

Dream Industrial REIT

Q3 Report 2021

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Management's discussion and analysis

All dollar amounts in our tables are presented in thousands of Canadian dollars, except for per square foot amounts, per Unit amounts, or unless otherwise stated.

SECTION I

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	As at		
	September 30, 2021	December 31, 2020	September 30, 2020
Total portfolio			
Number of assets ⁽¹⁾⁽²⁾	221	177	172
Investment properties fair value ⁽³⁾	\$ 5,048,986	\$ 3,241,601	\$ 3,051,597
Gross leasable area ("GLA") (in millions of sq. ft.) ⁽⁴⁾	39.8	27.3	26.6
Occupancy rate – in-place and committed (period-end) ⁽⁵⁾	98.0%	95.6%	95.1%
Occupancy rate – in-place (period-end) ⁽⁵⁾	97.6%	94.7%	94.1%
Average in-place and committed base rent per sq. ft. (period-end) ⁽³⁾			
Canadian portfolio	\$ 7.78	\$ 7.48	\$ 7.43
European portfolio (€)	€ 4.55	€ 5.11	€ 4.89
Estimated market rent to in-place and committed base rent spread (%) (period-end) ⁽³⁾			
Canadian portfolio	22.4%	9.4%	9.2%
European portfolio	7.5%	6.7%	7.0%
Weighted average lease term ("WALT") (years) ⁽³⁾	4.4	4.1	4.1

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Operating results				
Net income	\$ 162,815	\$ 73,662	\$ 418,374	\$ 118,623
Funds from operations ("FFO") ⁽⁶⁾	50,517	30,159	124,583	87,711
Net rental income	59,710	42,252	157,467	124,371
Comparative properties net operating income ("NOI") (constant currency basis) ⁽⁵⁾⁽⁶⁾	38,437	35,750	105,640	100,933
Per Unit amounts				
Distribution rate	\$ 0.17	\$ 0.17	\$ 0.52	\$ 0.52
FFO – diluted ⁽⁶⁾⁽⁷⁾	\$ 0.22	\$ 0.18	\$ 0.60	\$ 0.52

	As at		
	September 30, 2021	December 31, 2020	September 30, 2020
Financing⁽⁸⁾			
Credit rating – DBRS	BBB (mid)	BBB (mid)	—
Net total debt-to-assets ratio ⁽⁶⁾	32.9%	31.3%	29.6%
Net total debt-to-adjusted EBITDAFV (years) ⁽⁶⁾	7.8	6.2	5.8
Interest coverage ratio (times) ⁽⁶⁾	6.3	4.4	4.2
Weighted average face interest rate on debt	0.86%	2.57%	3.43%
Secured debt, percentage of total assets ⁽⁶⁾	10.8%	23.3%	91.1%
Unencumbered assets, percentage of investment properties ⁽⁶⁾⁽⁹⁾	67.4%	44.5%	42.1%
Available liquidity ⁽⁶⁾	\$ 434,809	\$ 573,235	\$ 271,634
Capital			
Total number of Units (in thousands) ⁽¹⁰⁾	230,845	171,231	171,229
Net asset value (“NAV”) per Unit ⁽⁶⁾	\$ 14.37	\$ 12.55	\$ 12.10
Unit price	16.20	13.15	11.31

(1) The term “Number of properties” in the prior period has been renamed “Number of assets” and redefined as a building, or a cluster of buildings in close proximity to one another attracting similar tenants. Accordingly, the number of assets in prior periods has been revised to reflect the change in definition.

(2) Includes the Trust’s owned and managed properties as at September 30, 2021. Excludes assets sold and held for sale as at September 30, 2021 with the exception of the two U.S. assets held for sale to the U.S. Fund.

(3) Excludes assets sold and held for sale as at September 30, 2021.

(4) Includes the Trust’s owned and managed properties as at September 30, 2021.

(5) Includes the Trust’s share of equity accounted investments as at September 30, 2021.

(6) FFO, comparative properties NOI (constant currency basis), diluted FFO per Unit, net total debt-to-assets ratio, net total debt-to-adjusted EBITDAFV, interest coverage ratio, secured debt as a percentage of total assets, unencumbered assets as a percentage of investment properties, available liquidity and NAV per Unit are non-GAAP measures. See “Non-GAAP Measures and Other Disclosures” for a description of these non-GAAP measures.

(7) A description of the determination of diluted amounts per Unit can be found in the section “Non-GAAP Measures and Other Disclosures” under the heading “Weighted average number of Units”.

(8) Financing metrics include income (loss) from discontinued operations as applicable.

(9) Unencumbered assets (non-GAAP measure) excludes assets sold and held for sale as at September 30, 2021.

(10) Total number of Units includes 18.6 million LP B Units that are classified as a liability under IFRS.

BUSINESS UPDATE

Dream Industrial REIT has carried strong momentum into Q3 2021. The Trust closed on over \$200 million of assets during the quarter and over \$1.9 billion on a year-to-date basis of acquisitions across North America and Europe, with an additional \$630 million under contract or in exclusivity. During the quarter, the Trust seeded a private open-ended U.S. industrial fund (the “U.S. Fund”) by selling 18 assets (29 buildings) from its U.S. portfolio for net proceeds of approximately \$215 million (net of estimated cash taxes payable) and a 24.5% retained interest. Additionally, the Trust raised \$41 million of equity through its at-the-market program (“ATM Program”), and an additional \$287.7 million through a bought deal offering subsequent to the quarter, bringing the total equity raised year-to-date to over \$1 billion. The Trust has made significant progress on its development strategy with nearly 700,000 square feet underway and over one million square feet in its near-term pipeline, and added over one million square feet of expansion opportunities in France and the Netherlands, through the Pan-European logistics portfolio transaction completed last quarter.

Operations update

Robust leasing momentum at attractive rental spreads – Strong demand from high-quality occupiers continues to result in significant rental rate growth across the Trust’s portfolio. Since the end of Q2 2021, the Trust has signed approximately 1.0 million square feet of new leases and renewals at an average spread of approximately 23% over prior rates.

Leasing highlights since reporting Q2 2021 results include:

- the Trust signed approximately 50,000 square feet of leases in the Greater Toronto Area (“GTA”) West sub-market where it doubled the rent along with achieving 3.5–4.0% annual contractual rental rate growth on the new leases;
- in Cambridge, Ontario, the Trust signed a renewal for a 51,000 square foot space at a recently acquired property, while increasing the rent by almost 80%;

- in Europe, the Trust signed a renewal for a 115,000 square foot space at a recently acquired property in Germany, achieving a rent increase of 18% compared to the prior level; and
- in the GTA East sub-market, the Trust signed a renewal for a 55,000 square foot space at a 63% spread to the prior rent, along with 4.5% annual contractual rent growth on the new lease; the Trust also leased a 78,000 square foot single-tenant building shortly after the completion of the due diligence period during the acquisition process. The Trust negotiated a ten-year lease term with 3.5% annual contractual rent growth over the term of the lease, resulting in an initial yield of 4.7%.

Solid pace of comparative properties NOI (“CP NOI”) growth – On a constant currency basis, CP NOI in the Trust’s portfolio in Q3 2021 increased by 7.5%, when compared to Q3 2020. The Canadian portfolio posted 7.8% CP NOI growth, predominantly driven by a 15.2% CP NOI increase in Ontario and Québec at 4.9%.

Strong rent collections – The Trust’s portfolio has remained resilient through market disruptions and rent collections have returned to pre-pandemic levels. The Trust has collected over 99% of recurring contractual gross rent during 2021. In addition, the Trust has collected substantially all of the contractual gross rent for 2020. The Trust has not entered into any material rent deferral arrangements subsequent to Q2 2020. To date, the Trust has received nearly 95% of the \$2.3 million of contractual gross rent deferred during Q2 2020.

Acquisitions, development and finance update

Acquisitions – Since the end of Q2 2021, the Trust has closed on eight high-quality logistics assets across Canada and Europe totalling \$220 million, representing a weighted average capitalization rate (“cap rate”) of 4.7%. These acquisitions have added over 1.4 million square feet of high-quality, well-located and functional logistics space to the Trust’s portfolio. Built on average in the mid-2000s, these assets are above the average quality of the Trust’s portfolio, with an average clear ceiling height of over 30 feet.

The pipeline for future acquisitions remains robust and the Trust has waived conditions on approximately \$226 million of assets in Canada and Germany totalling 1.1 million square feet, and has an additional six deals totalling 2.5 million square feet in exclusive negotiations for a total purchase price of \$383 million, that are expected to close in the next 60 to 75 days. Pro forma these acquisitions, the Trust will have acquired over \$2.5 billion of assets in 2021, which represents an increase of nearly 80% over the Trust’s investment properties value at the beginning of the year.

Recently, the Trust has waived conditions on an approximately 149,000 square foot urban logistics building in the GTA. The building is occupied by two tenants with a relatively short weighted average lease term of only 1.5 years with market rents over 25% higher than expiring rents. The asset is situated on a 6.8-acre site in an established industrial node in the GTA East sub-market, just south of Highway 401.

U.S. industrial venture – On July 30, 2021, the Trust sold 18 of its U.S. assets (29 buildings in total) to the U.S. Fund in consideration for net proceeds of approximately \$215 million (net of estimated cash taxes payable) and a 24.5% retained interest in the Fund. A subsidiary of the Trust will provide property management, construction management and leasing services to the Fund at market rates. The remaining three U.S. properties including the Trust’s 80% stake in the Las Vegas development are expected to be sold to the U.S. Fund in Q4 2021. The creation of the U.S. Fund is expected to provide a growing income stream to the Trust as the U.S. Fund scales in attractive U.S. industrial markets. This transaction allows the Trust to continue to grow in attractive U.S. industrial markets, improving overall portfolio quality and diversification, while maintaining an enhanced geographic mix.

Development pipeline – The Trust has initiated a structured development program that allows it to add high-quality assets to its portfolio in markets with steep barriers to entry. Below is a summary of the key updates on the Trust’s development pipeline:

- The first phase of the expansion at 401 Marie Curie in the Greater Montréal Area is well underway with construction expected to be completed in early 2022. As part of the first phase, the Trust will add 132,000 square feet of warehouse space with a clear ceiling height of 32 feet. The 90,000 square foot Phase 2 expansion is underway and is expected to be completed in the next 12 months. Overall, the Trust expects to add 220,000 square feet of additional GLA at the property, and achieve an unlevered yield above 6.5%;
- The Trust expects to commence the expansion of an additional 280,000 square feet of GLA in the GTA and Dresden, Germany within the next 60 to 90 days;
- The Trust continues to make significant progress on its redevelopment pipeline and expects to commence construction on its inaugural redevelopment project in the GTA in mid-2022. The Trust intends to build a 210,000 square foot building with a forecasted yield on cost that is at least 150 basis points (“bps”) higher than core stabilized product in the sub-market;

- The Trust is in advanced stages of obtaining the site plan approval for the construction of approximately 150,000 square feet of modern last mile logistics space on its recently acquired site located on Abbotside Drive in the GTA. The Trust intends to commence construction in Q1 2022.

Capital strategy – The Trust continues to focus on growing and upgrading portfolio quality while increasing financial flexibility. During the quarter, the Trust repaid \$263.7 million of Canadian mortgages bearing interest at an average rate of 3.54%. The Trust's debt strategy has allowed it to reduce its average interest rate on its total debt outstanding by approximately 250 bps or nearly 70% year-over-year, from over 3.4% to approximately 1% over this time period. In addition, the Trust has successfully transitioned its debt stack to be largely unsecured, with the proportion of secured debt dropping to less than 11% of assets and approximately 32% of total debt, compared to 100% a year ago.

Since Q2 2021, the Trust has utilized the previously disclosed ATM Program to raise approximately \$31.8 million over the course of the quarter, at an average unit price of \$16.81. Subsequent to quarter-end, the Trust raised a further \$9.2 million through the ATM Program at an average unit price of \$16.29, and completed a \$287.7 million bought deal equity offering, issuing 17.4 million REIT Units at an offering price of \$16.50 per REIT Unit. The net proceeds from the equity offering will be utilized to fund the closing of previously announced acquisitions and for general Trust purposes, and the net proceeds from the ATM Program will be used to fund the Trust's acquisition pipeline and for general Trust purposes.

Environmental, social and governance ("ESG") update

The Trust continues to actively pursue and execute the forward-looking plans that were identified in its 2019 Sustainability Report issued in December 2020, which include data collection, ESG policy development, investments in clean power and green financing opportunities. In addition, the Trust has drafted sustainability policies for capital investments, biodiversity, green building certifications, waste management, sustainable sourcing and new developments. The policies will encompass core strategies and objectives, which will be tailored to incorporate regional regulatory requirements and climates. Moreover, the Trust continues to improve the resilience of its properties from the effects of physical climate risks. As part of its ongoing initiatives, the Trust assesses the physical climate risk by using third-party climate data and will develop strategies to improve resilience through ongoing capital and operations investments. The Trust expects to provide further details on each of these initiatives in its 2020 Corporate Sustainability Report expected to be released later this year.

During the quarter, the Trust conducted a tenant engagement survey to expand its tenant outreach plan and ascertain tenant interest in rooftop renewable energy, electric vehicle charging stations, light-emitting diode ("LED") lighting upgrades and green building certifications. In addition, the survey inquired if tenants have a Sustainability/Environment, Health and Safety team. The survey responses will enable the Trust to continue to align its sustainability goals with tenant operational requirements and identify mutual opportunities to improve efficiencies.

The Trust continues to invest in LED lighting upgrades to improve the energy efficiency of its properties and has established a target to upgrade one million square feet of GLA in LED lighting in 2021. A total of 217,000 square feet of GLA was upgraded to LED lighting in the quarter; the year-to-date cumulative total is 705,000 square feet. The Trust is continuing to investigate opportunities to obtain green building certifications within its portfolio and is currently evaluating the scope of work required to obtain certification on an initial seven buildings located in North America and Europe, totalling over 1,152,000 square feet of GLA. The Trust will expand its portfolio of green building certifications over time by pursuing certifications within its portfolio and through an active investment pipeline. In the quarter, the Trust acquired a Leadership in Energy and Environmental Design ("LEED") Gold Certified 124,000 square foot building located in Pointe-Claire, Québec, as well as six buildings in the Netherlands with Energy Performance Certificates ("EPC") ratings of "B" or higher, totalling 841,000 square feet.

The Trust is exploring opportunities to invest in clean power in its portfolio within Canada and the Netherlands. Including existing panels, the Trust is targeting to install over 50,000 solar panels across 3.5 million square feet, representing over 10% of its total portfolio. In Canada, the Trust is progressing with participation in a program launched by Emissions Reduction Alberta to install up to 6,300 rooftop solar panels on several buildings in its portfolio. The Trust is also progressing through its feasibility assessment of the installation of up to 32,000 solar panels in the Netherlands.

All of these initiatives have allowed the Trust to allocate or commit the entire proceeds of the \$400 million Green Bond that the Trust issued in the prior quarter, well ahead of schedule.

The Trust continues to advance several initiatives to enhance its Diversity, Inclusion and Advancement Team. During the quarter, numerous education workshops were held, including a customized workshop to guide employees to understand practical and effective communication skills that develop better relationships with Indigenous communities, elders and businesses.

The Trust's sustainability initiatives continue to be recognized by reputable external parties. During the quarter, The Trust participated in the GRESB Public Disclosure Survey, and further to the submission, the Trust's rank (out of 10 industry peers) in

North America improved from 7th in 2020 to 2nd in 2021. In addition, the Trust received a “B” for its annual GRESB Public Disclosure Level in 2021, which compares favorably to the average score of “C” for all companies rated by GRESB globally.

On November 1, 2021, the Trust, along with Dream Unlimited Corp., Dream Office REIT, and Dream Impact Trust (collectively, “the Dream group of companies”), announced their formal participation in the Net Zero Asset Managers (“NZAM”) initiative. NZAM is a commitment to set targets, disclose progress and support the global effort of net zero GHG emissions by 2050. In addition to NZAM, the Trust will also join the United Nations Principles for Responsible Investing (“UN PRI”) as part of Dream group of companies’ commitments. As part of the UN PRI commitment, the Trust will be required to adhere to the six responsible investment principles and disclose to the UN PRI through Dream group of companies’ annual submission. The Trust will further outline the net zero commitments and future plans in its 2020 Corporate Sustainability Report expected to be released later this year.

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 the “Trust”) should be read in conjunction with the audited consolidated financial statements of Dream Industrial REIT and the accompanying notes for the year ended December 31, 2020, and the unaudited condensed consolidated financial statements of Dream Industrial REIT and the accompanying notes for the three and nine months ended September 30, 2021. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The Canadian dollar is the functional and reporting currency for purposes of preparing the condensed consolidated financial statements.

The chief operating decision-maker, determined to be the Chief Executive Officer of the Trust, also considers the performance of assets held for sale (except for those where the Trust will continue to retain an interest) and disposed properties separately from the investment properties in the geographic segments, and discontinued operations (as applicable) separately from the segmented income in the geographic segments.

This management’s discussion and analysis (“MD&A”) is dated as at November 2, 2021.

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

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

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

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

FORWARD-LOOKING DISCLAIMER

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation, including but not limited to statements relating to the Trust's objectives and strategies to achieve those objectives; the Trust's expectations relating to the benefits to be realized from demand drivers for industrial space; the effect of acquisitions on our leverage levels; the anticipated timing of closing of acquisitions including the anticipated closing and value of additional acquisitions under contract or in exclusivity; the expected going-in cap rate of acquisitions; our acquisition pipeline and the Trust's goal to acquire mid- to large-bay properties in major Western European markets; the provision of property management, construction management and leasing services to the U.S. Fund by a subsidiary of the Trust; the expectation that the creation of the U.S. Fund will provide a growing income stream to the Trust; the pro forma composition of our portfolio after the completion of the acquisitions and potential development opportunities, including the GLA to be added to the Trust's portfolio following the acquisitions; our unencumbered assets pool; anticipated dispositions of certain properties of the Trust including the anticipated sale of the remaining U.S. properties to the U.S. Fund and the anticipated sale of a property located in the Western Canada region; our development and redevelopment plans, including timing of construction commencement and intensification, the expansion potential of the Trust's portfolio, timing for commencing construction and completion of our developments, anticipated development yields and the percentage of the Trust's total assets it expects to have under active development; anticipated stabilization on the expansion at 401 Marie Curie in the Greater Montréal Area and the expected yield on such property; anticipated expansion of GLA in the GTA and Germany; expectations of the Trust regarding its redevelopment pipeline; anticipated site plan approval and construction of a site located on Abbotside Drive in the GTA; anticipated density and GLA that our excess land can accommodate; use of the net proceeds from the recent equity offering and the ATM Program; the Trust's ability to deliver on ESG initiatives including various sustainability policies; the Trust's ability to obtain green building certifications for its portfolio and the expansion of its green building certification program over time; the installation of solar panels by the Trust; the implementation and results of the Trust's solar power programs; the Trust's portfolio strategy; the Trust's ability to perform well operationally and financially through the COVID-19 pandemic; the amount by which market rents exceed in-place rents; the Trust's beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, future growth, future leasing activity, including those associated with the ability to lease vacant space and rental rates on future leases, results of operations, performance, business prospects and opportunities, acquisitions or divestitures, tenant base, rent collection, future maintenance and development plans, capital investments, financing, income taxes, litigation and the real estate industry in general. Forward-looking statements generally can be identified by words such as "outlook", "objective", "strategy", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "could", "likely", "plan", "project", "budget", "continue", or similar expressions suggesting future outcomes or events. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; employment levels; the uncertainties around the timing and amount of future financings; uncertainties surrounding the COVID-19 pandemic; the financial condition of tenants and borrowers; leasing risks; interest rate and currency rate fluctuations; regulatory risks; environmental risks; our ability to sell investment properties at a price that reflects fair value; and our ability to source and complete accretive acquisitions.

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; the impact of the COVID-19 pandemic on the Trust; government measures to contain the COVID-19 pandemic; local real estate conditions; timely leasing of vacant space and re-leasing of occupied space upon expiry; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to integrate acquisitions; interest rates; availability of equity and debt financing; our continued compliance with the real estate investment trust ("REIT") exemption under the specified investment flow-through trust ("SIFT") legislation; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of November 2, 2021. Dream Industrial REIT 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. As at September 30, 2021, the Trust owns, manages and operates a global portfolio comprising 221 assets totalling approximately 39.8 million square feet of gross leasable area in key markets across Canada, Europe and the U.S. The Trust's goal is to grow and upgrade the quality of its portfolio, which primarily consists of distribution and urban logistics properties, and to provide overall attractive returns to unitholders. Our REIT Units are listed on the Toronto Stock Exchange ("TSX") under the trading symbol DIR.UN.

OUR STRATEGY

Dream Industrial REIT owns and operates a diversified portfolio of distribution, urban logistics and light industrial properties across key markets in Canada, Europe and the U.S. We are committed to:

- owning and operating a high-quality portfolio of industrial assets in markets with strong operating fundamentals;
- investing in our key markets in industrial assets offering long-term cash flow and net asset value growth prospects;
- maximizing the value of our industrial assets through innovative asset management strategies;
- providing compelling total returns to our unitholders, anchored by sustainable cash distributions; and
- integrating sustainability at the corporate and property levels.

Value enhancing growth

With a global acquisition platform, we have local, on-the-ground teams who have a strong track record of sourcing attractive industrial assets across Canada, Europe and the U.S. We have strong established relationships in all our local markets, which allows us to source high-quality and accretive acquisitions with long-term cash flow and net asset value growth potential. When evaluating potential acquisitions, we consider a variety of criteria, including expected cash flow returns; replacement cost of the asset; its location, functionality and appeal to future tenants; sustainability attributes of the asset and how the asset complements our existing portfolio; and per Unit accretion.

Continuous portfolio optimization

We regularly evaluate and benchmark each individual asset in our portfolio, assessing historical and future performance as well as value growth potential. We identify opportunities to recycle assets within our portfolio and reinvest the proceeds into higher quality assets that are less management and capital intensive.

Active asset management

Through creative asset management strategies, such as initiating and executing on development projects, we are able to unlock organic net operating income and net asset value growth. We actively manage our assets to optimize performance, maintain value, and attract and retain tenants. We have local teams across our portfolio with over 80 real estate professionals highly experienced in leasing, operations and portfolio management operating out of nine regional offices in our key markets. We strive to ensure that our assets are the most attractive, efficient and cost-effective premises for our tenants.

Conservative financial policy

We operate our business in a disciplined manner with a focus on maintaining a strong balance sheet and liquidity position. We seek to maintain a conservative leverage, naturally hedge foreign currency investments and build up a high-quality unencumbered asset pool, while reducing borrowing costs and preserving liquidity.

Focus on environmental, social and governance

We focus on promoting the highest standards of corporate governance, social responsibility and ethical behaviour throughout our organization. Our sustainability practices are primarily focused on: i) energy efficiency throughout our portfolio by integrating sustainable building technology; ii) increasing tenant engagement; and iii) incorporating energy management initiatives into our capital expenditure planning. Our social initiatives encompass three key areas: i) commitment to the development of employees through continuous learning and promotion of healthy workplaces and lifestyles; ii) active commitment to the community and local charitable organizations; and iii) commitment to tenant satisfaction and engagement. We continuously apply sound and effective corporate governance practices in the day-to-day decisions and actions of our business. Our governance highlights include: i) a diverse and experienced board with a majority of independent trustees; and ii) strong governance and transparency in all aspects of our business.

SECTION II

OUR ASSETS

Dream Industrial REIT owns, manages and operates a portfolio of 221 assets (326 industrial buildings) totalling approximately 39.8 million square feet of gross leasable area in key markets across Canada, Europe and the U.S. as at September 30, 2021.

Across our regions, our portfolio consists of distribution, urban logistics and light industrial buildings.

- **Distribution buildings** – are highly functional large-bay buildings located in close proximity to major transportation corridors. Most tenants at these buildings have e-commerce operations or are in the third-party logistics industry.
- **Urban logistics buildings** – are small- to mid-bay buildings located in close proximity to major population centres and are ideally suited to meet last-mile distribution needs. They are typically multi-let with shorter lease terms and lower average tenant size.
- **Light industrial buildings** – have a large footprint and are typically single-tenants. Tenants have typically invested significant capital at these properties and have signed long-term leases or have taken occupancy for a long period of time.

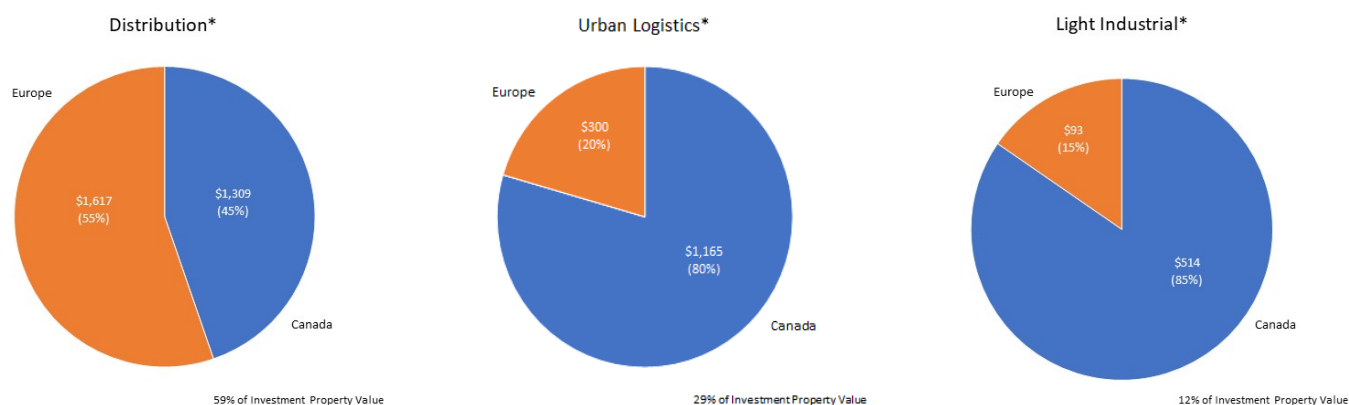
Focused portfolio strategy

In Canada, the Trust's focus is on mid- to large-bay properties primarily in the GTA and the Greater Montréal Area where it expects to benefit from increased user demand relative to supply of quality industrial product, and where in-place rental rates are generally below market rental rates and the outlook for rental rate growth is robust. The Trust is also targeting to increase scale in our existing sub-markets and add to its large urban logistics clusters.

