4	96.5%
1139-1165 40th Avenue NE, Calgary	57,416	1974	20.0	2.9	6	4.8	100.0%
2928 Sunridge Way NE (Sunridge Business Park), Calgary	57,243	2003	24.0	4.1	5	3.8	100.0%
2151 32nd Street NE (Sunridge Business Park), Calgary	57,198	1999	24.0	3.4	6	2.9	100.0%
501-529 36th Avenue SE, Calgary	57,191	1974	18.0	2.9	6	4.7	100.0%
4504-4576 14th Street NE, Calgary	57,007	1976	16.0	4.1	30	3.5	100.0%
4403-4435 97th Street North West, Edmonton	57,000	1975	24.0	3.2	6	1.4	100.0%
6812 6th Street SE (Glenmore Business Park), Calgary	56,970	1978	20.0	5.7	6	2.9	100.0%

Property	Total GLA in square feet	Year built/renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
2121 29th Street NE (Sunridge Business Park), Calgary	56,648	2000	24.0	3.8	3	3.3	100.0%
402 McDonald Street (Imperial Business Centre), Regina	55,788	1984	18.0	2.8	16	2.7	100.0%
2985 23rd Avenue NE (Sunridge Business Park), Calgary	54,065	2000	24.0	3.0	3	4.8	100.0%
4402-4434 10th Street NE, Calgary	54,006	1974	16.0	3.1	8	2.2	100.0%
7003 5th Street SE (Glenmore Business Park), Calgary	53,023	1975	20.0	2.7	11	4.4	70.9%
16134 - 114th Avenue NW, Edmonton	48,353	2006	26.8	4.4	8	2.5	90.9%
2886 Sunridge Way NE (Sunridge Business Park), Calgary	44,433	2001	24.0	3.5	3	3.4	100.0%
610 70th Avenue SE (Glenmore Business Park), Calgary	44,254	1985	20.0	3.5	12	3.3	100.0%
1512-1514 8th Street, Edmonton	42,670	1980	20.0	10.2	2	4.3	100.0%
535-561 36th Avenue SE, Calgary	41,425	1974	16.0	1.9	3	5.2	100.0%
5824 Burbank Road SE, Calgary	39,860	1972	20.0	2.4	4	5.8	100.0%
310 Hoffer Drive (McDonald Business Centre), Regina	37,970	1985	18.0	2.8	8	1.4	85.6%
4001 19th Street, Calgary	37,105	1978	22.0	2.5	6	2.5	100.0%
6810 6th Street SE (Glenmore Business Park), Calgary	31,726	1978	19.0	3.2	3	5.2	100.0%
6804-6818 30th Street SE, Calgary	29,998	1976	16.0	1.2	3	1.2	69.9%
7131 6th Street SE (Glenmore Business Park), Calgary	29,002	1982	20.0	1.3	2	1.7	100.0%
6023-6039 Centre Street South, Calgary	28,792	1973	15.0	1.5	5	3.9	100.0%
16104 - 114th Avenue NW, Edmonton	28,759	1972	20.0	4.4	7	2.5	85.4%
4502-4516 10th Street NE, Calgary	28,641	1974	16.0	1.4	6	2.5	100.0%
3030 Sunridge Way NE (Sunridge Business Park), Calgary	27,001	2000	24.0	2.1	5	3.2	100.0%
6043-6055 Centre Street South, Calgary	25,234	1973	15.0	1.3	6	4.0	100.0%
530-544 38A Avenue SE, Calgary	23,987	1974	16.0	1.2	7	3.4	100.0%
7007 5th Street SE (Glenmore Business Park), Calgary	23,371	1974	19.0	1.2	3	4.1	100.0%
616 71st Avenue SE (Glenmore Business Park), Calgary	21,894	1985	21.0	1.0	3	1.9	100.0%
1135-1149 45th Avenue NE, Calgary	21,552	1974	16.0	1.3	5	2.2	100.0%
6910 6th Street SE (Glenmore Business Park), Calgary	21,268	1978	16.0	2.1	4	3.5	100.0%
4620-4640 11th Street NE, Calgary	21,124	1971	16.0	1.4	10	1.8	100.0%
102-114 61st Avenue SW, Calgary	18,890	1973	14.0	1.1	4	3.8	100.0%
4001-4019 23rd Street NE, Calgary	15,777	1976	16.0	1.1	6	2.8	100.0%
2915-2925 58th Avenue SE, Calgary	15,558	1976	16.0	1.0	6	2.3	100.0%
3503-3521 62nd Avenue SE, Calgary	13,371	1975	13.0	1.2	8	2.7	100.0%
Western Canada Multi-tenant	4,129,503		21.1	250.7	505	3.9	97.5%
Western Canada	4,825,191		21.9	342.7	518	4.3	97.8%
275 Wellington Street East, Aurora	317,000	1986	27.0	16.3	1	7.0	100.0%
45 Progress Avenue, Toronto	209,754	1965/2000	24.0	10.3	1	5.8	100.0%
290 Humberline Drive, Etobicoke	180,329	1981/2010	20.0	6.9	1	7.8	100.0%
750 Creditstone Road, Vaughan	176,535	1999	24.0	9.0	1	2.8	100.0%
121 Pippin Road, Vaughan	169,500	1999	24.0	8.6	1	2.8	100.0%
700 Ormont Drive, Toronto	123,370	1974	21.0	4.7	1	4.5	100.0%
580 Industrial Road, London	113,595	1972/2002	24.0	12.7	1	1.8	100.0%
441 Chrislea Road, Vaughan	100,626	1998	22.0	4.1	1	3.5	100.0%
2130 South Service Road West, Oakville	98,175	1986/2005	24.0	4.4	1	0.7	100.0%
970 Fraser Drive, Burlington	95,444	1999	28.0	6.9	1	12.8	100.0%
274 Humberline Drive, Etobicoke	80,540	1981	20.0	3.9	1	5.1	100.0%
2226 South Service Road West, Oakville	79,174	1980	22.0	3.5	1	5.8	100.0%
439 Sovereign, London	77,877	1988	22.0	5.6	1	3.6	100.0%
9305 Twin Oaks Drive, Windsor	74,239	1996	28.0	5.2	1	5.4	100.0%
2 Lone Oak Court, Toronto	72,197	2001	24.0	4.4	1	7.3	100.0%
6885-6895 Menway Court, Mississauga	66,383	1988	20.0	3.4	1	0.9	100.0%
41 Metropolitan Road, Toronto	59,400	1975/1997	17.0	4.4	1	1.0	100.0%
896 Meyerside Drive, Mississauga	46,774	1986	20.0	2.4	1	1.2	100.0%
880 Rangeview Road, Mississauga	45,600	1977/2005	24.0	3.2	1	0.5	100.0%

Property	Total GLA in square feet	Year built/renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
135 Pinebush Road, Cambridge	44,470	2001	60.0	5.6	1	5.3	100.0%
5905 Kennedy Road, Mississauga	38,158	1988	22.0	2.1	1	0.4	100.0%
6045 Kestrel Road, Mississauga	34,879	1986	20.0	1.8	1	1.1	100.0%
2946 Walker Road, Windsor	32,264	1960	22.0	4.0	1	1.8	100.0%
781 Westgate Road, Oakville	29,850	1985	22.0	4.2	1	5.4	100.0%
6520 Gottardo Court, Mississauga	25,932	1987	18.0	1.2	1	6.8	100.0%
750 Barmac Drive, Toronto	23,959	1979	18.0	1.5	1	3.9	100.0%
7420 Pacific Circle, Mississauga	23,777	1987	18.0	1.2	1	4.3	100.0%
1300 Fewster Road, Mississauga	23,500	1969	14.0	1.2	1	1.3	100.0%
5805 Kennedy Road, Mississauga	21,780	1986	18.0	1.0	1	2.3	100.0%
5380 Timberlea Boulevard, Mississauga	19,988	1986	18.0	1.0	1	4.8	100.0%
5462 Timberlea Boulevard, Mississauga	17,708	1977	18.0	1.0	1	5.2	100.0%
5370 Timberlea Boulevard, Mississauga	16,682	1986	18.0	0.8	1	3.3	100.0%
5750 Coopers Avenue, Mississauga	16,366	1987	18.0	0.9	0	-	0.0%
5444 Timberlea Boulevard, Mississauga	15,316	1977	18.0	0.9	1	2.8	100.0%
Ontario Single-tenant	2,571,141		23.5	148.3	33	4.6	99.4%
6581-6601 Kitimat Road, Mississauga	318,363	1986	25.0	16.9	14	3.0	94.8%
2360 Cornwall Road, Oakville	199,736	2004	28.0	10.3	3	5.5	100.0%
45 A & B West Wilmot Street, Richmond Hill	189,128	1986	19.0	8.0	38	2.9	76.1%
255 Wicksteed Avenue, Toronto	177,562	1955	24.0	8.0	4	3.8	94.7%
2140-2150 Winston Park Drive, Mississauga	172,331	1987	19.0	7.5	45	2.8	97.6%
5900 Finch Avenue East, Scarborough	166,237	1993	24.0	7.6	4	1.4	100.0%
90 Nolan Court, Markham	124,930	1982	18.0	7.0	26	3.1	96.3%
55 Horner Avenue, Etobicoke	93,300	1988	22.0	6.2	4	2.6	100.0%
4515/4525 Rhodes Drive, Windsor	91,057	1999	22.0	9.0	3	3.4	76.5%
3 & 5 Blair Drive, Brampton	82,232	2001	28.0	6.4	2	2.4	100.0%
1111 Tristar Drive, Mississauga	77,726	1986	22.0	3.7	3	1.8	87.4%
903-951 Matheson Boulevard, Mississauga	77,420	1977	18.0	3.8	7	2.4	100.0%
1100 Courtney Park Drive, Mississauga	72,393	1981	22.0	3.4	4	1.7	100.0%
100 Lingard Road, Cambridge	70,154	2003	46.0	5.4	2	3.9	100.0%
5825-5895 Kennedy Road, Mississauga	67,836	1988	15.0	3.4	7	5.3	88.4%
6400 Shawson Drive, Mississauga	61,817	1981	22.0	2.9	3	1.9	100.0%
5554 Tomken Road, Mississauga	61,623	1979	18.0	3.2	9	2.6	100.0%
6300 Viscount Road, Mississauga	60,179	1966	16.0	4.3	3	3.4	99.7%
845 Harrington Court, Burlington	55,932	1982	15.0	4.0	9	3.3	98.5%
5716-5730 Coopers Avenue, Mississauga	53,668	1987	14.0	3.4	20	2.1	90.7%
855 Matheson Boulevard, Mississauga	46,608	1986	18.0	2.0	12	2.4	94.1%
5448 Timberlea Boulevard, Mississauga	32,025	1977	16.0	1.8	2	4.6	100.0%
5430 Timberlea Boulevard, Mississauga	31,448	1977	17.0	1.8	2	2.0	100.0%
5466 Timberlea Boulevard, Mississauga	28,657	1977	18.0	1.6	2	6.8	100.0%
135 East Beaver Creek, Richmond Hill	28,506	1986	17.0	1.8	2	1.9	100.0%
5420 Timberlea Boulevard, Mississauga	19,816	1977	18.0	1.1	2	4.1	100.0%
Ontario Multi-tenant	2,460,684		22.1	134.5	232	3.1	94.8%
Ontario	5,031,825		22.8	282.8	265	3.9	97.1%
1411, 1421 and 1451 Rue Ampère, Boucherville	457,875	1998/2002	27.0	21.6	1	10.2	100.0%
10001 Metropolitan Boulevard East, Montréal	327,000	2004	40.7	28.5	1	9.2	100.0%
1900 Dickson Street (Molson Distribution Centre), Montréal	225,000	2003	26.0	17.1	1	7.8	100.0%
2350 de la Province, Longueuil	222,485	1967	20.0	11.5	1	0.8	100.0%
1125 50th Avenue, Montréal	210,710	2000	26.0	13.3	1	4.5	100.0%
8000 Avenue Blaise-Pascal, Montréal	206,345	1993	23.0	13.8	1	7.0	100.0%
1313 Autoroute Chomedey, Laval	184,493	1999	26.0	8.1	1	10.2	100.0%
650 rue Bergeron, Drummondville	181,000	2007	28.0	10.5	1	2.7	100.0%