In Europe, the Trust's goal is to acquire mid- to large-bay properties in major Western European markets. Across these markets there is growing demand for urban logistics space, increased user demand relative to supply of quality industrial product, attractive going-in capitalization rates and upside potential from growth in market rents.

In the U.S., the Trust will continue to pursue long-term growth alongside strong institutional partners through its retained 24.5% interest in the U.S. Fund. A subsidiary of the Trust will provide property management, construction management and leasing services to the Fund at market rates. This is expected to provide a growing income stream to the Trust as the U.S. Fund scales in attractive U.S. industrial markets. This transaction allows the Trust to continue to grow in attractive U.S. industrial markets, improving overall portfolio quality and diversification, while maintaining an enhanced geographic mix.

As at September 30, 2021, the Trust's investment property value (excluding investment properties classified as assets held for sale and equity accounted investment) by building type allocated by region is as follows:



* All dollar amounts in these charts are presented in millions.

Key property statistics by building type as at September 30, 2021 are summarized in the table below:

	September 30, 2021			
	Distribution	Urban logistics	Light industrial	Total
Number of assets ⁽¹⁾⁽²⁾	111	81	29	221
Number of buildings ⁽²⁾	127	154	45	326
Total GLA (thousands of square feet) ⁽³⁾	24,607	10,466	4,733	39,806
Owned GLA (thousands of square feet) ⁽⁴⁾	20,014	9,566	4,733	34,313
Site area (in acres) ⁽²⁾	1,059	543	262	1,864

(1) Number of assets comprises a building, or a cluster of buildings in close proximity to one another attracting similar tenants.

(2) Includes the Trust's owned and managed properties. Excludes assets sold and held for sale as at September 30, 2021 with the exception of the two U.S. assets held for sale to the U.S. Fund.

(3) Includes the Trust's owned and managed properties.

(4) Includes our share of equity accounted investments as at September 30, 2021.

Development strategy

The Trust is focused on building and executing a development pipeline across its target markets. Our development strategy has three key components: 1) greenfield development, 2) intensification of excess land on our income-producing properties, and 3) redevelopment of existing properties with the goal of achieving higher density and rents.

The greenfield development program currently consists of the 24.5 acre site in Las Vegas, of which the Trust holds an 80% interest through a joint venture currently included in assets held for sale and continued construction of the 460,000 square foot Class A logistics property. In addition, during Q3 2021, we continued to advance the planning and zoning for recently acquired parcels of land, consisting of a 30.0 acre site in Brampton, Ontario, and an 8.0 acre site in Caledon, Ontario. We anticipate the construction of Class A distribution facilities at these sites in the near term for 550,000 square feet and 150,000 square feet, respectively.

Our excess land portfolio comprises over 25 sites in Ontario, Québec, Europe and the U.S. with over 120 acres of excess land providing an opportunity to add up to 2.9 million square feet of GLA over time.

We continuously evaluate redevelopment opportunities across our portfolio from technical and financial feasibility perspectives. Our current redevelopment pipeline consists of several sites in Ontario and Europe. The current density on these sites is approximately 35%, providing for an opportunity to fully redevelop the properties with modern logistics space commanding higher rents and leading to over 300,000 square feet of incremental GLA.

During the prior quarter, the Trust continued to evaluate the recently acquired Pan-European logistics portfolio in which multiple assets located in France, the Netherlands and Germany included excess land, offering expansion potential of over one million square feet. These development opportunities are expected to occur in the near term with a forecast yield on incremental development costs of over 7%.

The following table provides details on the Trust's near-term development pipeline:

Location	Region	Site area (in acres)	Current GLA (in thousands of sq. ft.)	Target GLA (in thousands of sq. ft.)	Current objective
Underway					
Range Road, Las Vegas ⁽¹⁾	U.S.	25	—	464	New development
401 Marie-Curie Boulevard, Montréal	Québec	38	527	754	Intensification
100 East Beaver Creek, Richmond Hill	Ontario	6	110	153	Intensification
Total underway		69	637	1,371	
Planning					
Whitby, ON	Ontario	24	210	380	Redevelopment
Mississauga, ON	Ontario	10	212	209	Redevelopment
Montréal, QC	Québec	14	206	296	Intensification/Redevelopment
Montréal, QC	Québec	17	225	300	Intensification/Redevelopment
Dresden, Germany	Europe	30	274	515	Intensification
Brampton, ON	Ontario	30	—	553	New development
Caledon, ON	Ontario	8	—	152	New development
Total planning		133	1,127	2,405	
Total near-term development pipeline		202	1,764	3,776	

(1) This property is held through a joint venture of which the Trust owns an 80% interest. The acreage and square footage shown above is at 100%.

Construction progressed on the Las Vegas development during the quarter, with construction completion targeted for mid-2022 and stabilization anticipated for 2023.

We continued construction of a two-phase intensification project at 401 Marie-Curie Boulevard, a 527,000 square foot Class A distribution facility in the Greater Montréal Area. The property is situated on 38.4 acres of land with site coverage of 32%, offering the opportunity to increase the property's footprint by approximately 227,000 square feet, taking coverage to 45%. The first phase of construction, for 131,000 square feet, is well underway with the building structure being substantially complete. The second phase, for 96,000 square feet, will commence in Q4 2021. We expect to achieve a yield on construction costs of over 6.5%.

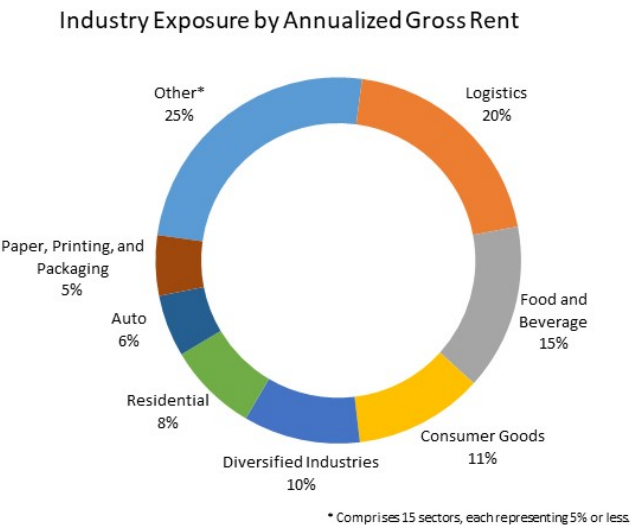
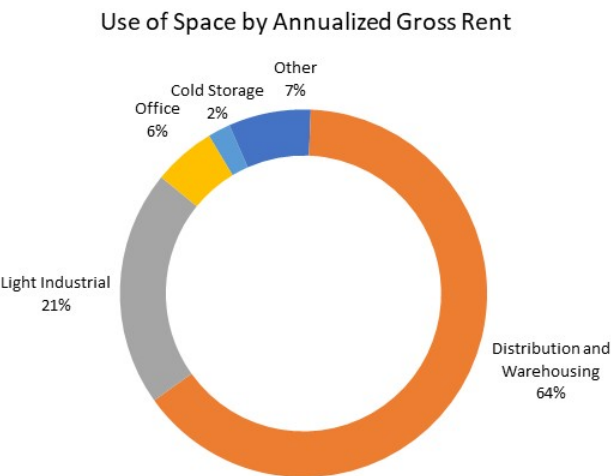
Also, in the near term, we intend to expand an existing 110,000 square foot property in the GTA, consisting of 100 East Beaver Creek, which is located in Richmond Hill and is close to Highways 404 and 407. We expect to commence construction in Q4 2021 adding 43,000 square feet, with an expected yield on construction costs of over 8.0%. The design-builder has been engaged with municipal approvals underway, advancing this project to the next stage of development construction.

During the quarter, the intensification project in Dresden, Germany advanced to the next stage of development. The building permit application has been submitted and a construction contract has been executed with construction anticipated to commence in Q1 2022. The 30.4 acre site holds an existing 274,000 square foot asset, and site density will increase by approximately 20% with the 241,000 square foot expansion. This prime logistics facility expansion is estimated to achieve a yield on cost of 6.5%.

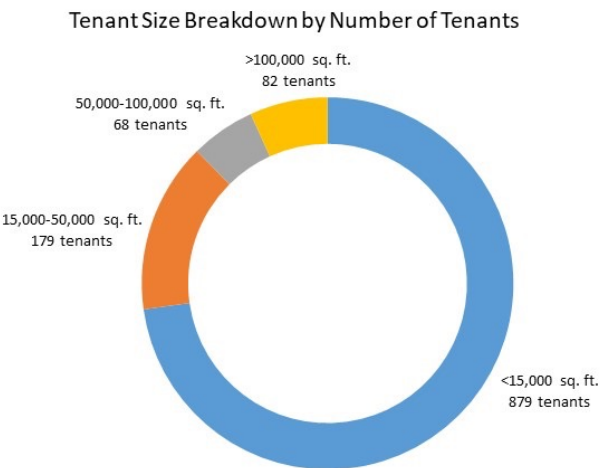
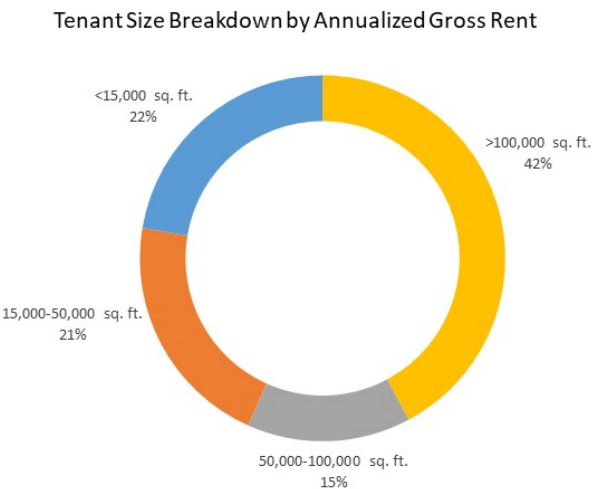
Tenant base profile

Our portfolio comprises primarily functional distribution and warehousing space occupied by tenants from various industries, with no one industry accounting for more than 20% of annualized gross rent. As at September 30, 2021, the Trust had over 1,200 tenants (including those tenants occupying investment properties that are owned, managed and classified as assets held for sale).

The following charts show the industries in which our tenants operate, and their use of space based on annualized gross rental revenue as at September 30, 2021:



The following charts show the tenant size breakdown by annualized gross rental revenue and the tenant size breakdown by number of tenants as at September 30, 2021:



Approximately 78% of our annualized gross rental revenue is derived from over 325 tenants each occupying over 15,000 square feet with an average size of approximately 79,000 square feet. The remaining annualized gross rental revenue is derived from 879 smaller tenants primarily located in the urban logistics assets.

The following table outlines the contributions of our top ten tenants to our annualized gross rental revenue (including equity accounted investments) as at September 30, 2021:

Tenant	Use of space	Gross rental revenue	Thousands of sq. ft.	WALT (years)
Auchan Supermarché Plaisir	Distribution & warehousing	3.0%	1,583	6.2
TC Transcontinental	Distribution & warehousing, light industrial	1.5%	523	3.5
Immeubles RB Ltd.	Distribution & warehousing	1.3%	419	3.6
Conforama	Distribution & warehousing	1.3%	597	1.0
Gienow Windows and Doors	Distribution & warehousing, light industrial	1.2%	371	7.7
Spectra Premium Industries Inc.	Distribution & warehousing, light industrial	1.1%	472	3.6
DHL Supply Chain s.r.o.	Distribution & warehousing	1.1%	661	5.7
RLS Slovakia, s.r.o.	Distribution & warehousing	1.0%	597	6.7
United Agri Products Canada Inc.	Distribution & warehousing	1.0%	275	2.0
Emil Lux GmbH & Co. KG	Distribution & warehousing	0.9%	435	4.3
Total		13.4 %	5,933	4.8

Our portfolio is well diversified with no single tenant representing more than 3% of gross rental revenue.

Assets (also known as investment properties) comprise a building, or a cluster of buildings in close proximity to one another attracting similar tenants. Many of our buildings form parts of larger clusters and business parks. As part of our asset management strategy, we approach these clusters as a single asset for the purposes of capital allocation, leasing and property management initiatives.

The table below summarizes the grouping of buildings into property clusters by region as at September 30, 2021 and December 31, 2020:

	September 30, 2021				December 31, 2020		
	Number of buildings ⁽¹⁾	Number of assets ⁽¹⁾	Owned GLA ⁽²⁾ (thousands of sq. ft.)	Total GLA ⁽³⁾ (thousands of sq. ft.)	Number of buildings	Number of assets	Owned GLA (thousands of sq. ft.)
Ontario	83	47	7,184	7,184	79	47	6,758
Québec	47	34	5,738	5,738	40	29	4,278
Western Canada	80	42	5,070	5,070	81	43	5,079
Canadian portfolio	210	123	17,992	17,992	200	119	16,115
European portfolio	85	78	14,116	14,116	42	40	3,885
Total before U.S. portfolio	295	201	32,108	32,108	242	159	20,000
U.S. portfolio	31	20	2,205	7,698	29	18	7,276
Total portfolio	326	221	34,313	39,806	271	177	27,276

(1) Includes the Trust's owned and managed properties as at September 30, 2021. Excludes assets sold and held for sale as at September 30, 2021 with the exception of the two U.S. assets held for sale to the U.S. Fund.

(2) Includes equity accounted investments as at September 30, 2021.

(3) Includes the Trust's owned and managed properties as at September 30, 2021.

OUR OPERATIONS

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

Total portfolio in-place and committed occupancy

Our in-place and committed occupancy, excluding the U.S. portfolio, includes lease commitments totalling approximately 143,000 square feet for space that is being readied for occupancy but for which rental revenue is not yet recognized.

The following table details our total portfolio in-place and committed occupancy by region:

		Total portfolio	
(percentage)	September 30, 2021	June 30, 2021	September 30, 2020
Ontario	97.4	96.2	96.9
Québec	98.5	98.5	98.0
Western Canada	93.9	95.9	93.7
Canadian portfolio	96.8	96.8	96.2
European portfolio	99.3	99.2	96.0
Total before U.S. portfolio	97.9	97.8	96.2
U.S. portfolio	99.2	98.8	92.2
Total portfolio	98.0	98.0	95.1

In-place and committed occupancy in Ontario increased by 120 bps relative to June 30, 2021, primarily driven by the acquisition of a fully occupied property totalling 152,000 square feet. During the quarter, 71,000 square feet of new leases and 173,000 square feet of renewals commenced compared to 183,000 square feet of expiries. The Trust continues to actively market the vacant spaces and address future renewals to capture higher rents. On a year-over-year basis, in-place and committed occupancy increased by 50 bps relative to September 30, 2020.

In-place and committed occupancy in Québec remained relatively consistent from the prior quarter and increased by 50 bps relative to September 30, 2020. During the quarter, the Trust acquired two fully occupied properties totalling 302,500 square feet. Additionally, 145,000 square feet of new and renewed leases commenced during the quarter compared to 126,000 square feet of expiries. The Trust continues to actively market the vacant spaces and address future renewals to capture higher rents.

In-place and committed occupancy in Western Canada decreased by 200 bps compared to the prior quarter, primarily due to the expiry of two units totalling 223,000 square feet within its urban logistics portfolio. The Trust continues to actively market the vacant spaces and concluded the quarter with 83,000 square feet of committed vacancies. On a year-over-year basis, in-place and committed occupancy increased by 20 bps relative to September 30, 2020.

In-place and committed occupancy in the U.S. increased by 40 bps and 700 bps relative to June 30, 2021 and September 30, 2020, respectively. The increase is due to positive leasing absorption resulting from the new lease that commenced in Q1 2021 with a subsidiary of Amazon on 302,500 square feet of previously vacant space in Q3 2020. Additionally, the Fund entered into 161,000 square feet of new leases during the quarter.

In-place and committed occupancy in Europe increased by 10 bps quarter-over-quarter and increased by 330 bps compared to the prior year comparative quarter, primarily as a result of the Pan-European logistics portfolio, which was acquired on June 24, 2021 and was fully leased.

Total portfolio occupancy continuity (excluding U.S. portfolio)

The following tables detail the changes in in-place and committed occupancy across our Canadian and European portfolios (excluding the U.S. portfolio) for the three and nine months ended September 30, 2021:

	Three months ended September 30, 2021					
	Canadian portfolio		European portfolio		Total portfolio	
	Thousands of sq. ft.	Percentage of GLA	Thousands of sq. ft.	Percentage of GLA	Thousands of sq. ft.	Percentage of GLA
Occupancy (in-place and committed) at beginning of period	16,986	96.8%	13,093	99.2%	30,079	97.8%
Vacancy committed for future occupancy	(184)	(1.1%)	—	—%	(184)	(0.6%)
Occupancy (in-place) at beginning of period	16,802	95.7%	13,093	99.2%	29,895	97.2%
Occupancy related to a property held for sale	(14)				(14)	
Occupancy related to acquired properties and remeasurements	455		911		1,366	
Occupancy (in-place) at beginning of period – adjusted	17,243	95.8%	14,004	99.2%	31,247	97.3%
Natural expiries and relocations	(533)	(2.9%)	(525)	(3.9%)	(1,058)	(3.3%)
Early terminations	(97)	(0.5%)	—	—%	(97)	(0.3%)
New leases	256	1.4%	220	1.7%	476	1.5%
Renewals and relocations	402	2.2%	305	2.3%	707	2.2%
Occupancy (in-place) at period-end	17,271	96.0%	14,004	99.3%	31,275	97.4%
Vacancy committed for future occupancy	137	0.8%	6	0.0%	143	0.5%
Occupancy (in-place and committed) at period-end	17,408	96.8%	14,010	99.3%	31,418	97.9%

	Nine months ended September 30, 2021					
	Canadian portfolio		European portfolio		Total portfolio	
	Thousands of sq. ft.	Percentage of GLA	Thousands of sq. ft.	Percentage of GLA	Thousands of sq. ft.	Percentage of GLA
Occupancy (in-place and committed) at beginning of period	15,620	96.9%	3,732	96.1%	19,352	96.8%
Vacancy committed for future occupancy	(229)	(1.4%)	—	—%	(229)	(1.1%)
Occupancy (in-place) at beginning of period	15,391	95.5%	3,732	96.1%	19,123	95.7%
Occupancy related to a property held for sale	(14)				(14)	
Occupancy related to acquired properties and remeasurements	1,798		10,230		12,028	
Occupancy (in-place) at beginning of period – adjusted	17,175	95.5%	13,962	98.9%	31,137	97.0%
Natural expiries and relocations	(1,920)	(10.6%)	(882)	(6.1%)	(2,802)	(8.7%)
Early terminations	(354)	(2.0%)	—	—%	(354)	(1.1%)
New leases	1,176	6.5%	354	2.5%	1,530	4.8%
Renewals and relocations	1,194	6.6%	570	4.0%	1,764	5.4%
Occupancy (in-place) at period-end	17,271	96.0%	14,004	99.3%	31,275	97.4%
Vacancy committed for future occupancy	137	0.8%	6	0.0%	143	0.5%
Occupancy (in-place and committed) at period-end	17,408	96.8%	14,010	99.3%	31,418	97.9%

The overall tenant retention ratio across our portfolio for the three and nine months ended September 30, 2021 was 66.8% and 63.0%, respectively. Tenant retention ratio is calculated as the ratio of total square feet of renewed and relocated space over natural expiries and relocations.

New lease, renewal and relocation spreads

The following table details the new lease, renewal and relocation spreads for deals transacted from July 1, 2021 to October 31, 2021 across our Canadian and European portfolio (excluding U.S. portfolio):

	Thousands of sq. ft.	Rental rate spread ⁽¹⁾
Ontario	273	62.9%
Québec	265	22.6%
Western Canada	280	(3.6%)
Canadian portfolio	818	23.2%
European portfolio	140	23.2%

(1) Rental rate spread (%) is calculated as the ratio of rental rate spread (per sq. ft.) divided by the weighted average prior and expiring rate (per sq. ft.). Rental rate spread (per sq. ft.) is calculated as the difference between the weighted average new, renewal and relocation rate and the weighted average prior and expiring rate. Rental rate spread excludes deals on leased space that has been vacant upon acquisition.

The following table details the new lease, renewal and relocation spreads for deals transacted from January 1, 2021 to October 31, 2021 across our Canadian and European portfolio (excluding U.S. portfolio):

	Thousands of sq. ft.	Rental rate spread ⁽¹⁾
Ontario	947	58.7%
Québec	902	27.7%
Western Canada	935	(3.9%)
Canadian portfolio	2,784	23.6%
European portfolio	604	16.1%

(1) Rental rate spread (%) is calculated as the ratio of rental rate spread (per sq. ft.) divided by the weighted average prior and expiring rate (per sq. ft.). Rental rate spread (per sq. ft.) is calculated as the difference between the weighted average new, renewal and relocation rate and the weighted average prior and expiring rate. Rental rate spread excludes deals on leased space that has been vacant upon acquisition.

For the three and nine months ended September 30, 2021, our leasing team transacted approximately 1.0 million and 3.4 million square feet of leasing activity, respectively. Rental spreads were strong in Ontario, Québec and Europe, reflecting the robust demand for industrial space. In Western Canada, the negative rental spreads were paired with contractual rental steps within these leases to capture some future rental growth.

Total portfolio rental rates

Average in-place and committed base rent is contractual base rent and excludes recoveries and recoverable tenant inducements.

The following table details the average in-place and committed base rent by region for our Canadian and European portfolio (excluding U.S. portfolio):

	Average in-place and committed base rent (per sq. ft.)		
	September 30, 2021	June 30, 2021	September 30, 2020
Total portfolio (excluding U.S. portfolio)			
Ontario	\$ 7.59	\$ 7.46	\$ 6.99
Québec	7.16	6.98	6.60
Western Canada	8.78	8.72	8.77
Canadian portfolio	\$ 7.78	\$ 7.67	\$ 7.43
European portfolio (€)	€ 4.55	€ 4.51	€ 4.89

As at September 30, 2021, the average in-place and committed base rent for our Canadian portfolio was \$7.78 per square foot, compared to \$7.67 per square foot as at June 30, 2021 and \$7.43 per square foot as at September 30, 2020. The increase in the Canadian portfolio is driven by higher in-place rents on acquisitions closed in the quarter, as well as lease renewals and future lease commitments capturing strong positive rental rate spreads primarily in the Ontario and Québec regions, partially offset by rental rate spreads in Western Canada.

As at September 30, 2021, the average in-place and committed base rent for our European portfolio was €4.55 per square foot, compared to €4.51 per square foot as at June 30, 2021 and €4.89 per square foot as at September 30, 2020. The decrease in weighted average in-place rent year-over-year was attributable to acquired properties in Spain, Slovakia and Czech Republic within the Pan-European logistics portfolio, availing us of the opportunity to drive rental rates higher as current in-place rents in this portfolio are approximately 10% below market.

The following table compares the average in-place and committed base rent per square foot with our estimated market rent per square foot by region for our Canadian and European portfolio (excluding U.S. portfolio) as at September 30, 2021:

	September 30, 2021			
	Average in-place and committed base rent (per sq. ft.)	Estimated market rent (per sq. ft.)	Estimated market rent/ average in-place and committed base rent	WALT (years)
Total portfolio (excluding U.S. portfolio)				
Ontario	\$ 7.59	\$ 10.88	43.3%	4.5
Québec	7.16	8.43	17.7%	3.8
Western Canada	8.78	8.79	0.1%	3.5
Canadian portfolio	\$ 7.78	\$ 9.52	22.4%	4.0
European portfolio (€)	€ 4.55	€ 4.89	7.5%	4.8
Total portfolio (excluding U.S. portfolio) WALT (years)				4.4

Estimated market rent represents management's best estimate of the base rent that would be achieved in a new arm's length lease in the event that a unit becomes vacant after a reasonable marketing period, with an inducement and lease term appropriate for the particular space. Market rent by property is reviewed regularly by our leasing and portfolio management teams. Market rents may differ by property or by unit and depend upon a number of factors. Some of the factors considered include the condition of the space, the location within the building, the amount of office build-out for the units, the lease term and a normal level of tenant inducements. Market rental rates are also compared quarterly against recent comparable lease deals in each market and quarterly independent external appraisal information, if applicable. The current estimated market rents are at a point in time, with no allowance for increases in future years and are subject to change based on future market conditions in the respective regions.

As a result of when leases are executed, there is typically a lag between estimated market rents and average in-place and committed base rent.