Property	Total GLA in square feet	Year built/renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
1155 Autoroute Chomedey, Laval	115,362	1990/2002	22.0	4.1	0	-	0.0%
2340 St. Laurent Blvd., Ottawa	114,724	1989	24.0	6.2	1	10.1	100.0%
101 Autoroute 440, Laval	68,444	1977	22.0	4.6	1	3.2	100.0%
1805 50e Avenue, Lachine	60,750	1986	19.0	2.3	1	6.2	100.0%
585-625 Avenue Meloche, Dorval	54,410	1981	18.0	2.7	0	-	0.0%
1421 rue Nobel, Sainte-Julie	50,878	1998	22.0	4.3	1	6.6	100.0%
3800 Trans Canada Highway, Pointe-Claire	50,000	1966	18.0	3.4	1	0.7	100.0%
3700-3720 Autoroute des Laurentides, Laval	49,500	2002	24.0	3.6	1	7.3	100.0%
1870 boulevard Saint-Régis, Dollard-des-Ormeaux	40,231	1984	22.0	1.8	1	6.2	100.0%
29 rue de Varennes, Gatineau	23,959	2006	20.0	3.4	1	5.8	100.0%
361 boul. Montpellier, St. Laurent	19,220	1987	18.0	1.2	1	8.8	100.0%
Québec Single-tenant	2,662,386		26.3	162.0	17	7.0	93.6%
2995 boul. le Corbusier, Laval	131,680	1975	29.0	4.7	3	6.6	94.0%
5000 rue Fairway & 1645 50e Avenue, Lachine	106,517	1978	18.0	5.5	4	1.3	68.9%
1700-1764 50e Avenue, Lachine	94,569	1989	24.0	4.2	2	2.4	100.0%
1100-1154 rue Berlier, Laval	91,843	1975	18.0	4.5	10	3.2	93.2%
9090-9100 Blvd. Cavendish, St. Laurent	89,322	1987	18.0	7.5	6	3.8	100.0%
333 Chemin du Tremblay, Boucherville	86,842	1987	18.0	3.8	4	6.7	70.1%
1876-1936 32e Avenue, Lachine	84,659	1987	18.0	4.7	5	2.7	100.0%
1500 rue Nobel, Boucherville	82,081	1989	18.0	4.1	4	1.7	46.7%
2000 32e Avenue, Lachine	81,288	1985	18.0	4.8	3	1.3	100.0%
1624-1692 50e Avenue, Lachine	79,094	1975	19.0	4.3	7	2.4	81.6%
1151-1179 Autoroute 440, Laval	78,938	1975	19.0	3.9	14	4.5	82.6%
10001-10091 Renaude-Lapointe, Montréal	77,846	1987	18.0	3.7	4	7.1	100.0%
2101 rue Nobel, Sainte-Julie	73,411	1992	20.0	4.8	4	3.9	100.0%
1950 32e Avenue, Lachine	71,923	1988	18.0	4.5	8	2.3	93.3%
1825-1865 32e Avenue, Lachine	71,616	1986	18.0	4.9	7	3.3	69.7%
4300-4400 boul. Bois-Franc, St. Laurent	68,575	1987	18.0	3.9	2	5.2	88.4%
4605-4645 rue Fairway & 1405-1465 46e Avenue, Lachine	60,728	1974	19.0	4.0	7	6.5	100.0%
1010 rue Berlier & 2854 - 2870 Boulevard Industriel, Laval	58,622	1975	19.0	3.1	5	1.8	68.8%
1025-1087 Autoroute 440, Laval	56,622	1979	18.0	2.8	12	2.5	100.0%
135 Chemin du Tremblay, Boucherville	49,808	1989	16.0	2.4	9	2.0	100.0%
38 rue de Valcourt, Gatineau	16,297	1985	12.0	1.2	8	0.5	100.0%
Québec Multi-tenant	1,612,281		19.4	87.3	128	3.7	87.7%
Québec	4,274,667		23.7	249.3	145	5.8	91.4%
131 Thornhill Drive (Burnside Business Park), Dartmouth	115,773	1986	18.0	4.7	1	0.7	100.0%
58 Wright Avenue (Burnside Business Park), Dartmouth	43,000	1972	24.0	2.4	1	6.3	100.0%
722 Edinburgh Drive, Moncton	41,200	1975/1990	20.0	8.6	1	1.0	100.0%
50 Garland Avenue (Burnside Business Park), Dartmouth	35,574	2006	10.0	2.5	1	1.4	100.0%
80 Thornhill Drive (Burnside Business Park), Dartmouth	10,090	1984	20.0	1.1	1	4.6	100.0%
Eastern Canada Single-tenant	245,637		18.3	19.3	5	2.0	100.0%
202 Brownlow Avenue (Burnside Business Park), Dartmouth	212,289	1986	18.0	13.8	56	4.5	94.2%
320-340 Wright Avenue (Burnside Business Park), Dartmouth	170,129	2007	24.0	10.6	11	3.3	96.1%
201 Brownlow Avenue (Burnside Business Park), Dartmouth	160,180	1988	16.0	10.7	34	4.1	98.1%
7 Mellor Avenue, Dartmouth	122,490	2007	24.0	7.2	11	5.8	96.4%
10 Morris Drive (Burnside Business Park), Dartmouth	118,785	1979	18.0	7.5	22	2.0	96.2%
71 Thornhill Drive, Dartmouth	100,680	1980	28.0	5.2	2	4.5	89.7%
131-135 Ilsley Avenue (Burnside Business Park), Dartmouth	97,879	1984	18.0	6.6	18	2.2	100.0%
121 Ilsley Avenue, Dartmouth	97,018	1983	19.0	8.0	17	2.7	73.7%
75 Akerley Boulevard, Dartmouth	96,228	1982	19.0	7.8	19	2.9	95.6%
222 Edinburgh Drive, Moncton	93,613	1977/1999	22.0	7.7	6	2.0	64.1%
11 Morris Drive (Burnside Business Park), Dartmouth	89,832	1977	18.0	5.0	19	2.8	92.7%

Property	Total GLA in square feet	Year built/renovated	Clear ceiling height (warehouse component) in feet	Total site area in acres	No. of tenants	Weighted average remaining lease term in years	In-place and committed occupancy
120 Troop Avenue (Burnside Business Park), Dartmouth	87,049	2004	24.0	5.7	6	1.6	100.0%
100 Wright Avenue (Burnside Business Park), Dartmouth	76,127	1979	18.0	4.4	12	2.5	83.4%
100 Ilsley Avenue (Burnside Business Park), Dartmouth	76,052	1984	14.0	6.1	16	3.8	94.5%
55 Akerley Boulevard, Dartmouth	75,306	1975	19.0	5.8	6	2.3	79.8%
51 Raddall Avenue (Burnside Business Park), Dartmouth	70,016	1986	18.0	4.7	11	2.0	100.0%
170 Joseph Zatzman Drive (Burnside Business Park), Dartmouth	65,671	1981	16.0	4.0	10	1.6	88.9%
50 Akerley Boulevard (Burnside Business Park), Dartmouth	62,718	1983	18.0	1.6	12	3.9	93.4%
10 Vidito Drive, Dartmouth	61,988	1980	22.0	2.7	2	4.1	100.0%
101 Thornhill Drive (Burnside Business Park), Dartmouth	61,381	1982	18.0	3.8	8	2.3	93.3%
105 Akerley Boulevard (Burnside Business Park), Dartmouth	57,850	1983	18.0	3.3	7	2.6	100.0%
30-58 Mosher Drive (Burnside Business Park), Dartmouth	56,937	1972	18.0	2.6	4	2.2	100.0%
29-59 Mosher Drive (Burnside Business Park), Dartmouth	54,367	1974	18.0	3.6	4	5.5	100.0%
50 Troop Avenue (Burnside Business Park), Dartmouth	53,859	2001	24.0	3.6	3	1.4	100.0%
32 Troop Avenue (Burnside Business Park), Dartmouth	47,790	2000	24.0	3.3	4	4.2	100.0%
109 Ilsley Avenue (Burnside Business Park), Dartmouth	44,873	1987	16.0	3.1	14	2.7	92.7%
81 Wright Avenue (Burnside Business Park), Dartmouth	44,366	1986	20.0	3.6	4	3.5	84.7%
95 Akerley Boulevard, Dartmouth	38,027	1980	14.0	2.1	13	2.9	92.4%
30 Simmonds Drive (Burnside Business Park), Dartmouth	37,484	1982	16.0	2.8	10	1.8	77.0%
40 Thornhill Drive (Burnside Business Park), Dartmouth	32,186	1982	16.0	3.8	9	2.4	90.0%
50 Thornhill Drive (Burnside Business Park), Dartmouth	32,065	1983	16.0	3.8	10	1.4	100.0%
60 Thornhill Drive (Burnside Business Park), Dartmouth	32,002	1986	16.0	2.0	7	4.2	100.0%
10 Thornhill Drive, Dartmouth	28,616	1983	15.0	3.4	9	2.5	91.6%
16 Garland Avenue (Burnside Business Park), Dartmouth	10,888	2008	14.0	1.5	4	4.8	100.0%
Eastern Canada Multi-tenant	2,566,741		19.4	171.4	400	3.2	92.8%
Eastern Canada	2,812,378		19.3	190.7	405	3.1	93.4%
Total	16,944,061		22.2	1,065.5	1,333	4.3	95.3%

LARGEST TENANTS BY GLA⁽¹⁾

Tenant	Total area in square feet	Properties	City	Province
Spectra/Premium Industries	642,368	1411, 1421 and 1451 rue Ampère	Boucherville	Québec
		1313 Autoroute Chomedey	Laval	Québec
TC Transcontinental	523,345	275 Wellington Street East	Aurora	Ontario
		8000 Avenue Blaise-Pascal	Montréal	Québec
Gienow Windows & Doors Inc.	351,306	7140 40th Street SE	Calgary	Alberta
Royal Group Inc.	346,035	750 Creditstone Road	Vaughan	Ontario
		121 Pippin Road	Vaughan	Ontario
The Brick Warehouse LP	327,000	10001 Metropolitan Boulevard East	Montréal	Québec
United Agri Products Canada Inc.	275,335	310 Henderson Drive	Regina	Saskatchewan
Molson Breweries Properties	225,000	1900 Dickson Street (Molson Distribution Centre)	Montréal	Québec
Hasbro Canada Corporation	222,485	2350 de la Province	Longueuil	Québec
Nellson Nutraceutical Canada	210,710	1125 50th Avenue	Montréal	Québec
Array Canada Inc.	209,754	45 Progress Avenue	Toronto	Ontario
McKesson Canada Corporation	181,000	650 rue Bergeron	Drummondville	Québec
Alumicor Limited	180,329	290 Humberline Drive	Etobicoke	Ontario
RockTenn-Container Canada/RockTenn-Preprint Canada	134,863	7420 Pacific Circle	Mississauga	Ontario
		6581-6601 Kitimat Road	Mississauga	Ontario
Multy Home LP	123,370	700 Ormont Drive	North York	Ontario
DIRTT Environmental Solutions	122,419	7504 30th Street SE	Calgary	Alberta
Helly Hansen Canada Limited	115,773	131 Thornhill Drive (Burnside Business Park)	Dartmouth	Nova Scotia
The Dollco Corporation	114,724	2340 St. Laurent Blvd.	Ottawa	Ontario
Colabor Limited Partnership	113,595	580 Industrial Road	London	Ontario
Clean Harbors Industrial	113,506	15301 100th Street	Grand Prairie	Alberta
		204 26229 Township Road 531A (Parkland County)	Edmonton	Alberta
		6715 85th Avenue	Fort St. John	British Columbia
		120 Pond Street East	Brooks	Alberta
		26229 Township Road 531	Parkland County	Alberta
Legendary Logistics Inc.	104,260	2360 Cornwall Road	Oakville	Ontario
Fath PV Tech Inc.	104,248	5900 Finch Avenue East	Scarborough	Ontario
Aquarium Services Warehouse	100,626	441 Chrislea Road	Vaughan	Ontario
Total	4,842,051			

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

Condensed consolidated balance sheets

(unaudited)

(in thousands of Canadian dollars)	Note	March 31, 2015	December 31, 2014
Assets			
NON-CURRENT ASSETS			
Investment properties	5	\$ 1,684,542	\$ 1,681,781
Other non-current assets	6	43,615	41,912
		1,728,157	1,723,693
CURRENT ASSETS			
Amounts receivable	8	4,590	3,624
Prepaid expenses and other assets		5,290	4,476
Cash and cash equivalents		1,939	78
		11,819	8,178
Assets held for sale	15	-	10,839
Total assets		\$ 1,739,976	\$ 1,742,710
Liabilities			
NON-CURRENT LIABILITIES			
Debt	9	\$ 770,766	\$ 778,059
Subsidiary redeemable units	10	167,152	156,206
Deferred Unit Incentive Plan	11	2,247	2,160
Other non-current liabilities	12	13,258	11,545
		953,423	947,970
CURRENT LIABILITIES			
Debt	9	140,080	143,234
Amounts payable and accrued liabilities	13	23,659	22,855
		163,739	166,089
Total liabilities		1,117,162	1,114,059
Equity			
Unitholders' equity		577,858	576,399
Retained earnings		46,732	52,774
Accumulated other comprehensive loss		(1,776)	(522)
Total equity	14	622,814	628,651
Total liabilities and equity		\$ 1,739,976	\$ 1,742,710

See accompanying notes to the condensed consolidated financial statements.

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



Vincenza Sera
Trustee



Sheldon Wiseman
Trustee

Condensed consolidated statements of net income and comprehensive income

(unaudited)

(in thousands of Canadian dollars)	Note	Three months ended March 31,	
		2015	2014
Investment properties revenue		\$ 43,940	\$ 40,914
Investment properties operating expenses		(14,237)	(13,699)
Net rental income		29,703	27,215
Other revenue			
Interest and fee income		3	8
		3	8
Other expenses			
General and administrative		(2,202)	(1,959)
Interest:			
Interest expense on debt	16	(8,795)	(8,119)
Subsidiary redeemable units	16	(3,246)	(2,849)
Depreciation and amortization		(10)	(5)
		(14,253)	(12,932)
Income before fair value adjustments, income taxes and other items		15,453	14,291
Fair value adjustments and other items			
Fair value adjustments to investment properties	5	911	501
Fair value adjustments to financial instruments	17	(9,982)	(9,336)
Gains (costs) on transactions and other activities	18	(2,116)	(1,035)
		(11,187)	(9,870)
Income before income taxes		4,266	4,421
Deferred income taxes	7	(107)	(310)
Net income for the period		\$ 4,159	\$ 4,111
Other comprehensive (loss) gain			
Unrealized (loss) gain on effective interest rate hedge	9	\$ (1,254)	\$ 163
		(1,254)	163
Comprehensive income for the period		\$ 2,905	\$ 4,274

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of changes in equity

(unaudited)

		Attributable to unitholders of the Trust				
		Number of Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive loss	Total
(in thousands of Canadian dollars, except number of units)	Note					
Balance at January 1, 2015		58,035,125	\$ 576,399	\$ 52,774	\$ (522)	\$ 628,651
Net income for the period		-	-	4,159	-	4,159
Distributions paid and payable		-	-	(10,201)	-	(10,201)
Distribution Reinvestment Plan		109,846	978	-	-	978
REIT Units issued for vested deferred trust units	11	50,854	476	-	-	476
Unit Purchase Plan		1,150	10	-	-	10
Issue costs		-	(5)	-	-	(5)
Other comprehensive loss		-	-	-	(1,254)	(1,254)
Balance at March 31, 2015		58,196,975	\$ 577,858	\$ 46,732	\$ (1,776)	\$ 622,814

		Attributable to unitholders of the Trust				
		Number of Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive gain	Total
(in thousands of Canadian dollars, except number of units)						
Balance at January 1, 2014		54,921,726	\$ 546,680	\$ 24,136	\$ -	\$ 570,816
Net income for the period		-	-	4,111	-	4,111
Distributions paid and payable		-	-	(9,659)	-	(9,659)
Distribution Reinvestment Plan		122,510	1,109	-	-	1,109
REIT Units issued for vested deferred trust units		18,143	161	-	-	161
Unit Purchase Plan		704	6	-	-	6
Issue costs		-	(6)	-	-	(6)
Other comprehensive income		-	-	-	163	163
Balance at March 31, 2014		55,063,083	\$ 547,950	\$ 18,588	\$ 163	\$ 566,701

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of cash flows

(unaudited)