Lease maturity profile, net of lease commitments

The following table details our Canadian and European portfolio (excluding U.S. portfolio) lease maturity profile by region, net of renewals and new leases completed as at September 30, 2021:

Total portfolio (excluding U.S. portfolio) (in thousands of sq. ft.)	Vacancy, net of commitments	Remainder of 2021	2022	2023	2024	2025	2026+	Total
Ontario	190	64	668	972	730	1,176	3,384	7,184
Québec	84	6	700	1,149	1,092	946	1,761	5,738
Western Canada	310	112	704	1,089	809	559	1,487	5,070
Canadian portfolio	584	182	2,072	3,210	2,631	2,681	6,632	17,992
European portfolio	106	260	2,766	903	713	721	8,647	14,116
Total GLA (excluding U.S. portfolio)	690	442	4,838	4,113	3,344	3,402	15,279	32,108
Percentage of total GLA (excluding U.S. portfolio)	2.1%	1.4%	15.1%	12.8%	10.4%	10.6%	47.6%	100.0%

Lease expiry profile for remainder of 2021

The following table details our Canadian and European portfolio (excluding U.S. portfolio) lease maturity profile for the remainder of 2021 by region, net of renewals and net of committed new leases on vacant space:

Total portfolio (excluding U.S. portfolio) (in thousands of sq. ft.)	Ontario	Québec	Western Canada	Canadian portfolio	European portfolio	Total
2021 expiries (as at September 30, 2021)	(138)	(169)	(321)	(628)	(260)	(888)
Expiries committed for renewals	74	163	209	446	—	446
Expiries, net of committed renewals	(64)	(6)	(112)	(182)	(260)	(442)
Commitment as a % of expiries	53.6%	96.4%	65.1%	71.0%	—%	50.2%
Current vacancies	(244)	(84)	(393)	(721)	(112)	(833)
Current vacancies committed for future occupancy	54	—	83	137	6	143
Current vacancies, net of commitments for future occupancy	(190)	(84)	(310)	(584)	(106)	(690)

Net rental income from continuing operations

Net rental income is defined by the Trust as total investment properties revenue less investment properties operating expenses from continuing operations.

The chief operating decision-maker, determined to be the Chief Executive Officer of the Trust, considers the operating performance of its retained interest in the U.S. portfolio that was sold to the U.S. Fund when assessing the operating performance of the U.S. segment. Accordingly, effective July 1, 2021, the Trust's segmented income included the Trust's share of net rental income from equity accounted investment.

For a detailed discussion about investment properties revenue and operating expenses from continuing operations for the three and nine months ended September 30, 2021 and September 30, 2020, refer to the section "Our Results of Operations".

	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Ontario	\$ 14,332	24%	\$ 11,410	27%	\$ 40,453	26%	\$ 33,689	27%
Québec	10,524	18%	6,899	16%	27,268	17%	20,651	17%
Western Canada	10,585	18%	10,065	24%	31,693	20%	30,684	25%
Canadian portfolio	35,441	60%	28,374	67%	99,414	63%	85,024	69%
European portfolio	23,328	38%	4,875	12%	38,609	24%	11,795	9%
U.S. portfolio	2,970	5%	9,006	21%	21,473	14%	27,575	22%
Net property management and other income	317	1%	—	—%	317	0%	—	—%
Net rental income from sold properties	—	—%	(3)	(0%)	—	—%	(23)	(0%)
Less: Net rental income from equity accounted investments	(2,346)	(4%)	—	—%	(2,346)	(1%)	—	—%
Net rental income from continuing operations	\$ 59,710	100%	\$ 42,252	100%	\$ 157,467	100%	\$ 124,371	100%

Net rental income from continuing operations for the three and nine months ended September 30, 2021 increased by \$17.5 million, or 41.3%, and \$33.1 million, or 26.6%, respectively, over the prior year comparative periods. The increase was mainly driven by the impact of acquired investment properties in 2021 and 2020, as well as comparative properties NOI growth in the first half of 2021.

Comparative properties NOI and comparative properties NOI (constant currency basis)

Comparative properties NOI (constant currency basis) is a non-GAAP measure used by management in evaluating the performance of properties fully owned by the Trust in the current and prior year comparative periods, using a constant currency basis. Comparative properties NOI (constant currency basis) is lower during periods of free rent to reflect that there is no cash rent received. For accounting purposes, free rent is recorded and amortized within straight-line rent. See "Non-GAAP Measures and Other Disclosures" for a description of these non-GAAP measures.

The chief operating decision-maker, determined to be the Chief Executive Officer of the Trust, considers the operating performance of its retained interest in the U.S. portfolio that was sold to the U.S. Fund when assessing the operating performance of the U.S. segment. Accordingly, effective July 1, 2021, the Trust's segmented income included the Trust's share of comparative properties NOI from equity accounted investment.

The tables below detail the comparative properties NOI (constant currency basis) and other items to assist in understanding the impact each component has on net rental income from continuing operations for the three and nine months ended September 30, 2021 and September 30, 2020:

			Three months ended		Change in	Change in	Owned and
	September 30, 2021	September 30, 2020	Change in \$	Change in %	weighted average occupancy %	in-place base rent %	managed GLA (thousands of sq. ft.)
Ontario	\$ 13,165	\$ 11,426	\$ 1,739	15.2%	2.6%	9.3%	6,640
Québec	7,520	7,166	354	4.9%	0.3%	3.6%	4,182
Western Canada	10,873	10,676	197	1.8%	0.2%	0.8%	5,084
Canadian portfolio	31,558	29,268	2,290	7.8%	1.3%	4.8%	15,906
European portfolio (constant currency basis)	4,578	4,446	132	3.0%	1.8%	3.8%	2,604
U.S. portfolio (constant currency basis)	2,301	2,036	265	13.0%	6.7%	3.0%	7,277
Comparative properties NOI (constant currency basis)	38,437	35,750	2,687	7.5%	1.8%	4.4%	25,787
Impact of foreign currency translation on comparative properties NOI	—	332	(332)				
NOI from acquired properties – Canada	3,495	62	3,433				
NOI from acquired properties – Europe	17,647	198	17,449				
NOI from acquired properties – U.S.	606	—	606				
NOI from disposed share of properties – U.S.	—	6,617	(6,617)				
Net property management and other income	317	—	317				
Straight-line rent	720	224	496				
Amortization of lease incentives	(327)	(457)	130				
Lease termination fees and other	1,108	328	780				
COVID-19 related adjustments and provisions	17	(839)	856				
NOI from sold properties	—	(3)	3				
NOI from properties held for sale	36	40	(4)				
Less: NOI from equity accounted investments	(2,346)	—	(2,346)				
Net rental income from continuing operations	\$ 59,710	\$ 42,252	\$ 17,458	41.3%			

			Nine months ended		Change in weighted average occupancy %	Change in in-place base rent %	Owned and managed GLA (thousands of sq. ft.)
	September 30, 2021	September 30, 2020	Change in \$	Change in %			
Ontario	\$ 32,060	\$ 28,943	\$ 3,117	10.8%	0.6%	9.3%	16,260
Québec	21,042	21,236	(194)	(0.9%)	(2.9%)	3.3%	12,305
Western Canada	32,350	32,110	240	0.7%	(0.1%)	1.1%	15,246
Canadian portfolio	85,452	82,289	3,163	3.8%	(0.6%)	4.7%	43,811
U.S. portfolio (constant currency basis)	20,188	18,644	1,544	8.3%	3.5%	3.2%	7,277
Comparative properties NOI (constant currency basis)	105,640	100,933	4,707	4.7%	0.4%	3.9%	51,088
Impact of foreign currency translation on comparative properties NOI	—	1,701	(1,701)				
NOI from acquired properties – Canada	13,611	5,119	8,492				
NOI from acquired properties – Europe	37,431	11,801	25,628				
NOI from acquired properties – U.S.	1,062	—	1,062				
NOI from disposed share of properties – U.S.	—	6,617	(6,617)				
Net property management and other income	317	—	317				
Straight-line rent	1,705	1,411	294				
Amortization of lease incentives	(1,299)	(1,209)	(90)				
Lease termination fees and other	1,306	325	981				
COVID-19 related adjustments and provisions	(77)	(2,428)	2,349				
NOI from sold properties	—	(23)	23				
NOI from properties held for sale	117	120	(3)				
Less: NOI from equity accounted investments	(2,346)	—	(2,346)				
Net rental income from continuing operations	\$ 157,467	\$ 124,371	\$ 33,096	26.6%			

For the three months ended September 30, 2021, comparative properties NOI (constant currency basis) increased by \$2.7 million, or 7.5%, compared to the prior year comparative quarter. Free rent granted to tenants during the quarter and prior year comparative quarter was \$0.1 million and \$0.3 million, respectively.

For the nine months ended September 30, 2021, comparative properties NOI (constant currency basis) increased by \$4.7 million, or 4.7%, compared to the prior year comparative period. Free rent granted to tenants over the respective periods was \$0.6 million and \$1.3 million.

Comparative properties NOI for Ontario increased by \$1.7 million, or 15.2%, compared to the prior year comparative quarter, primarily due to significant increases in rental spreads, contractual rent escalations from existing leases and increases in occupancy in the GTA and Kitchener. For the nine months ended September 30, 2021, comparative properties NOI increased by \$3.1 million, or 10.8%, compared to the prior year period for primarily the same reasons as discussed.

In Québec, comparative properties NOI increased by \$0.4 million, or 4.9%, compared to the prior year comparative quarter as a result of increases in rental rates on new and renewed leases. For the nine months ended September 30, 2021, comparative properties NOI decreased by \$0.2 million, or 0.9%, compared to the prior year period primarily due to Spectra Premium Industries Inc.'s lease termination in Laval. In February 2021, the Trust re-leased the Laval vacancy at rates generating similar near-term NOI but with contractual escalations; the lease commenced on June 1, 2021.

Western Canada's comparative properties NOI increased by \$0.2 million, or 1.8%, compared to the prior year comparative quarter, primarily attributable to an increase in occupancy in Edmonton and Regina. For the nine months ended September 30, 2021, comparative properties NOI remained relatively consistent compared to the prior year comparative period.

Comparative properties NOI for the U.S. (constant currency basis) increased by \$0.3 million, or 13.0%, compared to the prior year comparative quarter, driven primarily by an increase in occupancy as a result of the 302,500 square foot single-tenant lease that commenced in Q1 2021 at our Louisville property, which was previously vacant in Q3 2020. Additionally, for the nine months ended September 30, 2021, comparative properties NOI (constant currency basis) increased by \$1.5 million, or 8.3%, when compared to the prior year comparative period, primarily attributable to favourable rental rate escalations and increased occupancy.

For the three months ended September 30, 2021, comparative properties NOI (constant currency basis) for Europe increased by \$0.1 million, or 3.0%, compared to the prior year comparative quarter, primarily attributable to an increase in lease commitments on previously vacant space taking occupancy during the quarter, increased occupancy and higher rental rates.

OUR RESULTS OF OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Investment properties revenue	\$ 75,832	\$ 59,013	\$ 210,530	\$ 174,623
Investment properties operating expenses	(16,122)	(16,761)	(53,063)	(50,252)
Net rental income	59,710	42,252	157,467	124,371
Other income				
Share of net income from equity accounted investment	13,031	—	13,031	—
Interest, fee income and other	1,793	(17)	2,226	913
	14,824	(17)	15,257	913
Other expenses				
General and administrative	(6,450)	(4,153)	(16,153)	(12,380)
Interest:				
Debt and other financing costs ⁽¹⁾	(5,408)	(8,328)	(20,851)	(25,837)
Subsidiary redeemable units	(3,246)	(3,246)	(9,739)	(9,804)
Debt settlement costs	(28,510)	—	(31,569)	(4,324)
	(43,614)	(15,727)	(78,312)	(52,345)
Fair value adjustments and net loss on transactions and other activities				
Fair value adjustments to investment properties	162,452	66,314	444,170	28,224
Fair value adjustments to financial instruments	(16,060)	(11,428)	(92,905)	25,574
Net loss on transactions and other activities	(3,999)	(2,163)	(6,645)	(1,196)
	142,393	52,723	344,620	52,602
Income before income taxes and discontinued operations	173,313	79,231	439,032	125,541
Current income tax expense	(17,757)	(6)	(17,757)	(8)
Deferred income tax recovery (expense)	7,259	(5,563)	(2,901)	(6,891)
Income from continuing operations, net of taxes	162,815	73,662	418,374	118,642
Loss from discontinued operations, net of taxes	—	—	—	(19)
Net income	\$ 162,815	\$ 73,662	\$ 418,374	\$ 118,623
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net income:				
Unrealized gain (loss) on foreign currency translation of foreign operations, net of taxes	\$ 11,719	\$ 1,160	\$ (22,023)	\$ 29,097
Unrealized loss on hedging instruments, net of taxes	(6,285)	—	7,574	—
Share of other comprehensive income (loss) from equity accounted investment	2,206	(194)	1,874	193
	7,640	966	(12,575)	29,290
Comprehensive income	\$ 170,455	\$ 74,628	\$ 405,799	\$ 147,913

(1) For the three and nine months ended September 30, 2021, the mark-to-market amortization netted against interest expense was \$847 and \$895, respectively (for the three and nine months ended September 30, 2020 – \$72 and \$274, respectively).

Investment properties revenue

Investment properties revenue includes base rent from investment properties, recovery of operating costs, property taxes and capital expenditures from tenants, property management and other income from the U.S. Fund, the impact of straight-line rent adjustments, lease termination fees and other adjustments, as well as fees earned from property management.

Investment properties revenue for the three and nine months ended September 30, 2021 increased by \$16.8 million, or 28.5%, and \$35.9 million, or 20.6%, respectively, when compared to the prior year respective periods. The increases in the respective periods were mainly driven by the impact of acquired properties in 2021 and 2020, as well as organic growth in the portfolio resulting from higher occupancy and rental rates on new leases and renewals.

Investment properties operating expenses

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

Investment properties operating expenses for the three months ended September 30, 2021 decreased by \$0.6 million, or 3.8%, over the prior year comparative quarter primarily due to the sale of U.S. properties to the U.S. Fund and lower bad debt expense in the current period, partially offset by the impact of acquired properties in 2021 and 2020. Investment properties operating expenses for the nine months ended September 30, 2021 increased by \$2.8 million, or 5.6%, when compared to the prior year comparative period mainly due to the impact of acquired properties in 2021 and 2020 partially offset by the same reasons noted above.

General and administrative expenses

The following table summarizes our general and administrative (“G&A”) expenses for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Asset management fee	\$ (2,543)	\$ (1,532)	\$ (6,205)	\$ (4,457)
Professional fees and general corporate expenses ⁽¹⁾	(3,146)	(2,153)	(7,466)	(6,256)
Deferred compensation expenses	(761)	(468)	(2,482)	(1,667)
Total	\$ (6,450)	\$ (4,153)	\$ (16,153)	\$ (12,380)

(1) Includes professional fees, corporate management and overhead related costs, public reporting costs, and Board of Trustees’ fees and expenses.

G&A expenses for the three and nine months ended September 30, 2021 increased by \$2.3 million, or 55.3%, and \$3.8 million, or 30.5%, respectively, when compared to the prior year respective periods. Asset management fees to Dream Asset Management Corporation (“DAM”) increased due to acquired properties in 2021 and 2020. Professional fees and general corporate expenses increased year-over-year primarily due to costs associated with growing the European platform. Deferred compensation expenses increased year-over-year mainly due to the fair value remeasurement and a higher unit price at quarter-end.

Share of net income from equity accounted investment

Share of net income from equity accounted investment represents our share of net income pick-up from our investment in the U.S. Fund effective July 1, 2021. Net income from the U.S. Fund mainly comprises net rental income, interest expense on debt, G&A expenses, and fair value adjustments to investment properties and debt. Net income from our investment in the U.S. Fund is not necessarily of a recurring nature and the amounts may vary year-over-year or quarter-over-quarter due to fluctuations in fair value adjustments to investment properties and debt and changes in our ownership levels.

For the three and nine months ended September 30, 2021, our share of net income from the U.S. Fund was \$13.0 million.

Interest expense on debt and other financing costs

Interest expense on debt and other financing costs for the three and nine months ended September 30, 2021 decreased by \$2.9 million, or 35.1%, and \$5.0 million, or 19.3%, respectively, when compared to the prior year respective periods. Interest expense decreased primarily due to the prepayment of Canadian mortgages during 2021 and the transfer of U.S. mortgages to the U.S. Fund in the current quarter, partially offset by interest incurred on the unsecured debentures entered into during the last quarter.

Debt settlement costs

During the three months ended September 30, 2021, the Trust discharged ten Canadian mortgages totalling \$263.7 million, with a weighted average face interest rate of 3.54%. The Trust incurred debt settlement costs of \$18.7 million in relation to the early discharge of these mortgages. In addition, the Trust incurred an additional \$1.5 million of debt settlement costs in relation to the transfer of mortgages to the U.S. Fund. The balance of the debt settlement costs was relating to unamortized financing costs and loss associated with mark-to-market of mortgages transferred to the U.S. Fund totalling \$8.3 million.

During the nine months ended September 30, 2020, the Trust incurred \$4.3 million of debt settlement costs as a result of the Trust’s replacement of a revolving credit facility in Q3 2020 and discharge of mortgages totalling \$159.5 million with net proceeds from the February 2020 public offering of REIT Units during Q1 2020.

Fair value adjustments to investment properties

Refer to the section “Investment Properties” under the heading “Fair value adjustments to investment properties” for a discussion of fair value changes to investment properties for the three and nine months ended September 30, 2021 and September 30, 2020.

Fair value adjustments to financial instruments

The fair value adjustments to subsidiary redeemable units and deferred trust units are dependent on the change in the Trust’s unit price and the adjustments may vary significantly year-over-year.

The fair value measurements of the interest rate swaps are calculated internally using external data provided by qualified professionals based on the present value of the estimated future cash flows determined using observable yield curves, and the adjustments may vary significantly year-over-year.

The following table summarizes our fair value adjustments to financial instruments for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Unrealized remeasurement of carrying value of subsidiary redeemable units	\$ (17,068)	\$ (11,687)	\$ (56,583)	\$ 33,950
Unrealized remeasurement of carrying value of deferred trust units	(1,147)	(710)	(3,982)	791
Unrealized remeasurement of interest rate swaps	943	306	4,083	(6,415)
Loss on conversion of Subscription Receipts	—	—	(37,635)	—
Gain on fair value adjustment on interest rate swap	1,212	—	1,212	—
Unrealized remeasurement of cross-currency interest rate swap	—	(257)	—	(257)
Total gain (loss) and unrealized fair value adjustments to financial instruments	\$ (16,060)	\$ (12,348)	\$ (92,905)	\$ 28,069
Realized fair value adjustment on foreign exchange swaps	—	—	—	(3,415)
Realized fair value adjustment on cross-currency interest rate swaps	—	920	—	920
Total	\$ (16,060)	\$ (11,428)	\$ (92,905)	\$ 25,574

Net loss on transactions and other activities

The following table summarizes our net loss on transactions and other activities for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Internal leasing costs	\$ (861)	\$ (796)	\$ (2,661)	\$ (2,295)
Foreign exchange gain (loss) ⁽¹⁾	(1,071)	(1,362)	(1,908)	1,113
Depreciation of property and equipment	(4)	(5)	(13)	(14)
Transaction costs on sale of investment properties	(2,063)	—	(2,063)	—
Total	\$ (3,999)	\$ (2,163)	\$ (6,645)	\$ (1,196)

(1) The foreign exchange gain (loss) relates to capital transactions denominated in foreign currency with foreign wholly owned subsidiaries.

Current and deferred income taxes recovery (expense)

Current income taxes expense for the three and nine months ended September 30, 2021 was \$17.8 million compared to nominal amounts in the prior year comparative periods. The current income taxes in the current year mainly consist of \$16.6 million attributed to the sale and transfer of 18 investment properties to the U.S. Fund during the quarter with the balance attributed to current income taxes in our recently acquired Pan-European logistics portfolio.

Deferred income taxes recovery for the three months ended September 30, 2021 of \$7.3 million was mainly attributable to the \$12.8 million deferred income taxes recovery from the sale and transfer of 18 investment properties to the U.S. Fund during the quarter, offset by a \$5.5 million increase in deferred income taxes expense driven by the increase in fair value of certain European investment properties. For the nine months ended September 30, 2021, deferred income taxes expense was \$2.9 million mainly due to a \$15.7 million increase in deferred income taxes expense driven by the increase in fair value of certain U.S. and European investment properties, partially offset by the \$12.8 million deferred income taxes recovery from the sale and transfer of 18 investment properties to the U.S. Fund during the quarter.

Other comprehensive income (loss)

Other comprehensive income (loss) comprises unrealized gain (loss) on foreign currency translation, unrealized gain (loss) on hedging instruments, net of taxes, and unrealized gain (loss) on foreign currency translation from our equity accounted investment. The unrealized gain (loss) on foreign currency translation may vary significantly year-over-year depending on the value of the Canadian dollar relative to the euro and U.S. dollar. The unrealized gain (loss) on hedging instruments may vary significantly year-over-year depending on the fair value adjustments on the cross-currency interest rate swaps designated as hedges.

Funds from operations (“FFO”)

FFO (including diluted FFO per Unit) is a non-GAAP measure used by management in evaluating the Trust’s operating performance. FFO per Unit is calculated as FFO divided by the weighted average number of Units. FFO and weighted average number of Units are further defined in the section “Non-GAAP Measures and Other Disclosures”.

FFO and diluted FFO per Unit for the three and nine months ended September 30, 2021 and September 30, 2020 are shown in the table below:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
FFO	\$ 50,517	\$ 30,159	\$ 124,583	\$ 87,712
Weighted average number of Units (in thousands)	229,472	171,625	206,856	168,844
FFO per Unit – diluted	\$ 0.22	\$ 0.18	\$ 0.60	\$ 0.52

Diluted FFO per Unit for the three and nine months ended September 30, 2021 was \$0.22 and \$0.60, respectively, compared to \$0.18 and \$0.52, respectively, for the three and nine months ended September 30, 2020. The increases in the respective periods were primarily driven by comparative properties NOI growth, NOI from acquired properties in 2021 and 2020, lease termination fees, and lower interest expense as a result of the Trust’s debt strategy to reduce borrowing costs implemented since late 2020. This was partially offset by an increase in G&A expenses from higher asset management fees and the growth of our European platform, and dilution from timing of deployment of the Trust’s excess liquidity.

Related party transactions

From time to time, Dream Industrial REIT and its subsidiaries enter into transactions with related parties that are generally conducted on a cost-recovery basis or under normal commercial terms.

Agreements with DAM

The following table summarizes our fees paid to or received from DAM for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Incurred under the Asset Management Agreement:				
Asset management fee (included in general and administrative expenses)	\$ (2,543)	\$ (1,532)	\$ (6,205)	\$ (4,457)
Acquisition fee (included in investment properties)	(1,012)	(430)	(9,815)	(3,178)
Capital expenditures fee	(330)	—	(330)	—
Expense reimbursements related to financing arrangements	(194)	(198)	(627)	(714)
Total costs incurred under the Asset Management Agreement	\$ (4,079)	\$ (2,160)	\$ (16,977)	\$ (8,349)
Total costs reimbursed under the Shared Services and Cost Sharing Agreement				
	\$ (256)	\$ (200)	\$ (549)	\$ (993)

The Asset Management Agreement (“AMA”) with DAM provides for an incentive fee payable in an amount equal to 15% of the Trust’s adjusted funds from operations (“AFFO”) per Unit as defined in the AMA, which includes gains on the disposition of any properties in the year in excess of the hurdle amount, which was initially set at \$0.80 per Unit and increases annually by 50% of the increase in the consumer price index (the “Hurdle Amount”).

The AMA has an initial term ending October 3, 2022 and is automatically renewed for further five-year terms unless and until terminated in accordance with its terms. The AMA may be terminated by DAM at any time after the initial term. Other than in respect of termination resulting from certain events of insolvency of DAM, on termination of the AMA, all accrued fees under the AMA, including the incentive fee, are payable to DAM. In such circumstances or if the Trust is acquired, the incentive fee is calculated as if all the Trust’s properties were sold on the applicable date.

Disposition gains in the AFFO calculation used for determining the incentive fee are based on the fair value of the Trust's investment properties, at the applicable date, relative to their historic purchase price. As at September 30, 2021, the historic purchase price for the Trust's investment portfolio (including assets held for sale) used in determining the incentive fee was \$4.1 billion (December 31, 2020 – \$2.6 billion).

For the most recently completed fiscal year ended October 3, 2020 for the AMA, the Hurdle Amount for the purpose of calculating the incentive fee was \$0.86 per Unit. As at September 30, 2021 and December 31, 2020, no incentive fees have been paid or are payable by the Trust to DAM.

The amount of the incentive fee payable by the Trust on any date will be contingent upon various factors, including, but not limited to, changes in the Trust's AFFO as defined in the AMA, movements in the fair value of investment properties, acquisitions and dispositions, future foreign exchange rates, and changes in the total number of outstanding Units of the Trust.

Agreements with Dream Office Real Estate Investment Trust ("Dream Office REIT")

The following table summarizes the costs reimbursed to Dream Office REIT for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total costs reimbursed under the Services Agreement	\$ (1,290)	\$ (1,303)	\$ (4,051)	\$ (3,836)

As discussed in "Our Equity", subsidiaries of Dream Office REIT are the holders of 100% of the outstanding LP B Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on our REIT Units. In our condensed consolidated financial statements, distributions paid and payable on LP B Units are included as interest expense.

The following table summarizes our interest paid and payable to subsidiaries of Dream Office REIT on its subsidiary redeemable units for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest paid and payable to Dream Office REIT on subsidiary redeemable units	\$ (3,246)	\$ (3,246)	\$ (9,739)	\$ (9,804)

Agreements with PAULS Corp, LLC ("PAULS Corp")

The following table summarizes our fees paid and costs reimbursed to an affiliate of PAULS Corp for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total costs incurred under the Property Management Agreement ⁽¹⁾	\$ (230)	\$ (418)	\$ (1,207)	\$ (1,372)
Pre-development cost recovery/development fee	(202)	(39)	(388)	(194)

(1) Amounts include financing fees, leasing fees, and cost recovery for property management and portfolio management.

Agreements with the U.S. Fund

The following table summarizes our fees earned from the U.S. Fund for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total fees earned under the Property Management Agreement ⁽¹⁾	743	—	743	—

(1) Amounts include management fees, construction fees, leasing fees, and cost recovery for property management and accounting.

SECTION III

INVESTMENT PROPERTIES

Dream Industrial's investment properties comprise income-producing properties, properties under development and land held for development. Our income-producing properties make up the large majority of the investment property portfolio. Properties under development include greenfield development or redevelopment projects for which planning and permitting are complete, construction has commenced, and if applicable, the existing property has been destabilized. We currently have no properties in this category. Land held for development includes land parcels acquired for the purpose of constructing industrial income-producing properties, where no development activities are underway except for planning and other pre-development work.

Investment properties continuity

Changes in the value of our investment properties, excluding assets held for sale, by region for the three and nine months ended September 30, 2021 are summarized in the following tables:

							Three months ended
	July 1, 2021	Property acquisitions, dispositions and assets held for sale	Building improvements, lease incentives and initial direct leasing costs ⁽¹⁾	Fair value adjustments ⁽²⁾	Amortization of lease incentives, foreign currency translation ⁽³⁾ and other adjustments	September 30, 2021	
Ontario	\$ 1,365,814	\$ 11,794	\$ 3,245	\$ 109,214	\$ 483	\$ 1,490,550	
Québec	760,809	63,684	9,021	30,541	141	864,196	
Western Canada	620,932	(1,370)	4,004	9,901	(365)	633,102	
Canadian portfolio	2,747,555	74,108	16,270	149,656	259	2,987,848	
European portfolio	1,845,048	139,329	652	13,233	12,456	2,010,718	
U.S. portfolio	47,150	(48,010)	—	(29)	889	—	
Total income-producing properties	4,639,753	165,427	16,922	162,860	13,604	4,998,566	
Properties held for development	50,048	—	372	—	—	50,420	
Total investment properties	\$ 4,689,801	\$ 165,427	\$ 17,294	\$ 162,860	\$ 13,604	\$ 5,048,986	

(1) Included in properties held for development is \$372 of capitalized interest and other pre-development costs.

(2) During the three months ended September 30, 2021, the Trust wrote off acquisition related costs totalling \$12,395 included in fair value adjustments on investment properties, primarily in the Europe region.

(3) Included in the U.S. and European portfolios are foreign currency translation adjustments totalling \$846 and \$12,442, respectively.

	Nine months ended					
	January 1, 2021	Property acquisitions ⁽¹⁾ , dispositions and assets held for sale	Building improvements, lease incentives and initial direct leasing costs ⁽²⁾	Fair value adjustments ⁽³⁾	Amortization of lease incentives, foreign currency translation ⁽⁴⁾ and other adjustments	September 30, 2021
Ontario	\$ 1,076,343	\$ 77,726	\$ 6,887	\$ 328,632	\$ 962	\$ 1,490,550
Québec	493,228	265,108	11,988	94,070	(198)	864,196
Western Canada	613,301	(1,370)	7,467	14,563	(859)	633,102
Canadian portfolio	2,182,872	341,464	26,342	437,265	(95)	2,987,848
European portfolio	473,341	1,561,360	2,167	(9,748)	(16,402)	2,010,718
U.S. portfolio	585,388	(591,836)	2,437	17,061	(13,050)	—
Total income-producing properties	3,241,601	1,310,988	30,946	444,578	(29,547)	4,998,566
Properties held for development	—	49,863	557	—	—	50,420
Total investment properties	\$ 3,241,601	\$ 1,360,851	\$ 31,503	\$ 444,578	\$ (29,547)	\$ 5,048,986

(1) Included in the European portfolio is the Pan-European logistics portfolio described under “Acquisitions” below. The purchase price for the Acquisition (as defined below) was \$837,865 (net of post-closing working capital adjustments of \$1,557).

(2) Included in properties held for development is \$557 of capitalized interest and other pre-development costs.

(3) During the nine months ended September 30, 2021, the Trust wrote off acquisition related costs totalling \$69,974 included in fair value adjustments on investment properties, primarily in the Europe region.

(4) Included in the U.S. and European portfolios are foreign currency translation adjustments totalling \$(13,234) and \$(16,470), respectively.

Significant assumptions used in the valuation of investment properties

The fair value of the investment properties as at September 30, 2021 and December 31, 2020 represents the Trust’s best estimate based on internally and externally available information as at the end of the reporting period.

The Trust values its investment properties using both the direct cap rate method and the discounted cash flow method. The results of both methods are evaluated by considering the range of values calculated under both methods on a property-by-property basis.

The duration and full scope of the economic impact of COVID-19 are unknown at this time. Key valuation assumptions that could be impacted over the long term include market rents, leasing costs, vacancy rates, discount rates and cap rates. The Trust will continue to monitor the effect of the economic environment on the valuation of its investment properties. If there are any changes in the critical and key assumptions used in valuing the investment properties, or in regional, national or international economic conditions, or new developments in the COVID-19 pandemic, the fair value of investment properties may change materially.

The significant valuation metrics used in the cap rate method are stabilized cap rates. The following table summarizes stabilized cap rates by region as at September 30, 2021 and December 31, 2020:

	September 30, 2021		December 31, 2020	
	Range (%)	Weighted average (%) ⁽²⁾	Range (%)	Weighted average (%) ⁽²⁾
Stabilized cap rates				
Ontario	4.25–7.75	4.80	4.50–7.50	5.04
Québec	4.50–6.75	5.10	5.00–6.75	5.56
Western Canada	5.50–7.50	6.23	6.00–7.75	6.61
Canadian portfolio	4.25–7.75	5.19	4.50–7.75	5.60
European portfolio	3.25–8.75	4.83	5.00–9.00	6.41
U.S. portfolio⁽³⁾			5.25–6.75	5.93
Total portfolio	3.25–8.75	5.05	4.50–9.00	5.75

(1) Excludes investment properties acquired during the quarter as applicable.

(2) Weighted average percentage based on investment property fair value.

(3) Excludes assets sold and held for sale as at September 30, 2021.

The significant valuation metrics used in the discounted cash flow method as at September 30, 2021 and December 31, 2020 are set out in the table below:

	Total portfolio ⁽¹⁾			
	September 30, 2021		December 31, 2020	
	Range (%)	Weighted average (%) ⁽²⁾	Range (%)	Weighted average (%) ⁽²⁾
Discount rate	4.00–8.50	5.83	5.50–8.50	6.55
Terminal cap rate	3.25–8.75	5.19	4.75–9.00	6.03

(1) Excludes assets held for sale as at September 30, 2021 and investment properties acquired during the respective quarter as applicable.

(2) Weighted average percentage based on investment property fair value.

The Trust believes other valuation metrics, such as implied weighted average cap rates by region, will enable users to better understand how specific operating metrics, such as in-place rents versus market rents and in-place versus in-place and committed occupancy levels in the respective regions, may impact our values. Implied weighted average cap rate is determined using the annualized nine months ended September 30, 2021 net rental income by property, excluding the net rental income of properties acquired during the quarter and net rental income of sold properties. Net rental income used in calculating the implied average cap rate also excludes the impact of lease termination fees and other rental income, estimated credit loss, COVID-19 related adjustments and provisions, and amortization of lease incentives.

Investment property value per square foot by region is another valuation metric that enables users to compare the transacted value per square foot in similar markets during the period.

The following table summarizes the implied weighted average cap rate and value per square foot by region as at September 30, 2021 and December 31, 2020:

	Total portfolio ⁽¹⁾			
	September 30, 2021		December 31, 2020	
	Implied cap rate (%)	Value per square foot	Implied cap rate (%)	Value per square foot
Ontario	3.90	\$ 207	4.56	\$ 159
Québec	5.02	151	5.85	115
Western Canada	6.79	125	7.03	121
Canadian portfolio	4.85	\$ 166	5.55	\$ 135
European portfolio (value per square foot in €)	4.10	€ 95	5.94	€ 72
U.S. portfolio (value per square foot in US\$)⁽²⁾			6.02	\$ 63
Total portfolio (value per square foot in \$)	4.61	\$ 155	5.68	\$ 118

(1) Excludes investment properties acquired during the quarter as applicable.

(2) Excludes assets sold and held for sale as at September 30, 2021.

Acquisitions

During the three and nine months ended September 30, 2021, the Trust completed \$202.4 million and \$1.9 billion, respectively, of acquisitions bringing total investment properties to over \$5 billion. In particular, on June 24, 2021, the Trust completed the acquisition of shares of a corporation that owned a portfolio of 31 institutional quality, logistics properties across Europe (the “Acquisition” or the “Pan-European logistics portfolio”). The purchase price for the Acquisition was \$839.4 million, excluding transaction costs of \$42.2 million, and was satisfied by the Trust’s cash on hand. During the quarter, the Trust and seller finalized the working capital amounts of the Acquisition resulting in a post-closing adjustment that reduced the purchase price by \$1.6 million. The total value of the investment properties in connection with the Acquisition was \$1.3 billion, which implies a going-in capitalization rate in the low 4% range, inclusive of excess land. In accordance with IFRS 3, “Business Combinations”, although the Acquisition involved the acquisition of shares of a corporation that owned the Pan-European logistics portfolio, the Trust has determined that the acquired set of activities of the Acquisition did not meet the definition of a business, and accordingly, the Acquisition was considered an asset acquisition for accounting purposes.

The following acquisitions were completed during the nine months ended September 30, 2021:

	Acquired GLA (thousands of sq. ft.)	Occupancy at acquisition (%)	WALT at acquisition (years)	Fair value of investment properties ⁽¹⁾	Date acquired
401 Marie-Curie Boulevard, Montréal, Québec	525	100.0	5.9	\$ 114,150	January 29, 2021
Derchinger Straße 116, Augsburg, Germany ⁽²⁾	44	100.0	9.9	8,440	February 1, 2021
2000 Gateway Boulevard, Cincinnati, OH ⁽²⁾	140	100.0	2.4	15,467	February 12, 2021
Eiselauer Weg 13, Ulm, Germany ⁽²⁾	53	100.0	7.8	8,613	March 1, 2021
279 Humberline Drive, Etobicoke, Ontario	107	100.0	14.6	17,500	March 1, 2021
3055 rue Anderson, Montréal, Québec	366	100.0	3.2	61,750	March 11, 2021
1059 Boulevard des Entreprises, Montréal, Québec	57	100.0	2.0	7,100	March 23, 2021
1300–1410 55th Ave, Montréal, Québec	82	95.0	2.9	10,675	March 24, 2021
Hecto 1–3, Zevenaar, Netherlands ⁽²⁾	159	100.0	10.0	30,665	March 30, 2021
Eiffelstraße 4, Herbrechtingen, Germany ⁽²⁾	44	100.0	19.8	7,391	April 1, 2021
1680 Vimont Court, Ottawa, Ontario	146	100.0	4.5	26,100	April 23, 2021
295 Pinebush Road, Cambridge, Ontario	65	100.0	2.8	7,980	April 23, 2021
Brampton East Lands, Brampton, Ontario ⁽³⁾	n/a	n/a	n/a	35,000	April 30, 2021
Carl-Zeiss-Strasse 10, Langenau, Germany ⁽²⁾	115	100.0	0.5	12,649	May 6, 2021
3678 North CR 700 West, Indianapolis, IN ⁽²⁾	282	100.0	7.0	30,969	June 1, 2021
Abbotside Way (land), Caledon, Ontario ⁽³⁾	n/a	n/a	n/a	13,437	June 2, 2021
60 Steckle Place, Kitchener, Ontario	101	—	—	12,000	June 15, 2021
Pan-European logistics portfolio ⁽²⁾⁽⁴⁾⁽⁵⁾	8,903	100.0	4.8	1,298,469	June 24, 2021
Hurksestraat Cluster, Eindhoven, Netherlands ⁽²⁾	364	91.5	3.9	43,580	July 1, 2021
180 Sheldon Drive, Cambridge, Ontario	153	100.0	2.1	11,350	July 8, 2021
3100 Boulevard Des Batisseurs, Montréal, Québec	179	100.0	14.4	35,000	July 26, 2021
Carl-Benz-Straße 7–9, Monsheim, Germany ⁽²⁾	71	100.0	2.6	10,056	August 1, 2021
5977 Trans-Canada Highway, Montréal, Québec	124	100.0	6.5	26,400	August 20, 2021
Doornhoek 4040, Veghel, Netherlands ⁽²⁾	118	100.0	2.4	20,932	September 6, 2021
Koopvaardijweg 3, 3A & 5, Oosterhout, Netherlands ⁽²⁾	358	100.0	14.6	55,094	September 22, 2021
Total	12,556	99.0	5.2	\$ 1,920,767	

(1) Excludes transaction costs of \$69,974 and assumed ground lease liabilities of \$10,142.

(2) Acquisitions in the U.S. and Europe were settled in U.S. dollars and euros, respectively, and translated into Canadian dollars as at the respective transaction dates.

(3) Brampton East Lands and Abbotside Way (land) are parcels of land totalling 30 acres and 7.9 acres, respectively.

(4) Pan-European logistics portfolio comprises 31 institutional quality, logistics properties in the Netherlands, France, Germany, Spain, Czech Republic and Slovakia.

(5) \$1,298,469 represents the fair value of the Pan-European logistics portfolio. The purchase price for the Acquisition was \$837,865 (net of post-closing working capital adjustments of \$1,557).

Subsequent to September 30, 2021, the Trust completed the following acquisition:

	Fair value of investment property ⁽¹⁾	Date acquired
165 Harwood Avenue N., Ajax, Ontario	\$ 18,000	October 29, 2021
Total	\$ 18,000	

(1) Excludes transaction costs.

For the year ended December 31, 2020, the Trust acquired 62 investment properties for gross proceeds net of adjustments and before transaction costs totalling \$623.0 million.

Assets held for sale

As at September 30, 2021, management had committed to a plan to sell as part of its new investment strategy in the United States (U.S.), the remaining two wholly owned investment properties and the Trust's 80% interest in a development project in the U.S. to the U.S. Fund and the sales of these properties were considered to be highly probable. Furthermore, as at September 30, 2021, management had also committed to a plan to sell a property located in the Western Canada region.

Dispositions

On July 30, 2021, the Trust sold and transferred 18 investment properties in the U.S. and transferred the associated mortgages to the Fund, for total cash consideration of \$231.3 million and shares of a subsidiary of the Fund representing a 24.5% ownership, totalling \$75.2 million. After factoring in the estimated current income taxes payable in relation to this sale, we expect overall net after-tax proceeds on the sale of these properties to be approximately \$215 million. No incentive fee or brokerage fee was payable by the Trust as a result of the sale.

There were no dispositions for the year ended December 31, 2020.

Building improvements

Building improvements represent investments made in our investment properties to ensure optimal building performance, to improve the experience of our tenants, and to reduce operating costs. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand. Building improvements also include expenditures for the purposes of greenfield development, redevelopment, repositioning and expansion activities.

Recoverable capital expenditures are recovered from tenants in accordance with their leases over the useful life of the building improvements. Recoverable amounts include an imputed interest charge and management fee.

Non-recoverable capital expenditures are not recovered from tenants and are costs incurred to repair or maintain the property's structural condition and bring properties up to the Trust's operating standards.

Value-add capital expenditures are not recovered from tenants and include upgrades such as LED lighting retrofits as part of our ESG initiatives that are completed on certain properties that are expected to increase the Trust's ability to attract tenants and obtain higher rental rates.

Asset repositioning expenditures are discretionary in nature and incurred to significantly improve the functionality of an existing property that is currently owned within the portfolio or recently acquired with the plan to reposition and increase value through future lease-up.

Development expenditures are discretionary in nature and incurred to increase GLA and/or significantly improve the functionality of a property. These can include expenditures related to greenfield development, expansions, pre-development work on projects, and redevelopment projects. Development expenditures include pre-development costs, direct construction costs, leasing costs, tenant improvements, borrowing costs, and overhead including applicable salaries and direct costs of internal staff directly attributable to the projects.

The following table summarizes building improvements incurred for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Recoverable capital expenditures	\$ 3,718	\$ 2,255	\$ 6,127	\$ 3,621
Non-recoverable capital expenditures	58	83	1,388	463
Recoverable and non-recoverable capital expenditures	3,776	2,338	7,515	4,084
Value-add and development capital expenditures	10,055	153	12,527	478
Total building improvements	\$ 13,831	\$ 2,491	\$ 20,042	\$ 4,562

Building improvements for the three and nine months ended September 30, 2021 increased by \$11.3 million and \$15.5 million, respectively, compared to the prior year comparative periods, primarily due to higher recoverable roof replacement work, non-recoverable deferred maintenance identified at the time of acquisition of certain European assets, and higher value-add and development capital expenditures at various properties across our Canadian portfolio.

Lease incentives and initial direct leasing costs

Lease incentives include costs incurred to make leasehold improvements to tenant spaces, landlord works and cash allowances. Initial direct leasing costs include leasing fees and related costs and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives and initial direct leasing costs 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.

Lease incentives and initial direct leasing costs shown in the table below include costs attributable to leases that commenced in the respective periods. Due to the timing of the signing of lease agreements, certain costs, such as lease commissions, may be incurred in advance of lease commencement. Excluded from the table are costs related to development and asset repositioning projects of \$0.2 million for the nine months ended September 30, 2021.

The following table summarizes leasing costs incurred for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Lease incentives and initial direct leasing costs ⁽¹⁾	\$ 3,285	\$ 1,474	\$ 10,904	\$ 7,520

(1) Excludes development and asset repositioning leasing costs of \$194 for the nine months ended September 30, 2021.

Lease incentives and initial direct leasing costs for the three and nine months ended September 30, 2021 increased by \$1.8 million and \$3.4 million, respectively, compared to the prior year comparative periods, primarily due to strong leasing activity and a larger portfolio in 2021. During the three and nine months ended September 30, 2021, 1.0 million and 3.4 million square feet, respectively, of leases took occupancy compared to 1.0 million and 2.6 million square feet for the same respective periods in 2020.

Valuations of externally appraised investment properties

For the nine months ended September 30, 2021, there were 52 investment properties valued by qualified external valuation professionals representing 19.2% of total investment property values, excluding acquired properties (for the year ended December 31, 2020 – 60 investment properties externally appraised representing 27.6% of total investment property values, excluding acquired properties).

Fair value adjustments to investment properties

For the three months ended September 30, 2021, the Trust recorded a fair value gain of \$162.5 million mainly driven by fair value gains in the Canadian and European portfolios, primarily driven by cap rate compression mainly in Québec and higher market rents and strong leasing activity in Ontario.

For the nine months ended September 30, 2021, the Trust recorded a fair value gain of \$444.2 million mainly driven by the same reasons noted above along with a fair value increase in the U.S. region reflecting the pricing of the 18 assets seeding the U.S. Fund. In Europe, the fair value loss was primarily due to the write-off of transaction costs, partially offset by fair value gains driven by cap rate compression and higher market rents.

OUR FINANCING

Debt strategy

Our debt strategy involves maintaining a conservative leverage ratio and building up a high-quality unencumbered asset pool, while reducing borrowing costs, preserving liquidity and hedging our foreign currency investments. We are focused on improving our overall cost of capital and risk profile of our business by maintaining an investment grade credit rating and diversifying our sources of debt through a combination of secured and unsecured debt. The Trust is effectively lowering its overall cost of borrowing and hedging its foreign currency investments by replacing higher interest rate Canadian debt with lower interest rate euro-equivalent debt.

Debt summary

Our discussion of debt includes the cross-currency interest rate swaps. However, pursuant to IFRS, the cross-currency interest rate swaps are included in “Other non-current liabilities” or “Other non-current assets” in the condensed consolidated financial statements.

	As at		
	September 30, 2021	December 31, 2020	September 30, 2020
Financing metrics⁽¹⁾			
Credit rating – DBRS	BBB (mid)	BBB (mid)	—
Net total debt-to-assets ratio ⁽²⁾	32.9%	31.3%	29.6%
Net total debt-to-adjusted EBITDAFV (years) ⁽²⁾	7.8	6.2	5.8
Interest coverage ratio (times) ⁽²⁾	6.3	4.4	4.2
Weighted average face interest rate on debt (period-end) ⁽³⁾	0.86%	2.57%	3.43%
Weighted average remaining term to maturity on debt (years)	3.9	4.8	5.1
Total debt ⁽²⁾	\$ 1,812,041	\$ 1,268,414	\$ 923,165
Unsecured debt ⁽⁴⁾	\$ 1,234,234	\$ 447,450	\$ 81,849
Secured debt, percentage of total assets ⁽²⁾	10.8%	23.3%	27.2%
Unencumbered assets (period-end) ⁽²⁾⁽⁵⁾	\$ 3,404,157	\$ 1,441,589	\$ 1,283,409
Unencumbered assets, percentage of investment properties ⁽²⁾⁽⁵⁾	67.4%	44.5%	42.1%
Available liquidity (period-end) ⁽²⁾	\$ 434,809	\$ 573,235	\$ 271,634

(1) Financing metrics include income (loss) from discontinued operations as applicable.

(2) Net total debt-to-assets ratio, net total debt-to-adjusted EBITDAFV, interest coverage ratio, total debt, secured debt as percentage of total assets, unencumbered assets, unencumbered assets as percentage of investment properties, and available liquidity are non-GAAP measures. The descriptions and calculations of these measures are included in the section “Non-GAAP Measures and Other Disclosures”.

(3) Weighted average face interest rate on debt is calculated as the weighted average face interest rate of all interest bearing debt as at period-end.

(4) Unsecured debt comprises the revolving credit facility, U.S. term loan and debentures, net of deferred financing costs, fair value adjustments and fair value of cross-currency interest rate swaps.

(5) Unencumbered assets (non-GAAP measure) exclude assets held for sale in the current period.

Liquidity and capital resources

Dream Industrial REIT’s primary sources of capital are cash generated from (utilized in) operating activities, draws on the unsecured revolving credit facility, mortgage financing and refinancing, and equity and debt issuances. Our primary uses of capital include the payment of distributions, property acquisitions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, development projects, debt principal repayments and interest payments.

Scheduled principal repayments that are due in 2021 total \$2.2 million with no debt maturities for the remainder of 2021. The debt maturities are typically refinanced with mortgages of terms between five and ten years or repaid. With our balanced debt maturity schedule, undrawn unsecured revolving credit facility of \$347.5 million (net of a letter of credit totalling \$2.5 million), cash and cash equivalents of \$87.3 million and unencumbered assets pool of \$3.4 billion, we have sufficient liquidity and capital resources as at September 30, 2021 to fulfill the Trust’s ongoing obligations.

Financing activities

Mortgages

During the three months ended September 30, 2021, the Trust discharged ten Canadian mortgages totalling \$263.7 million, with a weighted average face interest rate of 3.54%. The Trust incurred debt settlement costs of \$18.7 million in relation to the early discharge of these mortgages. In addition, the Trust incurred an additional \$1.5 million of debt settlement costs in relation to the transfer of mortgages to the U.S. Fund. The balance of the debt settlement costs was relating to unamortized financing costs and loss associated with mark-to-market of mortgages transferred to the U.S. Fund totalling \$8.3 million.

During the nine months ended September 30, 2021, the Trust discharged mortgages in Canada, Europe and the U.S. totalling \$433.7 million, with a weighted average face interest rate of 3.58%. The Trust incurred debt settlement costs (including write-off of unamortized financing costs and debt fair value adjustment) totalling \$31.6 million in relation to the early discharge of mortgages and the disposition of the U.S. properties.

Debentures

On June 17, 2021, the Trust closed a private placement offering of \$800 million aggregate principal amount of unsecured debentures (the “Offering”) for aggregate gross proceeds to the Trust of \$799.8 million consisting of a \$200 million reopening of the 1.662% Series A Debentures maturing on December 22, 2025 (the “Series A Debentures”), \$200 million of three-month Canadian Dollar Offered Rate (“CDOR”), plus 0.35% Series B Debentures maturing on June 17, 2024 (the “Series B Debentures”) and \$400 million of 2.057% Series C Debentures maturing on June 17, 2027 (the “Series C Debentures” or “Green Bonds”) (collectively, the “Debentures”). The Series A Debentures, the Series B Debentures and the Green Bonds were rated BBB with a Stable Trend by DBRS Limited.

The Debentures issued are direct senior unsecured obligations of the Trust and are ranked equally and rateably with all other unsecured and unsubordinated indebtedness of the Trust, except to the extent prescribed by law.