(in thousands of Canadian dollars)	Note	Three months ended March 31,	
		2015	2014
Generated from (utilized in) operating activities			
Net income		\$ 4,159	\$ 4,111
Non-cash items:			
Depreciation and amortization, net	21	(268)	(508)
Other adjustments	21	9,839	8,771
Investment in lease incentives and initial direct leasing costs	5	(1,831)	(1,457)
Interest on subsidiary redeemable units	16	3,246	2,849
Change in non-cash working capital	21	(334)	1,865
		14,811	15,631
Generated from (utilized in) investing activities			
Additions to property and equipment		(9)	(4)
Investment in investment properties	5	(114)	(543)
Net proceeds from disposal of investment properties		10,784	-
Deposit on acquisition of investment properties		(150)	-
Transaction costs paid	15	(1,001)	(169)
		9,510	(716)
Generated from (utilized in) financing activities			
Mortgage financings, net of financing costs	9	32,760	55,375
Draw on revolving credit facility, net of financing costs	9	6,700	208
Mortgage principal repayments		(5,888)	(5,297)
Mortgage lump sum repayments		(17,650)	(41,888)
Repayment of debt and other facilities	9	(25,928)	(12,114)
Distributions paid on Units		(9,213)	(8,542)
Interest on subsidiary redeemable units	16	(3,246)	(2,849)
Cash proceeds on issue of Units		10	6
Issue costs paid		(5)	(6)
		(22,460)	(15,107)
Change in cash and cash equivalents		1,861	(192)
Cash and cash equivalents, beginning of period		78	258
Cash and cash equivalents, end of period		\$ 1,939	\$ 66

See accompanying notes to the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

(All dollar amounts in thousands of Canadian dollars, except as otherwise noted and for unit or per unit amounts)

Note 1

ORGANIZATION

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 condensed consolidated financial statements of Dream Industrial include the accounts of Dream Industrial and its consolidated subsidiaries. Dream Industrial's portfolio comprises industrial properties located in urban centres across Canada. A subsidiary of Dream Industrial performs the property management function.

The Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "DIR.UN". Dream Industrial's condensed consolidated financial statements for the three months ended March 31, 2015 were authorized for issuance by the Board of Trustees on May 5, 2015, after which date they may only be amended with the Board of Trustees' approval.

Equity is described in Note 14; however, for simplicity, throughout the Notes, reference is made to the following:

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

Subsidiary redeemable units classified as a liability are described in Note 10; however, for simplicity, throughout the Notes, reference is made to "subsidiary redeemable units", meaning the LP B Units of Dream Industrial LP ("DILP"), formerly known as Dundee Industrial Limited Partnership.

At March 31, 2015, Dream Office Real Estate Investment Trust ("Dream Office REIT"), directly and indirectly through its subsidiaries, held 18,551,855 (December 31, 2014 – 18,551,855) subsidiary redeemable units, being all of the subsidiary redeemable units of the Trust.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The condensed consolidated financial statements have been prepared using the same significant accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2014.

These condensed consolidated financial statements should be read in conjunction with the Trust's consolidated financial statements for the year ended December 31, 2014.

Note 3

ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

Future changes in accounting standards

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, 2017, with earlier application permitted. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial instruments

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement” (“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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Presentation of financial statements

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

Equity method in separate financial statements

IAS 27, “Separate Financial Statements” (“IAS 27”), was amended by the IASB to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity’s separate financial statements. An entity can now account for investments at cost, in accordance with IFRS 9 or using the equity method as described in IAS 28. The amendment to IAS 27 is effective for periods beginning on or after January 1, 2016. The Trust is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Acquisitions of interests in joint operations

IFRS 11, “Joint Arrangements” (“IFRS 11”), has been amended to require the application of 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. 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.

Note 4

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the condensed 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 values of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the affected asset or liability in the future. Management has applied the same methodologies in making critical accounting judgments, estimates and assumptions as disclosed in the Trust's consolidated financial statements for the year ended December 31, 2014.

Note 5

INVESTMENT PROPERTIES

	Three months ended March 31, 2015	Year ended December 31, 2014
Balance at beginning of period	\$ 1,681,781	\$ 1,540,791
Additions:		
Investment property acquisitions	-	133,563
Building improvements	114	7,650
Lease incentives and initial direct leasing costs	1,831	8,689
Total additions to investment properties	1,945	149,902
Classified as assets held for sale	-	(10,839)
Gains and losses included in net income:		
Fair value adjustments to investment properties ⁽¹⁾	911	2,137
Amortization of lease incentives	(95)	(210)
Total gains included in net income	816	1,927
Balance at end of period	\$ 1,684,542	\$ 1,681,781

(1) Equal to change in unrealized gain included in net income for the period ended March 31, 2015 and for the year ended December 31, 2014.

The Trust's investment properties exclude straight-line rent receivable of \$6,936 (December 31, 2014 – \$6,363), which is included in other non-current assets.

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

	March 31, 2015		December 31, 2014	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Cap rate	6.00–8.25	6.70	6.00–8.25	6.71
Discount rate	7.00–9.00	7.64	7.00–9.00	7.66
Terminal rate	6.25–8.50	6.96	6.25–8.50	6.97

Investment properties with an aggregate fair value of \$129,325 for the three months ended March 31, 2015 (for the year ended December 31, 2014 – \$420,723) were valued by qualified external valuation professionals.

If the cap rate were to increase by 25 basis points ("bps"), the value of investment properties would decrease by \$36,193. If the cap rate were to decrease by 25 bps, the value of investment properties would increase by \$92,082.

As at March 31, 2015, investment properties with a fair value of \$1,417,772 (December 31, 2014 – \$1,392,914) are pledged as first-ranking and/or second-ranking collateral for mortgages. As at March 31, 2015, investment properties with a fair value of \$121,561 (December 31, 2014 – \$121,751) are pledged as security for the Trust's revolving credit facility.

Note 6

OTHER NON-CURRENT ASSETS

	Note	March 31, 2015	December 31, 2014
Deposits		\$ 353	\$ 122
Property and equipment		93	94
Straight-line rent receivable		6,936	6,363
Goodwill	15	35,047	35,333
Conversion feature on the convertible debentures	9	1,186	-
Total		\$ 43,615	\$ 41,912

Note 7

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 three months ended March 31, 2015 and March 31, 2014.

		Three months ended March 31,	
		2015	2014
Income before income taxes	\$	4,266	\$ 4,421
Income not subject to taxation		(3,942)	(3,071)
Income in subsidiary corporation		324	1,350
Tax calculated at the Canadian statutory tax rate of 29.9% (2014 – 27.6%)		97	373
Increase (decrease) resulting from:			
Adjustment in expected future tax rates		10	-
Other items		-	(63)
Deferred income taxes	\$	107	\$ 310

Note 8

AMOUNTS RECEIVABLE

	March 31, 2015	December 31, 2014
Trade receivables	\$ 3,365	\$ 2,440
Less: Provision for impairment of trade receivables	(520)	(358)
Trade receivables, net	2,845	2,082
Other amounts receivable	1,745	1,542
Amounts receivable	\$ 4,590	\$ 3,624

The movement in the provision for impairment of trade receivables during the three months ended March 31 is as follows:

	Three months ended March 31,	
	2015	2014
As at January 1	\$ 358	\$ 284
Provision for impairment of trade receivables	162	108
As at March 31	\$ 520	\$ 392

The carrying value of amounts receivable approximates fair value due to their current nature. As at March 31, 2015, trade receivables of approximately \$733 (December 31, 2014 – \$872) were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

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

	March 31, 2015
2015 (remainder of year)	\$ 83,057
2016 to 2019	303,943
2020 to 2031	131,043
	\$ 518,043

Note 9

DEBT

	March 31, 2015	December 31, 2014
Mortgages ⁽¹⁾	\$ 763,737	\$ 755,194
Revolving credit facility ⁽¹⁾	21,434	40,609
Convertible debentures	125,675	125,490
Total	910,846	921,293
Less: Current portion	(140,080)	(143,234)
Non-current debt	\$ 770,766	\$ 778,059

(1) Secured by charges on specific investment properties (refer to Note 5).

Mortgage financing activities

The Trust completed the following financings for the three months ended March 31:

	Three months ended March 31, 2015		
	Amount	Term to maturity (years)	Face interest rate (%)
New mortgage	\$ 33,000	7.0	2.63

	Three months ended March 31, 2014		
	Amount	Term to maturity (years)	Face interest rate (%)
New mortgage	\$ 56,000	5.0	3.31

Convertible debentures

	Carrying value	
	March 31, 2015	December 31, 2014
5.25% Debentures	\$ 105,356	\$ 105,093
6.75% Debentures	20,319	20,397
Total	\$ 125,675	\$ 125,490

						Outstanding principal amount	
	Date issued	Maturity date	Original principal issued	Interest rate		March 31, 2015	December 31, 2014
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

Revolving credit facility

The following table summarizes details of the Trust's revolving credit facility as at March 31, 2015:

	Borrowing capacity	Letter of credit and forwards agreement	Principal amount outstanding ⁽¹⁾	Available to be drawn ⁽²⁾	Interest rate ⁽³⁾	Maturity date
Revolving credit facility ⁽⁴⁾	\$ 75,000	\$ 2,500	\$ 21,700	\$ 50,800	3.01%	June 30, 2016

(1) Excludes financing costs.

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

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

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

The following table summarizes the weighted average effective interest rates and maturity for the debts as at March 31, 2015:

	Weighted average effective interest rates ⁽¹⁾		Maturity dates	Debt amount	
	March 31, 2015	December 31, 2014		March 31, 2015	December 31, 2014
Fixed rate					
Mortgages ⁽²⁾	3.47%	3.50%	2015–2024	\$ 763,737	\$ 755,194
Convertible debentures	6.12%	6.12%	2017–2019	125,675	125,490
Total fixed rate debt	3.85%	3.87%		889,412	880,684
Variable rate					
Revolving credit facility	3.01%	3.42%	2016	21,434	40,609
Total variable rate debt	3.01%	3.42%		21,434	40,609
Total debt	3.83%	3.85%		\$ 910,846	\$ 921,293

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

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

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Revolving credit facility	Convertible debentures	Total
2015	\$ 119,095	\$ -	\$ -	\$ 119,095
2016	112,964	21,700	-	134,664
2017	106,170	-	19,420	125,590
2018	93,405	-	-	93,405
2019	62,650	-	111,250	173,900
2020 and thereafter	264,758	-	-	264,758
	759,042	21,700	130,670	911,412
Unamortized financing costs	(2,280)	(266)	(2,728)	(5,274)
Unamortized fair value adjustments	6,975	-	(2,267)	4,708
	4,695	(266)	(4,995)	(566)
Total	\$ 763,737	\$ 21,434	\$ 125,675	\$ 910,846

Other financial instruments

The following table lists the fair value of financial instruments:

	March 31, 2015	December 31, 2014
Fair value of interest rate swap	\$ 1,776	\$ 522
Conversion feature on the convertible debentures	(1,186)	3

Interest rate swap

On February 24, 2014, the Trust completed the refinancing of maturing mortgages on a portfolio of eight of its properties located in Halifax at a variable interest rate of monthly Canadian Dealer Offered Rate ("CDOR") plus 1.4% for an initial term of five years. In order to hedge the interest rate risk on the variable interest rate, the Trust also entered into a five-year interest rate swap agreement with a Canadian chartered bank for an initial notional value of \$56 million, which effectively fixed the interest rate on this mortgage at 3.31% for the five-year term. The Trust has applied hedge accounting to this relationship, whereby the change in fair value of the effective portion of the hedging derivative is recognized in accumulated other comprehensive loss in the condensed consolidated statement of changes in equity. Settlement of both the fixed and variable portions of the interest rate swap occurs on a monthly basis.

The following table summarizes the details of the interest rate swap that is outstanding at March 31, 2015:

Transaction date	Mortgage principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument classification	Fair value
February 24, 2014	\$ 53,573	3.31%	March 1, 2019	Cash flow hedge	\$ 1,776

The Trust has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. The effectiveness of the hedging relationship is reviewed on a quarterly basis. As an effective hedge, unrealized gains or losses on the interest rate swap agreement are recognized in accumulated other comprehensive loss in the condensed consolidated statement of changes in equity. At March 31, 2015, the aggregate fair value of the interest rate swap amounted to a \$1,776 financial liability (December 31, 2014 – \$522). The associated unrealized gains or losses that are recognized in accumulated other comprehensive loss will be reclassified in the same period during which the interest payments on the hedged item affect net income.

Conversion feature on the convertible debentures

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

	Note	March 31, 2015	December 31, 2014
Opening balance		\$ 3	\$ 973
Fair value adjustment on conversion feature of the convertible debentures	17	(1,189)	(970)
Ending balance		\$ (1,186)	\$ 3

Remeasurement of the conversion feature is included in the fair value adjustments to financial instruments in the condensed consolidated statements of net income and comprehensive income (see Note 17).

Note 10

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:

	Note	Three months ended March 31, 2015		Year ended December 31, 2014	
		Number of units issued and outstanding	Amount	Number of units issued and outstanding	Amount
Opening balance		18,551,855	\$ 156,206	16,282,096	\$ 144,096
New issuance of units		-	-	2,269,759	21,949
Remeasurement of carrying value	17	-	10,946	-	(9,839)
Ending balance		18,551,855	\$ 167,152	18,551,855	\$ 156,206

During the three months ended March 31, 2015, the Trust recorded \$3,246 (March 31, 2014 – \$2,849) in distributions on the subsidiary redeemable units, which are included as interest expense in the condensed consolidated statements of net income and comprehensive income (see Note 16).

As at March 31, 2015, 18,551,855 (December 31, 2014 – 18,551,855) Special Trust Units were issued and outstanding.

Note 11

DEFERRED UNIT INCENTIVE PLAN

The Deferred Unit Incentive Plan (“DUIP”) provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the Trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit, and the related distribution of income deferred trust units, vests evenly over a three- or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to defer receipt of REIT Units, such REIT Units will be issued immediately on vesting. As at March 31, 2015, up to a maximum of 1,500,000 (December 31, 2014 – 1,500,000) deferred trust units were issuable under the DUIP.

The movement in the DUIP balance was as follows:

	Note	
As at January 1, 2015		\$ 2,160
Compensation expense during the period		338
REIT Units issued for vested deferred trust units		(476)
Remeasurement of carrying value	17	225
As at March 31, 2015		\$ 2,247

During the three months ended March 31, 2015, \$338 of compensation expense was recorded (March 31, 2014 – \$291) and included in general and administrative expenses. For the same period, \$225 (March 31, 2014 – \$57) was recognized in fair value adjustments to financial instruments representing the remeasurement of the DUIP liability for the period.