Series A Debentures

The Series A Debentures were reopened and issued at a price of \$999 per \$1,000 principal amount (plus accrued interest from December 22, 2020), and bear interest at a rate of 1.662% per annum and mature on December 22, 2025. The Series A Debentures will have the same terms and conditions, and constitute part of the same series, as the \$250,000 aggregate principal amount of the Series A Debentures issued by the Trust on December 22, 2020, except for their date of issue and price to the public and except that they will not initially be fungible with the Series A Debentures issued on December 22, 2020. The Series A Debentures offered hereby will initially have a different CUSIP number from the Series A Debentures issued on December 22, 2020, but on or about October 18, 2021, the Series A Debentures offered will form part of a single series with, and have the same CUSIP number as the Series A Debentures issued on December 22, 2020. Interest is payable on the Series A Debentures on June 22 and December 22 of each year. Total financing costs related to the Series A Debentures reopening totalled \$0.8 million.

Series B Debentures

The Series B Debentures were issued at a price equal to \$1,000 per \$1,000 principal amount, bear interest at a rate per annum equal to the Reference Rate Index for Canadian dollar bankers’ acceptances with maturities of three months (three-month CDOR) plus 0.35% and will mature on June 17, 2024. Interest is payable on the Series B Debentures, and the Reference Rate Index will be adjusted, on March 17, June 17, September 17 and December 17 of each year. Total financing costs related to the Series B Debentures offering totalled \$0.8 million.

Series C Debentures (Green Bonds)

The Series C Debentures were issued at a price equal to \$1,000 per \$1,000 principal amount, bear interest at a rate of 2.057% per annum and will mature on June 17, 2027. Interest is payable on the Series C Debentures on June 17 and December 17 of each year commencing December 17, 2021. Total financing costs related to the Series C Debentures offering totalled \$1.7 million.

Unsecured revolving credit facility

On May 14, 2021, the Trust amended the US\$250 million unsecured revolving credit facility to a \$350 million unsecured revolving credit facility and increased the accordion option limit from US\$35 million to \$150 million in additional borrowing capacity. No changes were made to the currencies available or interest rates. The facility bears interest at Canadian bankers’ acceptance rates (“BA rates”) plus 1.45% or Canadian prime rate plus 0.45% on Canadian dollar draws, U.S. LIBOR rate plus 1.45% or U.S. base rate plus 0.45% on U.S. dollar draws, or euro LIBOR rate plus 1.45% on euro draws. The term of the amended facility has been extended from January 14, 2022 to May 14, 2024.

This amended unsecured revolving credit facility will provide the Trust ample flexibility and liquidity to execute on its growth strategy.

As at September 30, 2021, there were no amounts drawn on the unsecured revolving credit facility other than a letter of credit totalling \$2.5 million, bringing the availability to \$347.5 million. As at December 31, 2020, there were no amounts drawn on the unsecured revolving credit facility and the availability was \$318.3 million.

Cross-currency interest rate swap arrangements

The Trust lowers its overall cost of borrowings and hedges its euro currency exposure through entering cross-currency interest rate swap (“CCIRS”) arrangements by replacing higher interest rate Canadian debt with lower interest rate euro-equivalent debt.

The following table summarizes the Trust's cross-currency interest rate swap arrangements outstanding as at September 30, 2021:

	Euro notional amount	U.S./Canadian dollar notional amount	Maturity date	Financial instrument measurement	Fair value assets (liabilities)
Canadian dollar to euro cross-currency interest rate swap – Series A Debentures ⁽¹⁾	€ 161,499	\$ 250,000	December 22, 2025	Fair value through other comprehensive income	\$ 7,044
Canadian dollar to euro cross-currency interest rate swap – Reopening Series A Debentures ⁽²⁾	135,474	200,000	December 22, 2025	Fair value through other comprehensive income	(2,231)
Canadian dollar to euro cross-currency interest rate swap – Series B Debentures ⁽³⁾	135,750	200,000	June 17, 2024	Fair value through other comprehensive income	(1,326)
Canadian dollar to euro cross-currency interest rate swap – Series C Debentures ⁽⁴⁾	271,499	400,000	June 17, 2027	Fair value through other comprehensive income	(6,050)
U.S. dollar to euro cross-currency interest rate swap – U.S. term loan ⁽⁵⁾⁽⁶⁾	127,108	150,000	January 31, 2024	Fair value through other comprehensive income	3,503
Total	€ 831,330				\$ 940

(1) The interest rate associated with the euro notional amount is 0.489%. The interest rate associated with the Canadian dollar notional amount is 1.662%.

(2) The interest rate associated with the euro notional amount is 0.294%. The interest rate associated with the Canadian dollar notional amount is 1.662%.

(3) The interest rate associated with the euro notional amount is three-month EURIBOR plus 0.5608%. The interest rate associated with the Canadian dollar notional amount is three-month CDOR plus 0.35%.

(4) The interest rate associated with the euro notional amount is 0.547%. The interest rate associated with the Canadian dollar notional amount is 2.057%.

(5) The interest rate associated with the euro notional amount is 0.857%. The interest rate associated with the U.S. dollar notional amount is a variable rate using LIBOR plus spread.

(6) For the purpose of hedge accounting, this swap arrangement is bifurcated into a cash flow and net investment hedge.

Interest rates and cross-currency interest rate swaps

The table below summarizes the effects of the weighted average face interest rate (including and excluding CCIRS) by type of debt as at September 30, 2021.

	As at September 30, 2021	
	Weighted average face interest rate (including CCIRS)	Weighted average face interest rate (excluding CCIRS)
Mortgages	1.75%	1.75%
Term Loan	0.86%	1.48%
Debentures	0.38%	1.65%
Total	0.86%	1.66%

Debt maturity profile

Our current total debt profile is balanced with maturities that are well distributed over the next nine years. The Trust manages its maturity schedule by limiting maturity exposure in any given year and mitigating interest rate risk. When rates are favourable, the Trust fixes interest rates and extends loan terms.

The following is our total debt maturity profile as at September 30, 2021:

	Debt balance due at maturity	Scheduled principal repayments on debt maturing in future periods	Amount	Weighted average face interest rate
Remainder of 2021	\$ —	\$ 2,237	\$ 2,237	—%
2022	33,553	9,338	42,891	1.20%
2023	266,279	6,353	272,632	1.35%
2024 ⁽¹⁾	497,680	3,300	500,980	0.86%
2025 ⁽²⁾	502,567	2,697	505,264	0.54%
2026–2030 ⁽³⁾	475,168	10,558	485,726	1.10%
Total	\$ 1,775,247	\$ 34,483	\$ 1,809,730	0.86%
Unamortized financing costs			(4,039)	
Unamortized fair value adjustments			6,350	
Total debt⁽⁴⁾			\$ 1,812,041	

(1) The debt balance due 2024 includes a term loan of \$190,424, less a \$3,503 cross-currency interest rate swap asset, and debentures of \$200,000, plus a \$1,326 cross-currency interest rate swap liability.

(2) The debt balance due 2025 includes debentures of \$448,139, plus a \$2,231 cross-currency interest rate swap liability, less a \$7,044 cross-currency interest rate swap asset.

(3) The debt balance due 2026–2030 includes debentures of \$400,000, plus a \$6,050 cross-currency interest rate swap liability.

(4) Total debt is a non-GAAP measure, which includes the fair value of the financial asset or liability on the cross-currency interest rate swaps; refer to detailed descriptions and calculations in the “Non-GAAP Measures and Other Disclosures” section.

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 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.

The Trust participates in a joint venture with other related parties that own a development site in Las Vegas, Nevada. Under the operating agreement, the Trust has committed to make capital contributions of US\$10.7 million for the development of the project, in addition to the purchase price of the land. Since inception of the joint venture to September 30, 2021, the Trust has funded US\$9.1 million (December 31, 2020 – US\$0.9 million) in development costs.

OUR EQUITY

Total equity

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
REIT Units and unitholders' equity	212,293,502	\$ 2,412,985	152,678,861	\$ 1,605,724	152,677,411	\$ 1,605,708
Retained earnings	—	597,790	—	281,531	—	226,737
Accumulated other comprehensive income	—	5,046	—	17,621	—	28,855
Total equity per condensed consolidated financial statements	212,293,502	3,015,821	152,678,861	1,904,876	152,677,411	1,861,300
Add: LP B Units	18,551,855	300,540	18,551,855	243,957	18,551,855	209,821
Total equity (including LP B Units)⁽¹⁾	230,845,357	\$ 3,316,361	171,230,716	\$ 2,148,833	171,229,266	\$ 2,071,121
NAV per Unit ⁽¹⁾		\$ 14.37		\$ 12.55		\$ 12.10

(1) Total equity (including LP B Units) and NAV per Unit are non-GAAP measures defined in the section “Non-GAAP Measures and Other Disclosures”.

NAV per Unit for the quarter ended September 30, 2021 increased to \$14.37 from \$12.55 at December 31, 2020 and from \$12.10 at September 30, 2020, largely reflecting an increase in investment property values across our portfolio as private market demand for industrial assets remains robust.

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 the LP B Units and are used to provide voting rights with respect to Dream Industrial REIT to persons holding LP B Units. The LP B Units are held by wholly owned subsidiaries of Dream Office REIT. Both the REIT Units and the Special Trust Units entitle the holder to one vote for each Unit at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT Units at the option of the holder. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT Units.

Pursuant to the Distribution Reinvestment and Unit Purchase Plan (“DRIP”) and the distribution reinvestment provisions of the amended and restated limited partnership agreement governing Dream Industrial LP, the following table summarizes the number of REIT Units issued and cost of issuing the REIT Units to the subsidiaries of Dream Office REIT for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
REIT Units issued to Dream Office REIT	—	—	—	385,535
Total cost of REIT Units issued to Dream Office REIT	\$ —	\$ —	\$ —	\$ 4,950

The table below summarizes Dream Office REIT’s ownership of the Trust as at September 30, 2021 and December 31, 2020:

	As at	
	September 30, 2021	December 31, 2020
Number of REIT Units held by Dream Office REIT	8,052,451	8,052,451
Number of LP B Units held by Dream Office REIT	18,551,855	18,551,855
Total number of Units held by Dream Office REIT	26,604,306	26,604,306
Dream Office REIT’s percentage ownership of the Trust	11.5%	15.5%

Continuity of equity

The following table summarizes the changes in our outstanding equity:

	REIT Units	LP B Units	Total Units
Total Units outstanding on January 1, 2021	152,678,861	18,551,855	171,230,716
REIT Units issued pursuant to public offerings	57,974,800	—	57,974,800
REIT Units issued pursuant to DRIP	1,541,144	—	1,541,144
REIT Units issued pursuant to Deferred Unit Incentive Plan (“DUIP”) and Unit Purchase Plan	98,697	—	98,697
Total Units outstanding on September 30, 2021	212,293,502	18,551,855	230,845,357
Percentage of all Units	92.0%	8.0%	100.0%
REIT Units issued pursuant to public offerings	18,000,800	—	18,000,800
REIT Units issued pursuant to DRIP	200,048	—	200,048
Units issued pursuant to DUIP	1,252	—	1,252
Total Units outstanding on November 2, 2021	230,495,602	18,551,855	249,047,457
Percentage of all Units	92.6%	7.4%	100.0%

Public offerings of REIT Units

The following table summarizes the public offering of REIT Units issued during the nine months ended September 30, 2021. Total costs related to the offering were charged directly to unitholders' equity:

Date of public offering	Number of REIT Units	Unit price	Gross proceeds	Issue costs
January 29, 2021 ⁽¹⁾	20,240,000	\$ 12.80	\$ 259,072	\$ 11,062
April 26, 2021 ⁽²⁾	14,858,000	13.55	201,326	8,703
June 25, 2021 ⁽³⁾	20,987,500	13.70	287,529	6,204
Total	56,085,500	\$	747,927	\$ 25,969

(1) Includes 2,640,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

(2) Includes 1,938,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

(3) Subscription Receipts were issued on May 31, 2021 and exchanged for REIT Units on June 25, 2021. Includes 2,737,500 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

On October 22, 2021, the Trust completed a public offering of 17,434,000 REIT Units at a price of \$16.50 per REIT Unit for gross proceeds of \$287.7 million, including 2,274,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters. Total estimated costs related to the offering totalled approximately \$12.2 million.

The following table summarizes the public offering of REIT Units issued for the year ended December 31, 2020:

Date of public offering	Number of REIT Units	Unit price	Gross proceeds	Issue costs
February 12, 2020 ⁽¹⁾	16,859,000	\$ 13.65	\$ 230,125	\$ 9,892

(1) Includes 2,199,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

Subscription Receipts conversion to REIT Units

On June 24, 2021, the Subscription Receipts were delisted from the Toronto Stock Exchange after the close of markets and the REIT Units issued in exchange for the Subscription Receipts commenced trading on the Toronto Stock Exchange on June 25, 2021 under the symbol "DIR.UN". Fifty percent of the underwriters' fee for the offering of Subscription Receipts was paid on May 31, 2021, being the closing date of the offering of Subscription Receipts. The remaining 50% of the underwriters' fee was paid on June 25, 2021 following completion of the Acquisition which, along with other issuance costs totalling \$6.2 million, were charged to unitholders' equity.

At-the-Market Program ("ATM Program")

On February 26, 2021, the Trust filed a prospectus supplement to establish an ATM Program that would allow the Trust to issue REIT Units up to an aggregate sale price of \$200.0 million to the public from time to time at prevailing market prices, directly on the TSX or on other marketplaces to the extent permitted.

As at September 30, 2021, 1,889,300 REIT Units have been issued under the ATM Program at a weighted average price of \$16.81 per REIT Unit for gross proceeds of \$31.8 million (\$31.2 million net of commissions). Total costs related to the issuance of these REIT Units amounted to \$0.6 million and were charged directly to unitholders' equity.

Subsequent to September 30, 2021, the Trust issued 566,800 REIT Units under the ATM Program at a weighted average price of \$16.29 per REIT Unit for gross proceeds of \$9.2 million (\$9.0 million net of commissions). Total costs related to the issuance of these REIT Units amounted to \$0.2 million and were charged directly to unitholders' equity.

Short form base shelf prospectus

On October 15, 2019, the Trust filed and obtained a receipt for a final short form base shelf prospectus dated October 11, 2019, which is valid for a 25-month period, during which time the Trust may, from time to time, offer and issue REIT Units, subscription receipts and debt securities, or any combination thereof, having an aggregate offering price of up to \$2.0 billion. As at September 30, 2021, \$1.2 billion of REIT Units have been issued under the current base shelf prospectus. Subsequent to quarter-end, the Trust issued a further \$296.9 million of REIT Units under the current base shelf prospectus, bringing the cumulative total to \$1.5 billion.

Distribution Reinvestment and Unit Purchase Plan

The DRIP allows holders of REIT Units or subsidiary redeemable units, other than unitholders who are resident of or present in the U.S., to elect to have all cash distributions from the Trust reinvested in additional units. Unitholders under the DRIP are eligible to receive a bonus distribution of units equal to 3% of the cash distribution reinvested.

In response to the market disruption caused by the COVID-19 pandemic, the Trust suspended its DRIP effective as of the distribution payable on April 15, 2020 to unitholders of record as at March 31, 2020 (the "March 2020 Distribution"). On December 18, 2020, the Trust announced the reinstatement of the DRIP and Unit Purchase Plan commencing with the distribution payable on January 15, 2021 to unitholders of record as at December 31, 2020. Upon reinstatement of the DRIP, plan participants enrolled in the DRIP at the time of its suspension who remained enrolled at the time of its reinstatement had their participation in the DRIP automatically resumed.

Distribution policy

Dream Industrial REIT's Declaration of Trust provides the Board of Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust.

We currently pay monthly distributions of \$0.05833 per REIT Unit, or \$0.70 per REIT Unit on an annual basis. Similar to other non-GAAP measures such as total equity (including LP B Units), our discussion of distributions includes LP B Units, which are economically equivalent to REIT Units. However, pursuant to IFRS, the LP B Units are classified as a liability in our condensed consolidated financial statements.

The following tables summarize the total distributions (non-GAAP measure) and DRIP participation rate (non-GAAP measure) for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30, 2021		Three months ended September 30, 2020	
	Amount	% of total	Amount	% of total
Distributions reinvested less 3% bonus distribution (DRIP participation rate) ⁽¹⁾	\$ 9,378	23.4%	\$ —	—%
Distributions paid in cash ⁽¹⁾	30,782	76.6%	29,962	100.0%
Total distributions excluding 3% bonus distribution	40,160	100.0%	29,962	100.0%
3% bonus distribution	276		—	
Total distributions⁽¹⁾	\$ 40,436		\$ 29,962	

(1) Total distributions, DRIP participation rate and distributions paid in cash are non-GAAP measures. See "Non-GAAP Measures and Other Disclosures" for a description.

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Amount	% of total	Amount	% of total
Distributions reinvested less 3% bonus distribution (DRIP participation rate) ⁽¹⁾	\$ 24,476	22.0%	\$ 7,857	8.8%
Distributions paid in cash ⁽¹⁾	86,717	78.0%	80,977	91.2%
Total distributions excluding 3% bonus distribution	111,193	100.0%	88,834	100.0%
3% bonus distribution	661		299	
Total distributions⁽¹⁾	\$ 111,854		\$ 89,133	

(1) Total distributions, DRIP participation rate and distributions paid in cash are non-GAAP measures. See "Non-GAAP Measures and Other Disclosures" for a description.

Cash flows from operating activities less interest and other financing costs paid on debt and total distributions (a non-GAAP measure)

In any given period, actual cash flows generated from (utilized in) operating activities less interest and other financing costs paid on debt may differ from total distributions (a non-GAAP measure), primarily due to fluctuations in non-cash working capital and the impact of leasing costs, which fluctuate with lease maturities, renewal terms, the type of asset being leased and when tenants fulfill the terms of their respective lease agreements. These seasonal fluctuations or the unpredictability of when leasing costs are incurred are funded with our cash and cash equivalents on hand and, if necessary, with our existing demand revolving credit facility. As a result of these factors, the Trust anticipates that future cash flows generated from (utilized in) operating activities less interest and other financing costs paid on debt may be less than total distributions (a non-GAAP measure). With a conservative balance sheet, significant liquidity, and a plan to improve and grow our portfolio, the Trust does not anticipate suspending the cash distributions in the foreseeable future.

To the extent that cash generated from (utilized in) operating activities less interest and other financing costs paid on debt may be less than the total distributions (a non-GAAP measure), the Trust will fund the shortfalls with cash and cash equivalents on hand and with the amounts available on the unsecured revolving credit facility. The use of the unsecured revolving credit facility may involve risks compared with using cash and cash equivalents on hand as a source of funding, such as the risk that interest rates may rise in the future, which may make it more expensive for the Trust to borrow under the unsecured revolving credit facility, and the risk associated with increasing the overall indebtedness of the Trust. See the “Unsecured revolving credit facility” section in Note 9 of the condensed consolidated financial statements for a description of the terms and interest payable under the revolving credit facility. In the event that shortfalls exist, the Trust does not anticipate that cash distributions will be suspended in the foreseeable future but does expect that there could be timing differences between the execution of our acquisition strategy and asset recycling opportunities and the redeployment of capital raised from equity offerings. Accordingly, to the extent there are shortfalls, distributions may be considered an economic return of capital. The Trust determines the distribution rate by, among other considerations, its assessment of cash flows generated from (utilized in) operating activities less interest and other financing costs paid on debt. Dream Industrial REIT’s Declaration of Trust provides the Board of Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust.

In any given period, the Trust anticipates that net income will continue to vary from total distributions (a non-GAAP measure), as net income includes non-cash items such as fair value adjustments to investment properties and financial instruments. Accordingly, the Trust does not use net income as a proxy for determining distributions.

The following table summarizes net income, cash flows generated from (utilized in) operating activities less interest and other financing costs paid on debt (included in the condensed consolidated financial statements), and total distributions (a non-GAAP measure) for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash generated from operating activities	\$ 41,143	\$ 37,098	\$ 123,098	\$ 100,871
Interest and other financing costs paid on debt	(6,479)	(7,870)	(20,489)	(24,077)
Net income	162,815	73,662	418,374	118,623
Total distributions ⁽¹⁾	40,436	29,962	111,854	89,133

(1) Total distributions is a non-GAAP measure. See “Non-GAAP Measures and Other Disclosures” under the heading “Total distributions”.

As required by National Policy 41-201, “Income Trusts and Other Indirect Offerings”, the following table outlines the differences between net income and total distributions (a non-GAAP measure), as well as the differences between cash generated from (utilized in) operating activities less interest and other financing costs paid on debt, and total distributions (a non-GAAP measure), in accordance with the guidelines:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Excess of net income over total distributions ⁽¹⁾	\$ 122,379	\$ 43,700	\$ 306,520	\$ 29,490
Shortfall of cash generated from operating activities less interest and other financing costs paid on debt over total distributions ⁽¹⁾	(5,772)	(734)	(9,245)	(12,339)

(1) Total distributions is a non-GAAP measure. See “Non-GAAP Measures and Other Disclosures” under the heading “Total distributions”.

For the three and nine months ended September 30, 2021, net income exceeded total distributions (a non-GAAP measure) by \$122.4 million and \$306.5 million, respectively, primarily as a result of non-cash items such as fair value adjustments to investment properties partially offset by fair value adjustments to financial instruments, which is included in net income. For the three and nine months ended September 30, 2020, net income exceeded total distributions (a non-GAAP measure) by \$43.7 million and \$29.5 million, respectively, primarily due to the same reasons as discussed above for the periods ended September 30, 2021.

For the three and nine months ended September 30, 2021, total distributions (a non-GAAP measure) exceeded cash flows generated from operating activities less interest and other financing costs paid on debt by \$5.8 million and \$9.2 million, respectively, due to timing differences between the realization of working capital, investment in lease incentives and initial direct leasing costs, and the redeployment of capital raised from equity offerings. For the three and nine months ended September 30, 2020, total distributions (a non-GAAP measure) exceeded cash flows generated from operating activities less interest and other financing costs paid on debt by \$0.7 million and \$12.3 million, respectively, primarily due to the same reasons as discussed above for the periods ended September 30, 2021.

Of the total distributions (a non-GAAP measure) declared for the three and nine months ended September 30, 2021, \$9.7 million and \$25.1 million, respectively, were reinvested through the DRIP (including 3% bonus distributions). Of the total distributions (a non-GAAP measure) declared for the three and nine months ended September 30, 2020, \$nil and \$8.2 million were reinvested through the DRIP (including 3% bonus distributions). 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 Board of 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. Furthermore, the Board of Trustees has discretion to suspend the DRIP and Unit Purchase Plan at any time to preserve capital if it is determined to be in the best interest of the Trust to do so. Accordingly, as noted earlier in this section, the Trust suspended its DRIP and Unit Purchase Plan effective with the March 2020 Distribution in light of the market disruption caused by COVID-19. As the market conditions have improved throughout 2020, the Trust announced the reinstatement of the DRIP and Unit Purchase Plan on December 18, 2020.

SECTION IV

FOREIGN CURRENCY INFORMATION

Foreign currency translation rates

In accordance with the Trust's accounting policies, the foreign exchange rates used by the Trust to convert foreign denominated currencies for the three months ended September 30, 2021, June 30, 2021, December 31, 2020 and September 30, 2020 are summarized in the table below:

	Three months ended			
	September 30, 2021	June 30, 2021	December 31, 2020	September 30, 2020
CAD per US\$1.00 (average during period) ⁽¹⁾	\$ 1.2600	\$ 1.2282	\$ 1.3030	\$ 1.3321
CAD per US\$1.00 (period-end) ⁽¹⁾	1.2741	1.2394	1.2732	1.3339
CAD per €1.00 (average during period) ⁽¹⁾	1.4851	1.4803	1.5537	1.5577
CAD per €1.00 (period-end) ⁽¹⁾	1.4801	1.4699	1.5608	1.5631

(1) Average exchange rates impact comprehensive income and cash flows. Period-end exchange rates impact monetary items and items recorded at fair value.