	Deferred trust units	Income deferred trust units	Total units
Outstanding and payable at January 1, 2015	390,752	40,142	430,894
Granted during the period	128,700	9,075	137,775
REIT Units issued	(45,332)	(5,522)	(50,854)
Cancelled upon termination	(10,000)	(786)	(10,786)
Fractional units paid in cash	-	(29)	(29)
Outstanding and payable at March 31, 2015	464,120	42,880	507,000
Vested but not issued at March 31, 2015	51,854	5,108	56,962

On February 17, 2015, 128,700 deferred trust units were granted to senior management and employees of the Trust. Of the units granted, 43,000 units relate to key management personnel. The grant date value of these deferred trust units was \$8.95 per unit granted.

Note 12

OTHER NON-CURRENT LIABILITIES

	Note	March 31, 2015	December 31, 2014
Tenant security deposits		\$ 11,121	\$ 10,766
Deferred income tax liabilities		361	254
Other financial instruments liabilities	9	1,776	525
Total		\$ 13,258	\$ 11,545

Note 13

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2015	December 31, 2014
Trade payables	\$ 3,468	\$ 3,083
Accrued liabilities and other payables	8,882	10,548
Accrued interest	5,398	3,655
Rent received in advance	2,516	2,184
Distributions payable	3,395	3,385
Total	\$ 23,659	\$ 22,855

On March 19, 2015, the Trust announced a cash distribution of \$0.05833 per REIT Unit for the month of March 2015. The March 2015 distribution was paid on April 15, 2015, to unitholders on record as at March 31, 2015.

Note 14

EQUITY

	March 31, 2015		December 31, 2014	
	Number of Units	Amount	Number of Units	Amount
REIT Units	58,196,975	\$ 577,858	58,035,125	\$ 576,399
Retained earnings	-	46,732	-	52,774
Accumulated other comprehensive loss	-	(1,776)	-	(522)
Total	58,196,975	\$ 622,814	58,035,125	\$ 628,651

Dream Industrial REIT Units

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

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

Normal course issuer bid

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

Note 15

ASSETS HELD FOR SALE AND DISPOSITIONS

Assets held for sale

As at March 31, 2015, there were no properties classified as held for sale.

	March 31, 2015	December 31, 2014
Investment properties	\$ -	\$ 10,839
Assets held for sale	\$ -	\$ 10,839

Dispositions

During the three months ended March 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
Total	\$ 10,900	\$ (963)	\$ 3,277	

(1) Gross proceeds before transaction costs.

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

During the three months ended March 31, 2015, the Trust incurred \$694 in transaction costs in relation to the dispositions, of which \$556 was paid in the quarter.

Note 16

INTEREST

Interest on debt

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

	Three months ended March 31,	
	2015	2014
Interest expense incurred, at contractual rate	\$ 9,168	\$ 8,672
Amortization of financing costs	281	239
Amortization of fair value adjustments	(654)	(792)
Interest expense	8,795	8,119
Add/deduct:		
Amortization of financing costs	(281)	(239)
Amortization of fair value adjustments	654	792
Change in accrued interest	(1,743)	(1,774)
Cash interest paid	\$ 7,425	\$ 6,898

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the expected remaining term of the debt using the effective interest rate method. Non-cash adjustments to interest expense are recorded as a change in non-cash working capital in the condensed 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:

	Three months ended March 31,	
	2015	2014
Paid in cash	\$ 3,246	\$ 2,849
Less: Interest payable at December 31, 2014 (December 31, 2013)	(1,082)	(950)
Plus: Interest payable at March 31, 2015 (March 31, 2014)	1,082	950
Total	\$ 3,246	\$ 2,849

The interest payable at March 31, 2015 was paid on April 15, 2015, in cash.

Note 17

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note	Three months ended March 31,	
		2015	2014
Fair value adjustment on conversion feature of the convertible debentures	9	\$ 1,189	\$ (324)
Remeasurement of carrying value of subsidiary redeemable units	10	(10,946)	(8,955)
Remeasurement of carrying value of Deferred Unit Incentive Plan	11	(225)	(57)
		\$ (9,982)	\$ (9,336)

Note 18

GAINS (COSTS) ON TRANSACTIONS AND OTHER ACTIVITIES

	Note	Three months ended March 31,	
		2015	2014
Debt settlement costs		\$ -	\$ (59)
Net loss on sale of investment properties	15	(963)	-
Investment in business transformation	20	(145)	(100)
Internal leasing costs		(1,008)	(841)
Acquisition costs		-	(35)
Total		\$ (2,116)	\$ (1,035)

During the three months ended March 31, 2015, the Trust incurred \$145 of business transformation costs related to the process and technology improvements project pursuant to the Shared Services and Cost Sharing Agreement with DREAM Asset Management Corp. (see Note 20).

Note 19

SEGMENTED INFORMATION

For the three months ended March 31, 2015 and March 31, 2014, the Trust's investment properties were segmented into geographic components, namely Western Canada, Ontario, Québec and Eastern Canada. The Trust did not allocate interest expense to these segments since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, other income, other expenses, fair value adjustments, gains (costs) on transactional and other activities, and income taxes were not allocated to the segment expenses.

Three months ended March 31, 2015	Western	Ontario	Québec	Eastern	Segment total	Other ⁽¹⁾	Total
Operations							
Investment properties revenue	\$ 15,902	\$ 11,070	\$ 7,984	\$ 8,302	\$ 43,258	\$ 682	\$ 43,940
Investment properties operating expenses	(4,765)	(3,635)	(2,232)	(3,389)	(14,021)	(216)	(14,237)
Net rental income	\$ 11,137	\$ 7,435	\$ 5,752	\$ 4,913	\$ 29,237	\$ 466	\$ 29,703

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

Three months ended March 31, 2014	Western	Ontario	Québec	Eastern	Segment total	Other ⁽¹⁾	Total
Operations							
Investment properties revenue	\$ 13,961	\$ 10,760	\$ 6,963	\$ 8,243	\$ 39,927	\$ 987	\$ 40,914
Investment properties operating expenses	(4,615)	(3,610)	(1,864)	(3,402)	(13,491)	(208)	(13,699)
Net rental income	\$ 9,346	\$ 7,150	\$ 5,099	\$ 4,841	\$ 26,436	\$ 779	\$ 27,215

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

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

	Three months ended March 31,	
	2015	2014
Net rental income	\$ 29,703	\$ 27,215
Other revenue	3	8
Other expenses	(14,253)	(12,932)
Fair value adjustments and other items	(11,187)	(9,870)
Income before taxes	4,266	4,421
Deferred income taxes	(107)	(310)
Net income for the period	\$ 4,159	\$ 4,111

Investment properties

Three months ended March 31, 2015	Western	Ontario	Québec	Eastern	Total
Investment properties	\$ 649,375	\$ 434,950	\$ 327,937	\$ 272,280	\$ 1,684,542
Total capital expenditures and leasing costs	\$ 524	\$ 423	\$ 313	\$ 685	\$ 1,945

Year ended December 31, 2014	Western	Ontario	Québec	Eastern	Total
Investment properties	\$ 647,117	\$ 435,430	\$ 327,396	\$ 271,838	\$ 1,681,781
Total capital expenditures and leasing costs	\$ 7,958	\$ 3,863	\$ 1,497	\$ 3,021	\$ 16,339

Note 20

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dream Industrial and its subsidiaries enter into transactions with related parties. Dream Industrial, DILP, Dream Industrial Management LP (a wholly owned subsidiary of DILP), Dream Industrial Management Corp. and Dream Office Management Corp., a subsidiary of Dream Office REIT, are parties to an administrative services agreement (the "Services Agreement") that is in effect until October 4, 2015. Unless terminated by any party to the Services Agreement, the term is automatically renewed for additional one-year terms. Effective October 4, 2012, Dream Industrial also has an asset management agreement (the "Asset Management Agreement") with DREAM Asset Management Corporation ("DAM"), formerly known as Dundee Realty Corporation, a subsidiary of DREAM Unlimited Corp., pursuant to which DAM provides certain asset management services to Dream Industrial and its subsidiaries, which is in effect until October 4, 2022.

Shared Services and Cost Sharing Agreement

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

The Trust's future commitment for business transformation costs under the Shared Services and Cost Sharing Agreement is \$1,975. These costs relate to process and technology improvements that will be completed during that time.

Related party transactions

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

		Three months ended March 31,	
	Note	2015	2014
Incurred under the Asset Management Agreement:			
Base annual management fee (included in general and administrative expenses)		\$ 1,044	\$ 967
Expense reimbursements related to financing arrangements (included in debt/unitholders' equity)		67	90
Total incurred under the Asset Management Agreement		\$ 1,111	\$ 1,057
Incurred under the Shared Services and Cost Sharing Agreement:			
Investment in business transformation activities	18	\$ 145	\$ 100
Strategic services and other		99	54
Total incurred under the Shared Services and Cost Sharing Agreement		\$ 244	\$ 154
Amounts paid and payable to Dream Office REIT:			
Costs reimbursed under the Services Agreement		\$ 1,078	\$ 1,390
Distributions paid to Dream Office REIT on subsidiary redeemable units		3,246	2,849
Amounts paid and payable to Dream Office REIT		\$ 4,324	\$ 4,239

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

		March 31, 2015	December 31, 2014
Amounts payable and accrued liabilities to DAM for:			
Asset Management Agreement		\$ (763)	\$ (730)
Shared Services and Cost Sharing Agreement		(244)	(181)
Cost reimbursements		(168)	(59)
Total payable to DAM		\$ (1,175)	\$ (970)
Amounts receivable from DAM for:			
Reimbursement of costs paid by the Trust		88	26
Total receivable from DAM		\$ 88	\$ 26
Amounts payable and accrued liabilities to Dream Office REIT for:			
Services Agreement		\$ (268)	\$ (769)
Cost reimbursements		(36)	(39)
Distributions on subsidiary redeemable units		(1,082)	(1,082)
Total payable to Dream Office REIT		\$ (1,386)	\$ (1,890)
Amounts receivable from Dream Office REIT for:			
Deposits Dream Office REIT received on behalf of the Trust		67	35
Total receivable from Dream Office REIT		\$ 67	\$ 35

At March 31, 2015, Dream Office REIT's retained interest in the Trust was 24.2%.

Compensation of key management personnel is as follows:

	Three months ended March 31,	
	2015	2014
Unit-based awards granted during the period ⁽¹⁾	\$ 385	\$ 251
Total	\$ 385	\$ 251

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

Note 21

SUPPLEMENTARY CASH FLOW INFORMATION

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

		Three months ended March 31,	
	Note	2015	2014
Amortization of lease incentives	5	\$ 95	\$ 40
Amortization of financing costs	16	281	239
Depreciation of property and equipment		10	5
Amortization of fair value adjustments	16	(654)	(792)
Total		\$ (268)	\$ (508)

The components of other adjustments under operating activities include:

		Three months ended March 31,	
	Note	2015	2014
Deferred unit compensation expense	11	\$ 338	\$ 291
Straight-line rent adjustment		(640)	(665)
Fair value adjustments to investment properties	5	(911)	(501)
Fair value adjustments to financial instruments	17	9,982	9,336
Deferred income taxes	7	107	310
Net loss on sale of investment properties	15	963	-
Other adjustments to operating activities		\$ 9,839	\$ 8,771

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

		Three months ended March 31,	
		2015	2014
(Increase) decrease in amounts receivable		\$ (966)	\$ 129
Increase in prepaid expenses and other assets		(814)	(67)
(Increase) decrease in other non-current assets		(81)	297
Increase in amounts payable and accrued liabilities		1,172	1,267
Increase in tenant security deposits		355	239
Change in non-cash working capital		\$ (334)	\$ 1,865

The following amounts were paid on account of interest:

		Three months ended March 31,	
	Note	2015	2014
Interest			
Debt	16	\$ 7,425	\$ 6,898
Subsidiary redeemable units	16	3,246	2,849
Total		\$ 10,671	\$ 9,747

Note 22

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 condensed consolidated financial statements of Dream Industrial.

Purchase and other obligations

The Trust has entered into lease agreements that may require tenant improvement costs of approximately \$3,481 (March 31, 2014 – \$3,303).

Pursuant to the Shared Services and Cost Sharing Agreement, the Trust has a commitment to pay \$1,975 to DAM over the next five years.

Note 23

FAIR VALUE MEASUREMENTS

Fair value of financial instruments

The following financial instruments are not measured at fair value on the condensed consolidated balance sheet; however, their fair values approximate carrying value: amounts receivable, cash and cash equivalents, subsidiary redeemable units, the Deferred Unit Incentive Plan, tenant security deposits and amounts payable and accrued liabilities.

The following table summarizes fair value measurements recognized in the condensed consolidated balance sheet by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurement.

	Carrying value as at	Fair value as at March 31, 2015		
	March 31, 2015	Level 1	Level 2	Level 3
Recurring measurements				
Non-financial assets				
Investment properties	\$ 1,684,542	\$ -	\$ -	\$ 1,684,542
Financial assets				
Conversion feature on the convertible debentures	1,186	-	-	1,186
Financial liabilities				
Fair value of interest rate swap	1,776	-	-	1,776

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

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

	Carrying value as at	Fair value as at March 31, 2015		
	March 31, 2015	Level 1	Level 2	Level 3
Fair values disclosed				
Mortgages	\$ 763,737	\$ -	\$ -	\$ 787,398
Revolving credit facility	21,434	-	-	21,700
Convertible debentures	125,675	-	-	135,970

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

All gains and losses recorded in fair value adjustments to financial instruments (Note 17) are changes in unrealized gains and losses relating to the items on the condensed consolidated balance sheet.

The conversion feature of the convertible debentures and interest rate swap are measured at fair value.

The Trust values financial instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust has determined that the conversion feature on convertible debentures and interest rate swap are valued using Level 3 inputs.

The fair value measurement of the interest rate swap was valued by a qualified independent valuation professional based on the present value of the estimated future cash flows determined using yield curve and credit spread. The fair value measurement of the conversion feature of the convertible debentures was valued by a qualified independent valuation consultant.

The significant unobservable inputs used in the fair value measurement of the conversion feature as at March 31, 2015 are the following:

	March 31, 2015		December 31, 2014	
	Credit spread	Volatility	Credit spread	Volatility
5.25% Debentures	3.175%	11.097%	3.176%	11.294%
6.75% Debentures	4.251%	10.491%	3.741%	9.981%

The change in the fair value of the conversion feature of the convertible debentures for the three months ended March 31, 2015 is disclosed in Note 9. Remeasurement of the conversion feature is included in the fair value adjustments to financial instruments line in the condensed consolidated statement of net income and comprehensive income.

Note 24

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2015 condensed consolidated financial statements.

Corporate Information

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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 enrol, contact:

Computershare Trust Company of Canada

100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Services

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

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