QUARTERLY INFORMATION

The following tables show quarterly information since October 1, 2019:

Key portfolio, leasing, financing and capital information

	2021			2020			2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Portfolio								
Number of assets ⁽¹⁾⁽²⁾	221	215	186	177	172	169	169	130
GLA (in millions of sq. ft.) ⁽³⁾	39.8	38.5	28.8	27.3	26.6	25.8	25.8	21.9
Leasing								
Occupancy rate – in-place and committed (period-end) ⁽³⁾	98.0%	98.0%	97.2%	95.6%	95.1%	95.6%	96.1%	95.8%
Occupancy rate – in-place (period-end) ⁽³⁾	97.6%	97.4%	95.7%	94.7%	94.1%	95.0%	95.8%	94.9%
Tenant retention ratio	66.8%	78.3%	58.0%	86.8%	62.3%	71.8%	89.5%	85.3%
Average in-place and committed base rent per sq. ft. (period-end) ⁽⁴⁾								
Canadian portfolio	\$ 7.78	\$ 7.67	\$ 7.60	\$ 7.48	\$ 7.43	\$ 7.38	\$ 7.33	7.43
European portfolio (€)	€ 4.55	€ 4.51	€ 5.20	€ 5.11	€ 4.89	€ 5.16	€ 5.10	—
Financing⁽⁵⁾								
Net total debt-to-assets ratio ⁽⁶⁾	32.9%	37.9%	28.7%	31.3%	29.6%	28.1%	28.2%	23.7%
Net total debt-to-adjusted EBITDAFV (years) ⁽³⁾⁽⁶⁾	7.8	8.6	6.0	6.2	5.8	5.4	5.3	4.3
Interest coverage ratio (times) ⁽³⁾⁽⁶⁾	6.3	5.2	4.8	4.4	4.2	4.1	3.9	3.8
Weighted average face interest rate on debt (period-end) ⁽⁷⁾	1.66%	1.49%	2.44%	2.57%	3.43%	3.57%	3.57%	3.59%
Weighted average remaining term to maturity on debt (years)	3.9	4.4	5.1	4.8	5.1	5.6	5.9	5.5
Unencumbered assets (in millions) ⁽⁶⁾⁽⁸⁾	\$ 3,404.2	\$ 2,322.7	\$ 2,051.0	\$ 1,441.6	\$ 1,283.4	\$ 1,107.4	\$ 842.5	\$ 96.3
Available liquidity ⁽⁶⁾	\$ 434.8	\$ 663.2	\$ 395.2	\$ 573.2	\$ 271.6	\$ 395.4	\$ 215.8	\$ 591.5
Capital								
Total number of Units (in millions) ⁽⁹⁾	230.8	228.4	192.0	171.2	171.2	171.2	171.2	153.4
NAV per Unit ⁽⁶⁾	\$ 14.37	\$ 13.69	\$ 12.82	\$ 12.55	\$ 12.10	\$ 11.75	\$ 11.84	\$ 11.76

(1) The term “Number of properties” in prior periods has been renamed “Number of assets” and redefined as a building, or a cluster of buildings in close proximity to one another attracting similar tenants. Accordingly, the number of assets in prior periods has been revised to reflect the change in definition.

(2) Includes the Trust’s owned and managed properties as at September 30, 2021. Excludes assets sold and held for sale as at September 30, 2021 with the exception of the two U.S. assets held for sale to the U.S. Fund.

(3) Includes our share of equity accounted investments as at September 30, 2021.

(4) Excludes assets sold and held for sale as at September 30, 2021.

(5) Financing metrics include cross-currency interest rate swaps, assets and liabilities classified as held for sale at the end of each period and income (loss) from discontinued operations as applicable.

(6) Net total debt-to-assets ratio, net total debt-to-adjusted EBITDAFV, interest coverage ratio, unencumbered assets, available liquidity and NAV per Unit are non-GAAP measures. See “Non-GAAP Measures and Other Disclosures” for a description.

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

(8) Unencumbered assets exclude assets held for sale at the end of each period as applicable.

(9) Total number of Units includes 18.6 million LP B Units, which are classified as a liability under IFRS.

Results of operations

Given that the entire Eastern Canada region was classified as assets held for sale at the end of June 30, 2019 and subsequently sold on July 31, 2019, the associated results of operations were presented separately as income (loss) from discontinued operations in the condensed consolidated statements of comprehensive income for the trailing quarters as applicable.

	2021			2020			2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Investment properties revenue	\$ 75,832	\$ 69,267	\$ 65,431	\$ 61,323	\$ 59,013	\$ 59,060	\$ 56,550	\$ 50,984
Investment properties operating expenses	(16,122)	(18,172)	(18,769)	(16,811)	(16,761)	(16,682)	(16,809)	(14,760)
Net rental income	59,710	51,095	46,662	44,512	42,252	42,378	39,741	36,224
Other income (loss)	14,824	199	234	(22)	(17)	65	865	959
Other expenses	(43,614)	(15,897)	(18,801)	(16,256)	(15,727)	(16,484)	(20,134)	(15,605)
Fair value adjustments and net gain (loss) on transactions and other activities	142,393	131,109	71,118	55,058	52,723	(22,741)	22,620	90,612
Income before income taxes and discontinued operations	173,313	166,506	99,213	83,292	79,231	3,218	43,092	112,190
Current income tax recovery (expense)	(17,757)	—	—	1	(6)	(1)	(1)	31
Deferred income tax recovery (expense)	7,259	(6,211)	(3,949)	(1,780)	(5,563)	(273)	(1,055)	(5,435)
Income from continuing operations, net of taxes	162,815	160,295	95,264	81,513	73,662	2,944	42,036	106,786
Loss from discontinued operations, net of taxes	—	—	—	—	—	—	(19)	(144)
Net income	\$ 162,815	\$ 160,295	\$ 95,264	\$ 81,513	\$ 73,662	\$ 2,944	\$ 42,017	\$ 106,642
Other comprehensive income (loss)								
Unrealized gain (loss) on foreign currency translation of foreign operations, net of taxes	11,719	(3,807)	(29,935)	(6,753)	1,160	(15,762)	43,699	(5,812)
Unrealized gain (loss) on hedging instruments, net of taxes	(6,285)	(4,732)	18,591	(4,054)	—	—	—	—
Share of other comprehensive income (loss) from equity accounted investment	2,206	(223)	(109)	(427)	(194)	(362)	749	(109)
	7,640	(8,762)	(11,453)	(11,234)	966	(16,124)	44,448	(5,921)
Comprehensive income (loss)	\$ 170,455	\$ 151,533	\$ 83,811	\$ 70,279	\$ 74,628	\$ (13,180)	\$ 86,465	\$ 100,721

Our results of operations may vary significantly from period to period as a result of fair value adjustments to investment properties, fair value adjustments to financial instruments, and net gains or losses on transactions and other activities. Operating activities from our U.S. and European portfolios and fair value adjustments to investment properties may impact the deferred income taxes in any given period. Furthermore, the growth in our net rental income from period to period reflects our strategy to grow and upgrade the quality of our portfolio by investing in the Trust's target markets.

Funds from operations

	2021				2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Net income (loss)	\$ 162,815	\$ 160,295	\$ 95,264	\$ 81,513	\$ 73,662	\$ 2,944	\$ 42,017	\$ 106,642	
Add (deduct):									
Share of net income from equity accounted investment	(13,031)	—	—	—	—	—	—	—	
Share of FFO from equity accounted investment	1,564	—	—	—	—	—	—	—	
Amortization and write-off of lease incentives ⁽¹⁾	337	469	503	436	457	425	327	400	
Interest expense on subsidiary redeemable units	3,246	3,247	3,246	3,247	3,246	3,247	3,311	3,344	
Fair value adjustments to investment properties ⁽¹⁾	(162,452)	(207,117)	(74,601)	(91,855)	(66,314)	1,551	36,539	(89,768)	
Fair value adjustments to financial instruments	16,060	74,971	1,874	36,489	11,428	20,270	(57,272)	(4,314)	
Transaction costs on sale of investment properties ⁽¹⁾	2,063	—	—	—	—	—	2	557	
Fair value adjustments of deferred trust units included in G&A expenses	143	49	10	21	(41)	(67)	(43)	99	
Internal leasing costs ⁽¹⁾	861	902	898	772	796	702	797	596	
Other transaction costs	—	—	—	—	—	—	—	226	
Foreign exchange (gain) loss	1,071	131	706	(469)	1,362	213	(2,688)	2,219	
Deferred income taxes expense (recovery)	(7,259)	6,211	3,949	1,781	5,563	273	1,055	5,436	
Current income taxes expense related to dispositions	16,589	—	—	—	—	—	—	—	
FFO⁽²⁾ before the undernoted adjustment	\$ 22,007	\$ 39,158	\$ 31,849	\$ 31,935	\$ 30,159	\$ 29,558	\$ 24,045	\$ 25,437	
Debt settlement costs ⁽¹⁾	28,510	—	3,059	—	—	—	3,949	372	
FFO⁽²⁾	\$ 50,517	\$ 39,158	\$ 34,908	\$ 31,935	\$ 30,159	\$ 29,558	\$ 27,994	\$ 25,809	
Weighted average number of diluted Units (in thousands) ⁽³⁾	229,472	204,866	185,808	171,670	171,625	171,620	163,296	143,175	
FFO per Unit – diluted⁽²⁾⁽⁴⁾	\$ 0.22	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.18	\$ 0.17	\$ 0.17	\$ 0.18	

(1) Includes amounts from both continuing and discontinued operations as applicable in the respective periods.

(2) FFO and diluted FFO per Unit are non-GAAP measures. See “Non-GAAP Measures and Other Disclosures” for a description of these measures.

(3) A description of the determination of weighted average number of diluted units can be found in the section “Non-GAAP Measures and Other Disclosures” under the heading “Weighted average number of Units”.

(4) The LP B Units are included in the calculation of diluted FFO 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 standard meaning and may not be comparable with similar measures presented by other income trusts.

Funds from operations (“FFO”)

Management believes FFO (including diluted FFO per Unit) 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 flows generated from (utilized in) operating activities, as defined by IFRS, is not necessarily indicative of cash available to fund the Trust’s needs and may not be comparable with similar measures presented by other income trusts.

In February 2019, REALPAC issued a white paper on Funds from Operations and Adjusted Funds from Operations for IFRS. The Trust has reviewed the REALPAC FFO white paper guidelines and our determination of FFO is substantially aligned with the REALPAC FFO white paper guidelines with the exception of the add-back of debt settlement costs arising from capital management activities and disposals of investment properties. These debt settlement costs are primarily funded from either net proceeds from equity offerings or net proceeds from dispositions, and not from cash flows from operating activities. As a result, the Trust is of the view that debt settlement costs incurred as a result of capital management or investing activities should be excluded from the determination of FFO. Debt settlement costs incurred as a result of operating activities are included in the determination of FFO.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, FFO has been reconciled to net income in the table below for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income for the period	\$ 162,815	\$ 73,662	\$ 418,374	\$ 118,623
Add (deduct):				
Share of net income from equity accounted investment	(13,031)	—	(13,031)	—
Share of FFO from equity accounted investment	1,564	—	1,564	—
Amortization and write-off of lease incentives	337	457	1,309	1,209
Interest expense on subsidiary redeemable units	3,246	3,246	9,739	9,804
Fair value adjustments to investment properties	(162,452)	(66,314)	(444,170)	(28,224)
Fair value adjustments to financial instruments	16,060	11,428	92,905	(25,574)
Transaction costs on sale of investment properties	2,063	—	2,063	2
Fair value adjustments of deferred trust units included in G&A expenses	143	(41)	202	(151)
Internal leasing costs	861	796	2,661	2,295
Foreign exchange (gain) loss	1,071	1,362	1,908	(1,113)
Deferred income taxes expense (recovery)	(7,259)	5,563	2,901	6,891
Current income taxes expense related to dispositions	16,589	—	16,589	—
FFO for the period before the undernoted adjustment	22,007	30,159	93,014	83,762
Debt settlement costs	28,510	—	31,569	3,949
FFO for the period	\$ 50,517	\$ 30,159	\$ 124,583	\$ 87,711

Weighted average number of Units

The basic weighted average number of Units 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 outstanding used in the FFO per Unit calculation includes the basic weighted average number of Units, unvested deferred trust units and associated income deferred trust units. As at September 30, 2021, there were 440,846 unvested deferred trust units and associated income deferred trust units (September 30, 2020 – 410,109).

	Three months ended September 30,		Nine months ended September 30,	
Weighted average Units outstanding	2021	2020	2021	2020
Basic (in thousands)	229,031	171,225	206,435	168,459
Diluted (in thousands)	229,472	171,625	206,856	168,844

Comparative properties net operating income (“NOI”) and comparative properties NOI (constant currency basis)

Comparative properties NOI is a non-GAAP measure used by management in evaluating the performance of investment properties owned by the Trust in the current and comparative periods presented. This non-GAAP measure is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

When the Trust compares comparative properties NOI on a year-over-year basis for the three months ended September 30, 2021 and September 30, 2020, the Trust excludes investment properties acquired on or after July 1, 2020. For the nine months ended September 30, 2021 and September 30, 2020 comparison, the Trust excludes investment properties acquired on or after January 1, 2020. Comparative properties NOI also excludes net property management and other income, straight-line rent, amortization of lease incentives, expected credit loss, lease termination fees and other rental income, and COVID-19 related adjustments and provisions.

Comparative properties NOI (constant currency basis) is a non-GAAP measure used by management in evaluating the performance of properties owned by the Trust in the current and comparative periods on a constant currency basis. It is calculated by taking comparative properties NOI as defined above and excluding the impact of foreign currency translation by converting the comparative properties NOI denominated in foreign currency in the respective periods at the respective current period average exchange rates.

Comparative properties NOI (constant currency basis) is lower during periods of free rent to reflect that there is no cash rent received. For accounting purposes, free rent is recorded and amortized within straight-line rent.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, comparative properties NOI and comparative properties NOI (constant currency basis) have been reconciled to net rental income under the heading “Comparative properties NOI and comparative properties NOI (constant currency basis)”.

Net asset value (“NAV”) per Unit

NAV per Unit is calculated as total equity (including LP B Units) divided by the total number of REIT Units and LP B Units. This non-GAAP measure is an important measure reflecting management’s view of the intrinsic value of the Trust. However, NAV per Unit is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts. The calculation of NAV per Unit is included under the heading “Total equity”.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table within the section “Our Equity” under the heading “Total equity” reconciles NAV per Unit to total equity (as per the condensed consolidated financial statements).

Total equity (including LP B Units or subsidiary redeemable units)

One of the components used to determine the Trust’s NAV per Unit is total equity (including LP B Units). Total equity (including LP B Units) is calculated as the sum of equity per the condensed consolidated financial statements and the subsidiary redeemable units. Management believes it is important to include the subsidiary redeemable units for the purpose of determining the Trust’s capital management. Management does not consider the subsidiary redeemable units to be debt or borrowings of the Trust, but rather a component of the Trust’s equity. However, total equity (including LP B Units) is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table within the section “Our Equity” under the heading “Total equity” reconciles total equity (including LP B Units) to total equity (as per the condensed consolidated financial statements).

Total distributions

Total distributions (a non-GAAP measure) is calculated as the sum of the distributions on REIT Units and interest on subsidiary redeemable units. Management believes it is important to include interest on subsidiary redeemable units for the purpose of determining the Trust’s total distributions to all of its unitholders. Management does not consider the interest on subsidiary redeemable units to be an interest expense of the Trust, but rather a component of the Trust’s total distributions. However, total distributions is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below reconciles total distributions to amounts included in the condensed consolidated financial statements for the three and nine months ended September 30, 2021 and September 30, 2020:

Amounts included in condensed consolidated financial statements	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Distributions on REIT Units	\$ 37,190	\$ 26,716	\$ 102,115	\$ 79,329
Interest on subsidiary redeemable units	3,246	3,246	9,739	9,804
Total distributions	\$ 40,436	\$ 29,962	\$ 111,854	\$ 89,133

Distribution Reinvestment and Unit Purchase Plan participation rate

The DRIP participation rate is the ratio of total distributions reinvested less bonus distribution over total distributions. Management believes it is an important measure in evaluating the impact that the DRIP will have on the Trust's ability to sustain current distribution levels during the current and future periods. 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.

The calculation of the DRIP participation rate has been included under the heading "Distribution policy". DRIP participation rate is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", total distributions reinvested and total distributions paid in cash have been reconciled to amounts included in the condensed consolidated financial statements for the three and nine months ended September 30, 2021 and September 30, 2020.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Distributions reinvested as included in condensed consolidated financial statements	\$ 9,523	\$ —	\$ 22,726	\$ 11,881
Less: Distributions reinvested pertaining to prior period	(3,076)	—	(796)	(3,725)
Add: Distributions reinvested on October 15	3,207	—	3,207	—
Less: 3% bonus distribution	(276)	—	(661)	(299)
Distributions reinvested less 3% bonus distribution (DRIP participation rate)	\$ 9,378	\$ —	\$ 24,476	\$ 7,857

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Distributions paid on REIT Units	\$ 27,523	\$ 29,961	\$ 75,911	\$ 76,256
Interest paid on LP B Units	3,246	—	9,739	—
Less: Distributions paid on REIT Units pertaining to prior period	(9,163)	(9,987)	(8,110)	(5,267)
Less: Interest paid on LP B Units pertaining to prior period	(1,083)	—	(1,082)	—
Add: Distributions paid on REIT Units on October 15	9,176	9,988	9,176	9,988
Add: Interest paid on LP B Units on October 15	1,083	—	1,083	—
Distributions paid in cash	\$ 30,782	\$ 29,962	\$ 86,717	\$ 80,977

Unencumbered assets

Unencumbered assets represent the value of investment properties, excluding properties held for sale, that have not been pledged as collateral for the financing of the Trust's unsecured revolving credit facility or mortgages. Unencumbered assets, percentage of investment properties, is calculated as total unencumbered assets divided by total investment properties value. These non-GAAP measures are used by management in assessing the borrowing capacity available to the Trust. However, these measures are not defined by IFRS, do not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles investment properties included in the condensed consolidated financial statements to unencumbered assets as at September 30, 2021, December 31, 2020 and September 30, 2020:

Amounts included in condensed consolidated financial statements	September 30, 2021	December 31, 2020	September 30, 2020
Investment properties ⁽¹⁾	\$ 5,048,986	\$ 3,241,601	\$ 3,051,597
Less: Pledged as collateral	(1,644,829)	(1,800,012)	(1,768,188)
Unencumbered assets	\$ 3,404,157	\$ 1,441,589	\$ 1,283,409
Unencumbered assets, percentage of investment properties	67.4%	44.5%	42.1%

(1) Excludes assets held for sale.

Available liquidity

Available liquidity is defined as the sum of cash and cash equivalents and undrawn unsecured revolving credit facility at period-end. Management believes that available liquidity, a non-GAAP measurement, is an important measure in determining our resources available to meet all of our ongoing obligations. This non-GAAP measure does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below reconciles available liquidity to cash and cash equivalents as per the condensed consolidated financial statements as at September 30, 2021, December 31, 2020 and September 30, 2020:

Amounts per condensed consolidated financial statements	September 30, 2021	December 31, 2020	September 30, 2020
Cash and cash equivalents	\$ 87,281	\$ 254,935	\$ 20,830
Undrawn unsecured revolving credit facility ⁽¹⁾	347,528	318,300	250,804
Available liquidity	\$ 434,809	\$ 573,235	\$ 271,634

(1) Net of a letter of credit totalling \$2,472 as at September 30, 2021.

Total debt

Total debt (a non-GAAP measure) is calculated as the sum of current and non-current debt and the cross-currency interest rate swaps per the condensed consolidated financial statements. Management believes it is important to include any cross-currency interest rate swaps for the purposes of monitoring the Trust’s debt levels. Secured debt, percentage of total assets, is calculated as total secured debt divided by total assets. These measures are not defined by IFRS, do not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below reconciles total debt to debt as per the condensed consolidated financial statements as at September 30, 2021, December 31, 2020 and September 30, 2020:

Amounts per condensed consolidated financial statements	September 30, 2021	December 31, 2020	September 30, 2020
Non-current debt	\$ 1,785,223	\$ 1,128,773	\$ 790,536
Current debt	27,758	130,157	132,629
Fair value of cross-currency interest rate swaps ⁽¹⁾	(940)	9,484	—
Total debt	\$ 1,812,041	\$ 1,268,414	\$ 923,165
Secured debt	577,807	820,964	841,316
Unsecured debt	1,234,234	447,450	81,849
Total debt	\$ 1,812,041	\$ 1,268,414	\$ 923,165
Total assets	\$ 5,327,353	\$ 3,521,330	\$ 3,096,136
Secured debt, percentage of total assets	10.8%	23.3%	27.2%

(1) As at September 30, 2021, the cross-currency interest rate swaps were in a net asset position and \$10,547 were included in “Other non-current assets” and \$(9,607) in “Other non-current liabilities” in the condensed consolidated financial statements (December 31, 2020 – the cross-currency interest rate swaps were in a liability position and were included in “Other non-current liabilities” in the consolidated financial statements).

Net total debt-to-assets ratio

Management believes that level of debt (net total debt-to-assets ratio) is an important non-GAAP measure in the management of our debt levels. This non-GAAP measure does not have a standard meaning and may not be comparable with similar measures presented by other income trusts. Net total debt-to-assets ratio is determined as total debt (including debt related to assets held for sale) at the principal amount outstanding (total debt plus unamortized financing costs, less unamortized fair value adjustments), less cash and cash equivalents, all divided by total assets (net of cash and cash equivalents).

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the following table calculates the level of debt (net total debt-to-assets ratio) as at September 30, 2021, December 31, 2020 and September 30, 2020:

	September 30, 2021	December 31, 2020	September 30, 2020
Total debt ⁽¹⁾	\$ 1,812,041	\$ 1,268,414	\$ 923,165
Add (deduct):			
Unamortized financing costs	4,039	8,807	7,064
Unamortized fair value adjustments	(6,350)	(144)	(217)
Total debt at principal amount outstanding	1,809,730	1,277,077	930,012
Less: Cash and cash equivalents	(87,281)	(254,935)	(20,830)
Net total debt	\$ 1,722,449	\$ 1,022,142	\$ 909,182
Total assets	5,327,353	3,521,330	3,096,136
Less: Cash and cash equivalents	(87,281)	(254,935)	(20,830)
Total assets (net of cash and cash equivalents)	\$ 5,240,072	\$ 3,266,395	\$ 3,075,306
Net total debt-to-assets ratio	32.9%	31.3%	29.6%

(1) Total debt is a non-GAAP measure, which includes the fair value of our cross-currency interest rate swaps; refer to detailed descriptions and calculations under the heading “Total debt”.

Net total debt-to-adjusted EBITDAFV

Management believes that net total debt-to-adjusted EBITDAFV, a non-GAAP measurement, is an important measure in determining the time it takes the Trust, on a go forward basis, based on its normalized operating performance, to repay its debt. This non-GAAP measurement does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

Net total debt-to-adjusted EBITDAFV as shown below is calculated as total debt (including debt related to assets held for sale) at the principal amount outstanding (total debt plus unamortized financing costs, less unamortized fair value adjustments), less cash and cash equivalents, all divided by adjusted EBITDAFV – annualized. Adjusted EBITDAFV – annualized is calculated as the quarterly EBITDAFV plus normalized NOI of properties acquired in the quarter less NOI of properties disposed of prior to the current quarter. EBITDAFV is defined below under the heading “Earnings before interest, taxes, depreciation, amortization and fair value adjustments (“EBITDAFV”)”.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the following table calculates the annualized net total debt-to-adjusted EBITDAFV for the three months ended September 30, 2021, December 31, 2020 and September 30, 2020:

	September 30, 2021	December 31, 2020	September 30, 2020
Total debt ⁽¹⁾	\$ 1,812,041	\$ 1,268,414	\$ 923,165
Add (deduct):			
Unamortized financing costs	4,039	8,807	7,064
Unamortized fair value adjustments	(6,350)	(144)	(217)
Total debt at principal amount outstanding	1,809,730	1,277,077	930,012
Less: Cash and cash equivalents	(87,281)	(254,935)	(20,830)
Net debt	\$ 1,722,449	\$ 1,022,142	\$ 909,182
EBITDAFV⁽²⁾ – quarterly	55,701	40,020	38,024
Add (deduct):			
Normalized NOI of properties acquired in the quarter ⁽³⁾	1,070	1,173	1,005
7% return of the estimated adjusted net asset value from the U.S. Fund	(1,697)	—	—
Net rental loss from properties sold in prior periods	—	2	3
Adjusted EBITDAFV – quarterly	55,074	41,195	39,032
Adjusted EBITDAFV – annualized	\$ 220,296	\$ 164,780	\$ 156,128
Net total debt-to-adjusted EBITDAFV (years)	7.8	6.2	5.8

(1) Total debt is a non-GAAP measure, which includes the fair value of our cross-currency interest rate swaps; refer to detailed descriptions and calculations under the heading “Total debt”.

(2) EBITDAFV (a non-GAAP measure) for the three months ended September 30, 2021, December 31, 2020 and September 30, 2020 have been reconciled to net income for the respective periods under the heading “Earnings before interest, taxes, depreciation, amortization and fair value adjustments (“EBITDAFV”)”.

(3) Represents the incremental NOI had the acquisitions in the respective periods occurred for the full quarter, determined using the average daily NOI times the number of days the Trust did not own the properties.

Interest coverage ratio

Management believes that interest coverage ratio, a non-GAAP measurement, is an important measure in determining our ability to cover interest expense on debt and other financing costs based on our operating performance. This non-GAAP measurement does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

Interest coverage ratio as shown below is calculated as the trailing 12-month EBITDAFV divided by the trailing 12-month interest expense on debt and other financing costs. Interest expense on subsidiary redeemable units is excluded from this ratio as it represents distributions on units; however, pursuant to IFRS, the distributions are presented as interest expense. The interest coverage ratio includes the results of continuing and discontinued operations.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the following table calculates the interest coverage ratio for the trailing 12-month period ended September 30, 2021 and September 30, 2020, and for the year ended December 31, 2020:

	For the trailing 12-month period ended September 30, 2021	For the year ended December 31, 2020	For the trailing 12-month period ended September 30, 2020
EBITDAFV ⁽¹⁾	\$ 183,997	\$ 152,347	\$ 146,123
Interest expense on debt and other financing costs	29,352	34,338	34,523
Interest coverage ratio (times)	6.3	4.4	4.2

(1) EBITDAFV (a non-GAAP measure) for the 12-month period ended September 30, 2021, December 31, 2020 and September 30, 2020 has been reconciled to net income (loss) under the heading "Earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")".

Earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")

EBITDAFV is defined by the Trust as net income for the period adjusted for fair value adjustments to investment properties and financial instruments, net loss on transactions and other activities (including depreciation and amortization), interest expense, debt settlement costs, other items included in investment properties revenue, and net deferred and current income taxes expense. The adjustments include activity from continuing and discontinued operations. This non-GAAP measurement is an important measure used by the Trust 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.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, EBITDAFV has been reconciled to net income in the table below:

	For the three months ended			For the nine months ended			For the year ended	
	September 30, 2021	December 31, 2020	September 30, 2020	September 30, 2021	September 30, 2020	September 30, 2019	December 31, 2020	December 31, 2019
Net income for the period	\$ 162,815	\$ 81,513	\$ 73,662	\$ 418,374	\$ 118,623	\$ 72,790	\$ 200,136	\$ 179,432
Add (deduct):								
Share of net income from equity accounted investment	(13,031)	—	—	(13,031)	—	—	—	—
Share of EBITDAFV from equity accounted investment	2,149	—	—	2,149	—	—	—	—
Fair value adjustments to investment properties	(162,452)	(91,855)	(66,314)	(444,170)	(28,224)	(88,329)	(120,079)	(178,097)
Fair value adjustments to financial instruments	16,060	36,489	11,428	92,905	(25,574)	75,131	10,915	70,817
Net loss on transactions and other activities	3,999	308	2,163	6,645	1,198	4,119	1,506	7,737
Interest expense on debt and other financing costs	5,408	8,501	8,328	20,851	25,837	27,487	34,338	36,173
Interest expense on subsidiary redeemable units	3,246	3,247	3,246	9,739	9,804	10,032	13,051	13,376
Debt settlement costs	28,510	—	—	31,569	4,324	964	4,324	1,336
Other items included in investment properties revenue ⁽¹⁾	(1,501)	38	(58)	(1,712)	(560)	173	(522)	(15)
Deferred and current income taxes expense, net	10,498	1,779	5,569	20,658	6,899	3,054	8,678	8,458
EBITDAFV for the period	\$ 55,701	\$ 40,020	\$ 38,024	\$ 143,977	\$ 112,327	\$ 105,421	\$ 152,347	139,217

(1) Includes lease termination fees and other items, straight-line rent and amortization of lease incentives.

Trailing 12-month EBITDAFV and trailing 12-month interest expense on debt and other financing costs

Management believes that the trailing 12-month EBITDAFV and trailing 12-month interest expense on debt and other financing costs, both of which are non-GAAP measures, are important measures in identifying longer-term trends in property operating performance and the cost of the Trust’s debt. These non-GAAP measurements do not have standard meanings and may not be comparable with similar measures presented by other income trusts.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the following tables calculate EBITDAFV and interest expense on debt and other financing costs for the trailing 12-month periods ended September 30, 2021 and September 30, 2020:

	Trailing 12-month period ended September 30, 2021
EBITDAFV for the nine months ended September 30, 2021 ⁽¹⁾	\$ 143,977
Add: EBITDAFV for the year ended December 31, 2020 ⁽¹⁾	152,347
Less: EBITDAFV for the nine months ended September 30, 2020 ⁽¹⁾	(112,327)
Trailing 12-month EBITDAFV	\$ 183,997

(1) EBITDAFV (a non-GAAP measure) for the nine months ended September 30, 2021 and September 30, 2020, as well as for the year ended December 31, 2020, has been reconciled to net income for the respective periods in the section above, under the heading “Earnings before interest, taxes, depreciation, amortization and fair value adjustments (“EBITDAFV”)”.

		Trailing 12-month period ended September 30, 2020
EBITDAFV for the nine months ended September 30, 2020 ⁽¹⁾	\$	112,327
Add: EBITDAFV for the year ended December 31, 2019 ⁽¹⁾		139,217
Less: EBITDAFV for the nine months ended September 30, 2019 ⁽¹⁾		(105,421)
Trailing 12-month EBITDAFV	\$	146,123

(1) EBITDAFV (a non-GAAP measure) for the nine months ended September 30, 2020 and September 30, 2019, as well as for the year ended December 31, 2019 (a non-GAAP measure) have been reconciled to net income for the respective periods under the heading "Earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")".

		Trailing 12-month period ended September 30, 2021
Interest expense on debt and other financing costs for the nine months ended September 30, 2021 ⁽¹⁾	\$	20,851
Add: Interest expense on debt and other financing costs for the year ended December 31, 2020		34,338
Less: Interest expense on debt and other financing costs for the nine months ended September 30, 2020 ⁽¹⁾		(25,837)
Trailing 12-month interest expense on debt and other financing costs	\$	29,352

(1) Per condensed consolidated financial statements.

		Trailing 12-month period ended September 30, 2020
Interest expense on debt and other financing costs for the nine months ended September 30, 2020 ⁽¹⁾	\$	25,837
Add: Interest expense on debt for the year ended December 31, 2019 ⁽²⁾		36,173
Less: Interest expense on debt and other financing costs for the nine months ended September 30, 2019 ⁽¹⁾⁽²⁾		(27,487)
Trailing 12-month interest expense on debt and other financing costs	\$	34,523

(1) Per condensed consolidated financial statements.

(2) Includes interest expense on debt and other financing costs from continuing and discontinued operations.

SECTION V

DISCLOSURE CONTROLS AND OUR PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

At September 30, 2021, the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the Trust, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Dream Industrial REIT is made known to the CEO and CFO in a timely manner and information required to be disclosed by Dream Industrial REIT is recorded, processed, summarized and reported within the time periods specified in securities legislation, 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 and nine months ended September 30, 2021, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

SECTION VI

RISKS AND OUR STRATEGY TO MANAGE

We are exposed to various risks and uncertainties, many of which are beyond our control and could have an impact on our business, financial condition, operating results and prospects. Unitholders should consider these risks and uncertainties when assessing our outlook in terms of investment potential. For further discussion of the risks and uncertainties identified by Dream Industrial REIT, please see below and refer to our 2020 Annual Report and our latest Annual Information Form filed on the System for Electronic Document Analysis and Retrieval (“SEDAR”) (www.sedar.com).

SECTION VII

CRITICAL ACCOUNTING JUDGMENTS

Preparing the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent liabilities. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the result of which is the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amounts of the asset or liability affected. Dream Industrial REIT’s critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 2 to the condensed consolidated financial statements for the three and nine months ended September 30, 2021 and in our annual consolidated financial statements for the year ended December 31, 2020.

FUTURE ACCOUNTING POLICY CHANGES

Dream Industrial REIT’s future accounting policy changes are described in Note 3 to the condensed consolidated financial statements for the three and nine months ended September 30, 2021.

Additional information

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

Condensed consolidated balance sheets

(unaudited)

(in thousands of Canadian dollars)

	Note	September 30, 2021	December 31, 2020
Assets			
NON-CURRENT ASSETS			
Investment properties	4	\$ 5,048,986	\$ 3,241,601
Equity accounted investment	6	90,077	9,034
Other non-current assets	7	12,128	673
		5,151,191	3,251,308
CURRENT ASSETS			
Amounts receivable		12,767	10,044
Prepaid expenses and other assets		7,178	5,043
Cash and cash equivalents		87,281	254,935
		107,226	270,022
Assets held for sale	8	68,936	—
Total assets		\$ 5,327,353	\$ 3,521,330
Liabilities			
NON-CURRENT LIABILITIES			
Debt	9	\$ 1,785,223	\$ 1,128,773
Subsidiary redeemable units		300,540	243,957
Deferred Unit Incentive Plan		17,387	12,313
Deferred income tax liability		20,341	17,572
Other non-current liabilities		50,045	32,407
		2,173,536	1,435,022
CURRENT LIABILITIES			
Debt	9	27,758	130,157
Amounts payable and accrued liabilities		94,356	51,275
Current income tax liability		15,882	—
		137,996	181,432
Total liabilities		2,311,532	1,616,454
Equity			
Unitholders' equity		2,412,985	1,605,724
Retained earnings		597,790	281,531
Accumulated other comprehensive income	14	5,046	17,621
Total equity		3,015,821	1,904,876
Total liabilities and equity		\$ 5,327,353	\$ 3,521,330

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"

Vincenza Sera
Trustee

"Sheldon Wiseman"

Sheldon Wiseman
Trustee

Condensed consolidated statements of comprehensive income

(unaudited)

(in thousands of Canadian dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2021	2020	2021	2020
Investment properties revenue	11	\$ 75,832	\$ 59,013	\$ 210,530	\$ 174,623
Investment properties operating expenses		(16,122)	(16,761)	(53,063)	(50,252)
Net rental income		59,710	42,252	157,467	124,371
Other income					
Share of net income from equity accounted investment	6	13,031	—	13,031	—
Interest, fee income and other		1,793	(17)	2,226	913
		14,824	(17)	15,257	913
Other expenses					
General and administrative		(6,450)	(4,153)	(16,153)	(12,380)
Interest:					
Debt and other financing costs		(5,408)	(8,328)	(20,851)	(25,837)
Subsidiary redeemable units		(3,246)	(3,246)	(9,739)	(9,804)
Debt settlement costs	9	(28,510)	—	(31,569)	(4,324)
		(43,614)	(15,727)	(78,312)	(52,345)
Fair value adjustments and net loss on transactions and other activities					
Fair value adjustments to investment properties	4	162,452	66,314	444,170	28,224
Fair value adjustments to financial instruments	12	(16,060)	(11,428)	(92,905)	25,574
Net loss on transactions and other activities	13	(3,999)	(2,163)	(6,645)	(1,196)
		142,393	52,723	344,620	52,602
Income before income taxes and discontinued operations		173,313	79,231	439,032	125,541
Current income tax expense	8	(17,757)	(6)	(17,757)	(8)
Deferred income tax recovery (expense)	8	7,259	(5,563)	(2,901)	(6,891)
Income from continuing operations, net of taxes		162,815	73,662	418,374	118,642
Loss from discontinued operations, net of taxes		—	—	—	(19)
Net income		\$ 162,815	\$ 73,662	\$ 418,374	\$ 118,623
Other comprehensive income (loss)					
Items that will be reclassified subsequently to net income:					
Unrealized gain (loss) on foreign currency translation of foreign operations, net of taxes	14	\$ 11,719	\$ 1,160	\$ (22,023)	\$ 29,097
Unrealized gain (loss) on hedging instruments, net of taxes	14	(6,285)	—	7,574	—
Share of other comprehensive income (loss) from equity accounted investment	14	2,206	(194)	1,874	193
		7,640	966	(12,575)	29,290
Comprehensive income		\$ 170,455	\$ 74,628	\$ 405,799	\$ 147,913

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of changes in equity

(unaudited)

(all dollar amounts in thousands of Canadian dollars)

Nine months ended September 30, 2021	Note	Attributable to unitholders of the Trust				
		Number of REIT Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2021		152,678,861	\$ 1,605,724	\$ 281,531	\$ 17,621	\$ 1,904,876
Net income		—	—	418,374	—	418,374
Distributions paid and payable	15	—	—	(102,115)	—	(102,115)
Public offering of REIT Units	10, 16	57,974,800	809,900	—	—	809,900
Distribution Reinvestment Plan		1,541,144	22,726	—	—	22,726
REIT Units issued for vested deferred trust units and Unit Purchase Plan		98,697	1,338	—	—	1,338
Issue costs and other		—	(26,703)	—	—	(26,703)
Other comprehensive loss	14	—	—	—	(12,575)	(12,575)
Balance at September 30, 2021		212,293,502	\$ 2,412,985	\$ 597,790	\$ 5,046	\$ 3,015,821

Nine months ended September 30, 2020	Note	Attributable to unitholders of the Trust				
		Number of REIT Units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2020		134,801,881	\$ 1,372,564	\$ 187,443	\$ (435)	\$ 1,559,572
Net income		—	—	118,623	—	118,623
Distributions paid and payable	15	—	—	(79,329)	—	(79,329)
Public offerings of REIT Units	16	16,859,000	230,125	—	—	230,125
Distribution Reinvestment Plan ⁽¹⁾		931,334	11,881	—	—	11,881
REIT Units issued for vested deferred trust units and Unit Purchase Plan		85,196	1,041	—	—	1,041
Issue costs and other		—	(9,903)	—	—	(9,903)
Other comprehensive income	14	—	—	—	29,290	29,290
Balance at September 30, 2020		152,677,411	\$ 1,605,708	\$ 226,737	\$ 28,855	\$ 1,861,300

(1) Includes REIT Units issued under the Distribution Reinvestment Plan for LP B Units.

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of cash flows

(unaudited)

(in thousands of Canadian dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2021	2020	2021	2020
Generated from (utilized in) operating activities					
Net income		\$ 162,815	\$ 73,662	\$ 418,374	\$ 118,623
Non-cash items:					
Share of net income from equity accounted investment		(13,031)	—	(13,031)	—
Fair value adjustments to investment properties	4	(162,452)	(66,314)	(444,170)	(28,224)
Loss and unrealized fair value adjustments to financial instruments	12	16,060	12,348	92,905	(28,069)
Depreciation and amortization		323	462	1,287	1,223
Other adjustments	17	(761)	10,415	17,637	15,840
Change in non-cash working capital	17	8,153	(317)	9,477	(2,041)
Investment in lease incentives and initial direct leasing costs		(3,882)	(1,486)	(11,801)	(6,642)
Interest expense on debt and other financing costs		5,408	8,328	20,851	25,837
Debt settlement costs		28,510	—	31,569	4,324
		41,143	37,098	123,098	100,871
Generated from (utilized in) investing activities					
Investment in building improvements		(12,394)	(2,759)	(19,021)	(4,434)
Investment in property and equipment		—	(14)	—	(14)
Acquisitions, deposits and transaction costs of investment properties (net of cash acquired)		(183,404)	(89,000)	(1,458,691)	(522,074)
Dispositions of investment properties (net of assumed mortgages and transaction costs)		232,850	—	232,850	—
Contributions to equity accounted investment		(8,522)	(423)	(10,402)	(951)
		28,530	(92,196)	(1,255,264)	(527,473)
Generated from (utilized in) financing activities					
Borrowings	9	—	81,502	799,800	81,502
Lump sum repayments	9	(263,716)	(17,053)	(433,651)	(176,591)
Principal repayments	9	(4,002)	(5,525)	(14,375)	(17,173)
Financing costs additions	9	—	—	(3,925)	(1,014)
Interest and other financing costs paid on debt		(6,479)	(7,870)	(20,489)	(24,077)
Interest paid on subsidiary redeemable units		(3,246)	(3,246)	(9,739)	(6,493)
Debt settlement costs paid		(20,190)	—	(23,249)	(3,883)
Distributions paid on REIT Units	15	(27,523)	(26,715)	(75,911)	(69,763)
Cash proceeds on issuance of REIT Units	10, 16	31,768	—	772,742	230,125
Issue costs paid on REIT Units		(1,536)	—	(26,211)	(10,519)
Other adjustments to financing activities		755	—	(109)	(114)
		(294,169)	21,093	964,883	2,000
Decrease in cash and cash equivalents		(224,496)	(34,005)	(167,283)	(424,602)
Foreign exchange gain (loss) on cash held in foreign currency		(1,472)	98	(371)	3,895
Cash and cash equivalents, beginning of period		313,249	54,737	254,935	441,537
Cash and cash equivalents, end of period		\$ 87,281	\$ 20,830	\$ 87,281	\$ 20,830

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 for per Unit amounts, unless otherwise stated.)

Note 1

ORGANIZATION

Dream Industrial Real Estate Investment Trust (“Dream Industrial REIT” 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 REIT include the accounts of Dream Industrial REIT and its subsidiaries. Dream Industrial REIT owns and operates industrial properties in key markets across North America and Europe.

The principal office and centre of administration of the Trust is 30 Adelaide Street East, Suite 301, Toronto, Ontario, M5C 3H1. The Trust is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DIR.UN”. Dream Industrial REIT’s condensed consolidated financial statements for the three and nine months ended September 30, 2021 were authorized for issuance by the Board of Trustees on November 2, 2021, after which they may only be amended with the Board of Trustees’ approval.

For simplicity, throughout the Notes, reference is made to the units of the Trust as follows:

- “REIT Units”, meaning units of the Trust;
- “LP B Units” or “subsidiary redeemable units”, meaning the Class B limited partnership units of Dream Industrial LP (“DILP”), a subsidiary of the Trust;
- “Special Trust Units”, meaning units issued in connection with subsidiary redeemable units; and
- “Units”, meaning REIT Units and subsidiary redeemable units, collectively.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The 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 the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. The condensed consolidated financial statements should be read in conjunction with the Trust’s annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS, as issued by the IASB.

Certain comparative figures in the condensed consolidated financial statements have been reclassified to conform to the current period presentation.

Accounting policies

The condensed consolidated financial statements have been prepared using the same significant accounting policies and methods as those used in the Trust’s annual consolidated financial statements for the year ended December 31, 2020, except as disclosed below.

Interest rate benchmark reform

Effective January 1, 2021, the Trust has applied the Phase 2 amendments to IFRS 9 and IFRS 7 related to interest rate benchmark (“IBOR”) reform. No changes were required to any of the amounts recognized in the current or prior period as a result of these amendments.

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 amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount 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 annual consolidated financial statements for the year ended December 31, 2020.

Note 3

FUTURE ACCOUNTING POLICY CHANGES

Amendments to IAS 1, “Presentation of Financial Statements”

The IASB has issued amendments to IAS 1, “Presentation of Financial Statements” (“IAS 1”). The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2023. The Trust is currently assessing the impact of these amendments.

Note 4

INVESTMENT PROPERTIES

		Nine months ended September 30, 2021			Year ended December 31, 2020
	Note	Income- producing properties	Properties held for development	Investment properties	Investment properties
Balance at beginning of period		\$ 3,241,601	\$ —	\$ 3,241,601	\$ 2,428,664
Additions (deductions):					
Acquisitions of investment properties and land	5	1,951,020	49,863	2,000,883	663,671
Building improvements		20,042	—	20,042	7,010
Lease incentives and initial direct leasing costs		10,904	—	10,904	11,525
Capitalized interest and other pre-development costs		—	557	557	—
Investment properties reclassified to assets held for sale	8	(640,032)	—	(640,032)	—
Fair value adjustments to investment properties		444,578	—	444,578	120,079
Change in straight-line rent		1,456	—	1,456	1,674
Amortization of lease incentives		(1,299)	—	(1,299)	(1,645)
Foreign currency translation adjustment		(29,704)	—	(29,704)	10,623
Balance at end of period		\$ 4,998,566	\$ 50,420	\$ 5,048,986	\$ 3,241,601
Change in unrealized income included in net income					
Change in fair value of investment properties		\$ 444,578	\$ —	\$ 444,578	\$ 120,079

Investment properties includes \$10,562 (December 31, 2020 – \$12,030) related to straight-line rent receivables.

Valuations of externally appraised investment properties

For the nine months ended September 30, 2021, there were 52 investment properties valued by qualified external valuation professionals representing 19.2% of total investment property values, excluding acquired properties (for the year ended December 31, 2020 – 60 investment properties externally appraised representing 27.6% of total investment property values, excluding acquired properties).

Fair value adjustments to investment properties

When performing fair value assessments for its investment properties, the Trust incorporates a number of factors including recent market transactions, recent leasing activity, market vacancy, leasing costs and other information obtained from market research and recently completed leases and acquisitions. The fair value of the investment properties as at September 30, 2021 and December 31, 2020 represents the Trust’s best estimate based on the internally and externally available information as at the end of each reporting period.

The duration and full scope of the economic impact of the COVID-19 pandemic are unknown at this time. Key valuation assumptions that could be impacted over the long term include: market rents, leasing costs, vacancy rates, discount rates and cap rates. The Trust will continue to monitor the effect of the economic environment on the valuation of its investment properties.

If there are any changes in the critical and key assumptions used in valuing the investment properties, or in regional, national or international economic conditions, or new developments in the COVID-19 pandemic, the fair value of investment properties may change materially.

Significant assumptions used in the valuation of investment properties

As at September 30, 2021 and December 31, 2020, the Trust's income-producing investment properties were valued using the cap rate and discounted cash flow methods, except for assets held for sale and investment properties acquired during the respective quarters as applicable. As at September 30, 2021, properties held for development were valued at the acquisition price plus pre-development costs incurred to date, which approximated fair value given proximity of the purchase to the quarter-end date. The significant and unobservable Level 3 valuation metrics used in the methods as at September 30, 2021 and December 31, 2020 are set out in the table below:

	September 30, 2021 ⁽¹⁾		December 31, 2020 ⁽¹⁾	
	Range (%)	Weighted average (%) ⁽²⁾	Range (%)	Weighted average (%) ⁽²⁾
Cap rate method				
Stabilized cap rate	3.25–8.75	5.05	4.50–9.00	5.75
Discounted cash flow method				
Discount rate	4.00–8.50	5.83	5.50–8.50	6.55
Terminal cap rate	3.25–8.75	5.19	4.75–9.00	6.03

(1) Excludes assets held for sale at period-end, properties held for development and investment properties acquired during the respective quarter as applicable.

(2) Weighted average based on investment property fair value.

Sensitivities on assumptions

The following sensitivity tables outline the potential impact on the fair value of investment properties, excluding assets held for sale and the investment properties acquired during the current quarter, assuming a change in the weighted average stabilized cap rates, discount rates and terminal rates by a respective 25 basis points ("bps") as at September 30, 2021:

Cap rate method	Impact to change in weighted average stabilized cap rates	
	+25 bps	-25 bps
Increase (decrease) in value	\$ (225,301)	\$ 248,767

Discounted cash flow method	Impact to change in weighted average discount rates		Impact to change in weighted average terminal cap rates	
	+25 bps	-25 bps	+25 bps	-25 bps
Increase (decrease) in value	\$ (85,881)	\$ 87,980	\$ (126,904)	\$ 140,022

Note 5

INVESTMENT PROPERTY ACQUISITIONS

During the nine months ended September 30, 2021, the Trust completed \$1,920,767 of investment property acquisitions (excludes transaction costs and assumed ground lease liabilities). In particular, on June 24, 2021, the Trust completed the acquisition of shares of a corporation that owns a portfolio of 31 institutional quality, logistics properties across Europe (the "Acquisition" or the "Pan-European logistics portfolio"). The purchase price for the Acquisition was \$839,422, excluding transaction costs of \$42,221, and was satisfied by the Trust's cash on hand. During the quarter, the Trust and seller finalized the working capital amounts of the Acquisition resulting in a post-closing adjustment that reduced the purchase price by \$1,557. In accordance with IFRS 3, "Business Combinations", although the Acquisition involved the acquisition of shares of a corporation that owned the Pan-European logistics portfolio, the Trust has determined that the acquired set of activities of the Acquisition did not meet the definition of a business and, accordingly, the Acquisition was considered an asset acquisition for accounting purposes.

Detailed below are the investment property acquisitions completed for the nine months ended September 30, 2021:

	Fair value of investment properties ⁽¹⁾	Date acquired
401 Marie-Curie Boulevard, Montréal, Québec	\$ 114,150	January 29, 2021
116 Derchinger Straße, Augsburg, Germany ⁽²⁾	8,440	February 1, 2021
2000 Gateway Boulevard, Cincinnati, OH ⁽²⁾	15,467	February 12, 2021
13 Eiselaer Weg, Ulm, Germany ⁽²⁾	8,613	March 1, 2021
279 Humberline Drive, Etobicoke, Ontario	17,500	March 1, 2021
3055 rue Anderson, Montréal, Québec	61,750	March 11, 2021
1059 Boulevard des Entreprises, Montréal, Québec	7,100	March 23, 2021
1300-1410 55th Ave, Montréal, Québec	10,675	March 24, 2021
1-3 Hecto, Zevenaar, Netherlands ⁽²⁾	30,665	March 30, 2021
4 Eiffelstraße, Herbrechtingen, Germany ⁽²⁾	7,391	April 1, 2021
1680 Vimont Court, Ottawa, Ontario	26,100	April 23, 2021
295 Pinebush Road, Cambridge, Ontario	7,980	April 23, 2021
Brampton East Lands, Brampton, Ontario ⁽³⁾	35,000	April 30, 2021
10 Carl-Zeiss-Strasse, Langenau, Germany ⁽²⁾	12,649	May 6, 2021
3678 North CR 700 West, Indianapolis, IN ⁽²⁾	30,969	June 1, 2021
Abbotside Way (land), Caledon, Ontario ⁽³⁾	13,437	June 2, 2021
60 Steckle Place, Kitchener, Ontario	12,000	June 15, 2021
Pan-European logistics portfolio ⁽²⁾⁽⁴⁾⁽⁵⁾	1,298,469	June 24, 2021
Hurksestraat Cluster, Eindhoven, Netherlands ⁽²⁾	43,580	July 1, 2021
180 Sheldon Drive, Cambridge, Ontario	11,350	July 8, 2021
3100 Boulevard des Batisseurs, Montréal, Québec	35,000	July 26, 2021
Carl-Benz-Straße 7-9, Monsheim, Germany ⁽²⁾	10,056	August 1, 2021
5977 Trans-Canada Highway, Montréal, Québec	26,400	August 20, 2021
Doornhoek 4040, Veghel, Netherlands ⁽²⁾	20,932	September 6, 2021
Koopvaardijweg 3, 3A & 5, Oosterhout, Netherlands ⁽²⁾	55,094	September 22, 2021
Total	\$ 1,920,767	

(1) Excludes transaction costs of \$69,974 and assumed ground lease liabilities of \$10,142.

(2) Acquisitions in the U.S. and Europe were settled in U.S. dollars and euros, respectively, and translated into Canadian dollars as at the respective transaction dates.

(3) Brampton East Lands and Abbotside Way (land) are parcels of land totalling 30 acres and 7.9 acres, respectively.

(4) Pan-European logistics portfolio comprises 31 institutional quality, logistics properties in the Netherlands, France, Germany, Spain, Czech Republic and Slovakia.

(5) \$1,298,469 represents the fair value of the Pan-European logistics portfolio. The purchase price for the Acquisition was \$837,865 (net of post-closing working capital adjustments of \$1,557).

For the year ended December 31, 2020, the Trust acquired 62 investment properties for gross proceeds net of adjustments and before transaction costs totalling \$623,000.

Detailed below are the considerations paid for the acquired investment properties for the nine months ended September 30, 2021 and year ended December 31, 2020:

	Note	Nine months ended September 30, 2021	Year ended December 31, 2020
Cash paid (net of cash acquired) ⁽¹⁾		\$ 1,403,515	\$ 597,030
Deposits paid in prior period and released to seller on closing		5,050	2,700
Assumed non-cash working capital and capital expenditure obligations		34,887	8,641
Assumed mortgages ⁽²⁾	9	477,315	14,629
Transaction costs and land transfer taxes		69,974	38,378
Assumed ground lease liabilities ⁽³⁾		10,142	2,293
Total cost of acquisitions		\$ 2,000,883	\$ 663,671

(1) For the nine months ended September 30, 2021, this is net of cash acquired of \$39,609.

(2) Excludes fair value adjustments on mortgages assumed of \$7,035, which are included in transaction costs.

(3) Related to the Pan-European logistics portfolio acquired during the prior quarter.

Note 6

EQUITY ACCOUNTED INVESTMENTS

On July 1, 2021, the Trust effectively transferred control of 18 investment properties in the United States ("U.S.") and transferred the associated mortgages to a private open-ended U.S. industrial fund (the "U.S. Fund"), for cash consideration and receipt of shares of a subsidiary of the U.S. Fund (see Note 8).

A subsidiary of Dream Asset Management Corporation ("DAM"), the Trust's asset manager, will be the investment manager of the U.S. Fund and the Trust will continue to pay fees on its interest in the U.S. Fund under its current asset management agreement with DAM. A subsidiary of the Trust will provide property management, construction management and leasing services to the U.S. Fund at market rates (see Note 19).

As part of the Transaction, the Trust earned a fee of \$1,697 for administering the properties on behalf of the U.S. Fund until legal title transferred on July 30, 2021. The Trust has included this fee in interest, fee income and other in the condensed consolidated statements of comprehensive income.

In accordance with IAS 28, "Investments in Associates and Joint Ventures", the Trust has determined that it exerts significant influence over the U.S. Fund and, accordingly, has applied the equity method of accounting on its investment in the U.S. Fund effective July 1, 2021.

Equity accounted investment continuity of the U.S. Fund

	Nine months ended September 30, 2021
Capital contributions	\$ 75,216
Share of net income	13,031
Foreign currency translation adjustments	1,830
Balance, end of period	\$ 90,077
Ownership as a percentage of total shares outstanding of the U.S. Fund, end of period	24.5%

Equity accounted investment of development project in the U.S.

As at September 30, 2021, management had committed to a plan to sell the Trust's 80% interest in a development project in the U.S. totalling \$19,556 (December 31, 2020 - \$9,034) and has reclassified its equity accounted investment in this project to assets held for sale (see Note 8).

Note 7

OTHER NON-CURRENT ASSETS

	Note	September 30, 2021	December 31, 2020
Property and equipment and other		\$ 1,507	\$ 673
Fair value of interest rate swaps		74	—
Fair value of cross-currency interest rate swaps	21	10,547	—
Total		\$ 12,128	\$ 673

Note 8

ASSETS HELD FOR SALE AND DISPOSITIONS

Assets held for sale

As at September 30, 2021, the Trust classified three wholly owned investment properties (see Note 4) and the Trust's 80% equity accounted investment in a development project (see Note 6) totalling \$68,936 as assets held for sale.

As at September 30, 2021, management had committed to a plan to sell the remaining two wholly owned investment properties in the U.S. and the Trust's 80% interest in a development project in the U.S. to the U.S. Fund and the sales of these properties were considered to be highly probable. Furthermore, management had also committed to a plan to sell to a third party a property located in the Western Canada region.

As at December 31, 2020, there were no investment properties classified as assets held for sale.

Dispositions

On July 1, 2021, the Trust effectively transferred control of 18 investment properties in the U.S. and the associated mortgages to the U.S. Fund, for total cash consideration of \$231,326 received on July 30, 2021, and on the same day received shares of a subsidiary of the U.S. Fund representing a 24.5% ownership, with a fair value of \$75,216 (the "Transaction"). As a result of the Transaction, a loss of \$5,364 was recorded, which is the difference between the carrying value and the fair value of the associated mortgages transferred and is included in debt settlement costs in the condensed consolidated statements of comprehensive income. The sale of the investment properties resulted in a deferred taxes recovery totalling \$12,778 and the recognition of a current tax expense of \$16,589 during the quarter. No incentive fee or brokerage fee was payable by the Trust as a result of the sale.

Note 9

DEBT

	September 30, 2021	December 31, 2020
Mortgages ⁽¹⁾	\$ 577,807	\$ 820,964
Unsecured revolving credit facility ⁽¹⁾	(670)	(662)
Unsecured term loan ⁽¹⁾⁽²⁾	190,594	190,289
Debentures ⁽¹⁾	1,045,250	248,339
Total debt	1,812,981	1,258,930
Less: Current portion	(27,758)	(130,157)
Non-current debt	\$ 1,785,223	\$ 1,128,773

(1) Net of unamortized financing costs and unamortized fair value adjustments, as applicable.

(2) The unsecured term loan is denominated in U.S. dollars, and is translated into Canadian dollars at the foreign exchange rate in accordance with the Trust's accounting policy.

Continuity of total debt

The following tables provide a continuity of total debt for the nine months ended September 30, 2021 and year ended December 31, 2020:

		September 30, 2021				
	Note	Mortgages	Unsecured revolving credit facility	Unsecured term loan	Debentures	Total
Total debt as at January 1, 2021		\$ 820,964	\$ (662)	\$ 190,289	\$ 248,339	\$ 1,258,930
Cash items:						
Borrowings		—	—	—	799,800	799,800
Lump sum repayments		(433,651)	—	—	—	(433,651)
Principal repayments		(14,375)	—	—	—	(14,375)
Financing cost additions		—	(560)	—	(3,365)	(3,925)
Non-cash items:						
Debt assumed on acquisition of investment properties	5	477,315	—	—	—	477,315
Fair value adjustments on debt assumed		7,035	—	—	—	7,035
Debt classified as liabilities related to assets held for sale	8	(275,932)	—	—	—	(275,932)
Foreign currency translation adjustments		(4,231)	—	135	—	(4,096)
Other adjustments ⁽¹⁾		682	552	170	476	1,880
Total debt as at September 30, 2021		\$ 577,807	\$ (670)	\$ 190,594	\$ 1,045,250	\$ 1,812,981

(1) Includes amortization and write-off of financing costs of \$1,739 and 1,065, respectively, and amortization and write-off of fair value adjustments on assumed debt of \$(924).

	Note	Mortgages	Unsecured revolving credit facility ⁽¹⁾	Unsecured term loan	Debentures	Total
Total debt as at January 1, 2020		\$ 1,015,143	\$ (575)	\$ —	\$ —	\$ 1,014,568
Cash items:						
Borrowings		—	91,095	196,410	250,000	537,505
Lump sum repayments		(180,799)	(90,055)	—	—	(270,854)
Principal repayments		(22,733)	—	—	—	(22,733)
Financing cost additions		—	(1,014)	(719)	(1,669)	(3,402)
Non-cash items:						
Debt assumed on acquisition of investment properties	5	14,629	—	—	—	14,629
Foreign currency translation adjustments		(6,116)	(1,040)	(5,430)	—	(12,586)
Other adjustments ⁽²⁾		840	927	28	8	1,803
Total debt as at December 31, 2020		\$ 820,964	\$ (662)	\$ 190,289	\$ 248,339	\$ 1,258,930

(1) Amounts drawn against the secured revolving credit facility during the period from January 1, 2020 to June 11, 2020 were denominated in both Canadian and U.S. dollars. Amounts drawn against the unsecured revolving credit facility during the period from June 12, 2020 to December 31, 2020 were denominated in Canadian dollars, U.S. dollars and euros. U.S. dollar amounts and euros have been converted at the respective foreign exchange rates in accordance with the Trust's accounting policy.

(2) Includes amortization and write-off of financing costs of \$2,150 and amortization of fair value adjustments on assumed debt of \$(347).

Mortgages

During the three months ended September 30, 2021, the Trust discharged ten Canadian mortgages totalling \$263,716 with a weighted average face interest rate of 3.54%. The Trust incurred debt settlement costs of \$18,667 in relation to the early discharge of these mortgages. In addition, the Trust incurred an additional \$1,523 of debt settlement costs in relation to the transfer of mortgages to the U.S. Fund. The balance of the debt settlement costs was relating to unamortized financing costs and loss associated with mark-to-market of mortgages transferred to the U.S. Fund totalling \$8,320.

During the nine months ended September 30, 2021, the Trust discharged mortgages in Canada, Europe and the U.S. totalling \$433,651, with a weighted average face interest rate of 3.58%. The Trust incurred debt settlement costs (including write-off of unamortized financing costs and debt fair value adjustment) totalling \$31,569 in relation to the early discharge of mortgages and the disposition of the U.S. properties.

Unsecured revolving credit facility

On May 14, 2021, the Trust amended the US\$250,000 unsecured revolving credit facility to a \$350,000 unsecured revolving credit facility and increased the accordion option limit from US\$35,000 to \$150,000 in additional borrowing capacity. No changes were made to the currencies available or interest rates. The facility bears interest at Canadian bankers' acceptance rates ("BA rates") plus 1.45% or Canadian prime rate plus 0.45% on Canadian dollar draws, U.S. LIBOR rate plus 1.45% or U.S. base rate plus 0.45% on U.S. dollar draws, or euro LIBOR rate plus 1.45% on euro draws. The term of the amended facility has been extended from January 14, 2022 to May 14, 2024.

As at September 30, 2021, there were no amounts drawn on the unsecured revolving credit facility other than a letter of credit totalling \$2,472, bringing the availability to \$347,528. As at December 31, 2020, there were no amounts drawn on the unsecured revolving credit facility and the availability was \$318,300.

Debentures

On June 17, 2021, the Trust closed a private placement offering of \$800,000 aggregate principal amount of unsecured debentures (the "Offering") for aggregate gross proceeds to the Trust of \$799,800 consisting of a \$200,000 reopening of the 1.662% Series A Debentures maturing on December 22, 2025 (the "Series A Debentures"), \$200,000 of three-month Canadian Dollar Offered Rate ("CDOR") plus 0.35% Series B Debentures maturing on June 17, 2024 (the "Series B Debentures") and \$400,000 of 2.057% Series C Debentures maturing on June 17, 2027 (the "Series C Debentures" or "Green Bonds") (collectively, the "Debentures"). The Series A Debentures, the Series B Debentures and the Green Bonds were rated BBB with a Stable Trend by DBRS Limited.

The Debentures issued are direct senior unsecured obligations of the Trust and are ranked equally and rateably with all other unsecured and unsubordinated indebtedness of the Trust, except to the extent prescribed by law.

During the prior quarter, the Trust entered into separate cross-currency interest rate swap arrangements to swap the proceeds of the Offering to euros on each series of Debentures (see Note 21).

Series A Debentures

The Series A Debentures were reopened and issued at a price of \$999 per \$1,000 principal amount (plus accrued interest from December 22, 2020), bear interest at a rate of 1.662% per annum and mature on December 22, 2025. The Series A Debentures will have the same terms and conditions, and constitute part of the same series, as the \$250,000 aggregate principal amount of the Series A Debentures issued by the Trust on December 22, 2020, except for their date of issue and price to the public and except that they will not initially be fungible with the Series A Debentures issued on December 22, 2020. The Series A Debentures offered hereby will initially have a different CUSIP number from the Series A Debentures issued on December 22, 2020, but on or about October 18, 2021, the Series A Debentures offered will form part of a single series with, and have the same CUSIP number as the Series A Debentures issued on December 22, 2020. Interest is payable on the Series A Debentures on June 22 and December 22 of each year. The Series A Debentures are redeemable at the option of the Trust in whole or in part at any time and from time to time prior to maturity in accordance with the terms and conditions of the agreement. Total financing costs related to the Series A Debentures reopening totalled \$841.

Series B Debentures

The Series B Debentures were issued at a price equal to \$1,000 per \$1,000 principal amount, bear interest at a rate per annum equal to the Reference Rate Index for Canadian dollar bankers' acceptances with maturities of three months (three-month CDOR) plus 0.35%, and will mature on June 17, 2024. Interest is payable on the Series B Debentures, and the Reference Rate Index will be adjusted on March 17, June 17, September 17 and December 17 of each year. The Series B Debentures are redeemable at the option of the Trust in whole or in part at any time and from time to time prior to maturity in accordance with the terms and conditions of the agreement. Total financing costs related to the Series B Debentures offering totalled \$841.

Series C Debentures (Green Bonds)

The Series C Debentures were issued at a price equal to \$1,000 per \$1,000 principal amount, bear interest at a rate of 2.057% per annum and will mature on June 17, 2027. Interest is payable on the Series C Debentures on June 17 and December 17 of each year, commencing December 17, 2021. The Series C Debentures are redeemable at the option of the Trust in whole or in part at any time and from time to time prior to maturity in accordance with the terms and conditions of the agreement. Total financing costs related to the Series C Debentures offering totalled \$1,683.

Debt weighted average effective interest rates and maturity profile

As at September 30, 2021, the weighted average effective interest rate on total debt was 1.76% (December 31, 2020 – 3.07%). The effective interest rate includes the impact of fair value adjustments on assumed debt and financing costs but excludes the impact of cross-currency interest rate swaps.

The scheduled principal repayments and debt maturities are as follows:

	Debt balance due at maturity	Scheduled principal repayments on debt maturing in future periods	Amount
Remainder of 2021	\$ —	\$ 2,237	\$ 2,237
2022	33,553	9,338	42,891
2023	266,279	6,353	272,632
2024	499,857	3,300	503,157
2025	507,380	2,697	510,077
2026–2030	469,118	10,558	479,676
Total	\$ 1,776,187	\$ 34,483	\$ 1,810,670
Unamortized financing costs			(4,039)
Unamortized fair value adjustments			6,350
Total debt			\$ 1,812,981

Note 10

SUBSCRIPTION RECEIPTS

On May 31, 2021, the Trust closed on its offering to sell subscription receipts of the Trust (the “Subscription Receipts”) pursuant to a prospectus supplement to the Trust’s base shelf prospectus on a bought deal basis at a price of \$13.70 per Subscription Receipt (the “Offering”). The syndicate of underwriters elected to exercise its over-allotment option to purchase in full, resulting in a total of 20,987,500 Subscription Receipts being issued for total gross proceeds of \$287,529. Concurrently on the same day, the Subscription Receipts issued pursuant to the Offering commenced trading on the Toronto Stock Exchange under the ticker symbol DIR.R. The net proceeds from the sale of the Subscription Receipts (the “Escrowed Proceeds”) totalling \$281,778 (after deducting 50% of the underwriting fees) were held by the subscription receipt agent pending the fulfillment or waiver of all outstanding conditions precedent to closing of the Acquisition (other than the payment of the consideration for the Acquisition).

Cash distributions by the Trust on its REIT Units are payable on a monthly basis on or about the 15th of each month. The first distribution equivalent payment that purchasers of Subscription Receipts under the Offering were entitled to receive was paid from the Escrowed Proceeds on June 15, 2021 totalling \$1,224, to Subscription Receipt holders of record as of May 31, 2021.

On June 24, 2021, all the escrow release conditions relating to the Trust’s Subscription Receipts were satisfied, and one REIT Unit of the Trust was issued for each issued and outstanding Subscription Receipt without payment of additional consideration. The net proceeds from the sale of the Subscription Receipts totalling \$274,818 (net of the underwriters’ fee totalling \$11,501 and distributions paid of \$1,224, offset by \$14 of interest earned on Escrowed Proceeds) were released from escrow on June 25, 2021. The Subscription Receipts were delisted from the Toronto Stock Exchange after the close of markets on June 24, 2021 and the REIT Units issued in exchange for the Subscription Receipts commenced trading on the Toronto Stock Exchange on June 25, 2021 under the symbol “DIR.UN”. The Subscription Receipts were classified as a fair value through profit or loss liability on the consolidated balance sheet, and immediately prior to the conversion of the Subscription Receipts into REIT Units, the Trust recorded a fair value loss on the Subscription Receipts of \$37,635 (see Note 12), resulting in the 20,987,500 Subscription Receipts balance being transferred to an issue of unitholders’ equity at \$317,751 (see Note 16). The remaining 50% of the underwriters’ fee along with other issuance costs totalling \$6,204 were charged to unitholders’ equity (see Note 16).

Note 11

INVESTMENT PROPERTIES REVENUE

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Rental income		\$ 65,160	\$ 50,208	\$ 179,190	\$ 148,147
Recoveries revenue		9,929	8,805	30,597	26,476
Property management and other income	19	743	—	743	—
Total		\$ 75,832	\$ 59,013	\$ 210,530	\$ 174,623

Note 12

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Unrealized remeasurement of carrying value of subsidiary redeemable units		\$ (17,068)	\$ (11,687)	\$ (56,583)	\$ 33,950
Unrealized remeasurement of carrying value of deferred trust units		(1,147)	(710)	(3,982)	791
Unrealized remeasurement of interest rate swaps		943	306	4,083	(6,415)
Loss on conversion of Subscription Receipts	10	—	—	(37,635)	—
Gain on fair value adjustment on interest rate swap		1,212	—	1,212	—
Unrealized remeasurement of cross-currency interest rate swap		—	(257)	—	(257)
Total gain (loss) and unrealized fair value adjustments to financial instruments		\$ (16,060)	\$ (12,348)	\$ (92,905)	\$ 28,069
Realized fair value adjustment on foreign exchange swaps		—	—	—	(3,415)
Realized fair value adjustment on cross-currency interest rate swaps		—	920	—	920
Total		\$ (16,060)	\$ (11,428)	\$ (92,905)	\$ 25,574

Note 13

NET LOSS ON TRANSACTIONS AND OTHER ACTIVITIES

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Internal leasing costs	\$ (861)	\$ (796)	\$ (2,661)	\$ (2,295)
Foreign exchange gain (loss)	(1,071)	(1,362)	(1,908)	1,113
Depreciation of property and equipment	(4)	(5)	(13)	(14)
Transaction costs on sale of investment properties	(2,063)	—	(2,063)	—
Total	\$ (3,999)	\$ (2,163)	\$ (6,645)	\$ (1,196)

Note 14

ACCUMULATED OTHER COMPREHENSIVE INCOME

	Nine months ended September 30,					
	2021			2020		
	Opening balance January 1	Net change during the period	Closing balance September 30	Opening balance January 1	Net change during the period	Closing balance September 30
Unrealized gain (loss) on foreign currency translation of foreign operations, net of taxes	\$ 21,909	\$ (22,023)	\$ (114)	\$ (435)	\$ 29,097	\$ 28,662
Unrealized gain (loss) on hedge of net investment, net of taxes ⁽¹⁾	(3,399)	14,267	10,868	—	—	—
Unrealized loss on cash flow hedge, net of taxes ⁽¹⁾	(435)	—	(435)	—	—	—
Unrealized loss on interest portion of hedging derivatives, net of taxes ⁽¹⁾	(220)	(6,693)	(6,913)	—	—	—
Share of other comprehensive income (loss) from equity accounted investment	(234)	1,874	1,640	—	193	193
Accumulated other comprehensive income	\$ 17,621	\$ (12,575)	\$ 5,046	\$ (435)	\$ 29,290	\$ 28,855

(1) As at September 30, 2021, taxes were \$nil.

Note 15

DISTRIBUTIONS

Dream Industrial REIT's Declaration of Trust, as amended and restated, provides the Board of Trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Monthly distribution payments to unitholders are payable on or about the 15th day of the following month.

The Trust declared distributions per REIT Unit of \$0.175 and \$0.525, respectively, in each of the three and nine months ended September 30, 2021 and September 30, 2020.

The following table summarizes distributions paid and payable for the nine months ended September 30, 2021 and September 30, 2020:

	Nine months ended September 30,	
	2021	2020
Paid in cash ⁽¹⁾	\$ (75,911)	\$ (69,763)
Paid by way of reinvestment in REIT Units ⁽²⁾	(22,726)	(8,537)
Less: Payable at December 31, 2020/December 31, 2019	8,905	7,878
Plus: Payable at September 30, 2021/September 30, 2020	(12,383)	(8,907)
Total distributions paid and payable	\$ (102,115)	\$ (79,329)

(1) Excludes the May 31, 2021 distributions paid to Subscription Receipt holders on June 15, 2021.

(2) Excludes REIT Units issued under the DRIP for LP B Units.

The following table summarizes our monthly distributions paid and payable subsequent to September 30, 2021:

Date distribution announced	Record date	Date distribution was paid or is payable	Distribution per REIT A Unit	Total cash distributions paid	Total DRIP distributions
September 21, 2021	September 2021	October 15, 2021	\$ 0.05833	\$ 9,176	\$ 3,207 ⁽¹⁾

(1) \$3,207 distributions along with \$96 bonus distributions were reinvested in an additional 200,048 REIT Units (including 3% bonus distributions on Units reinvested pursuant to the DRIP).

On October 20, 2021, the Trust announced its October 2021 monthly distribution in the amount of \$0.05833 per Unit. The October 2021 distributions will be payable on November 15, 2021 to unitholders on record as at October 29, 2021.

Note 16

EQUITY

Public offerings of REIT Units

The following table summarizes the public offerings of REIT Units issued for the nine months ended September 30, 2021 and September 30, 2020. Total costs related to the offerings were charged directly to unitholders' equity.

Date of public offering	Nine months ended September 30, 2021			
	Number of REIT Units	Unit price	Gross proceeds	Issue costs
January 29, 2021 ⁽¹⁾	20,240,000	\$ 12.80	\$ 259,072	\$ 11,062
April 26, 2021 ⁽²⁾	14,858,000	13.55	201,326	8,703
June 25, 2021 ⁽³⁾	20,987,500	13.70	287,529	6,204
Total	56,085,500	\$	747,927	\$ 25,969

(1) Includes 2,640,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

(2) Includes 1,938,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

(3) Subscription Receipts were issued on May 31, 2021 and exchanged for REIT Units on June 25, 2021. Includes 2,737,500 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

Date of public offering	Nine months ended September 30, 2020			
	Number of REIT Units	Unit price	Gross proceeds	Issue costs
February 12, 2020 ⁽¹⁾	16,859,000	\$ 13.65	\$ 230,125	\$ 9,892

(1) Includes 2,199,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters.

Subscription Receipts conversion to REIT Units

On June 24, 2021, the Subscription Receipts were delisted from the Toronto Stock Exchange after the close of markets, and the REIT Units issued in exchange for the Subscription Receipts commenced trading on the Toronto Stock Exchange on June 25, 2021 under the symbol "DIR.UN". Fifty percent of the underwriters' fee for the offering of Subscription Receipts was paid on May 31, 2021, being the closing date of the offering of Subscription Receipts. The remaining 50% of the underwriters' fee was paid on June 25, 2021 following completion of the Acquisition and, along with other issuance costs totalling \$6,204, was charged to unitholders' equity.

At-the-Market Equity Program ("ATM Program")

On February 26, 2021, the Trust filed a prospectus supplement to establish an ATM Program that would allow the Trust to issue REIT Units up to an aggregate sale price of \$200,000 to the public from time to time at prevailing market prices, directly on the TSX or on other marketplaces to the extent permitted. As at September 30, 2021, 1,889,300 REIT Units have been issued under this ATM Program at a weighted average price of \$16.81 per REIT Unit for gross proceeds of \$31,752. Total costs related to the issuance of these REIT Units amounted to \$635 and was charged directly to unitholders' equity.

Short form base shelf prospectus

On October 15, 2019, the Trust filed and obtained a receipt for a final short form base shelf prospectus dated October 11, 2019, which is valid for a 25-month period, during which time the Trust may, from time to time, offer and issue REIT Units, Subscription Receipts and debt securities, or any combination thereof, having an aggregate offering price of up to \$2,000,000. As at September 30, 2021, \$1,182,421 of REIT Units have been issued under the current base shelf prospectus. Subsequent to quarter-end, the Trust issued a further \$296,893 of REIT Units under the current base shelf prospectus, bringing the cumulative total to \$1,479,314 (see Note 23).

Distribution Reinvestment Plan and Unit Purchase Plan

The Distribution Reinvestment Plan ("DRIP") allows holders of REIT Units or subsidiary redeemable units, other than unitholders who are resident of or present in the U.S., to elect to have all cash distributions from Dream Industrial REIT reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 3% of each cash distribution that is reinvested. The reinvestment price per Unit is calculated by reference to a five-day weighted average closing price of the REIT Units on the TSX preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

Note 17

SUPPLEMENTARY CASH FLOW INFORMATION

The components of other adjustments under operating activities include:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Change in straight-line rent	4	\$ (643)	\$ (224)	\$ (1,456)	\$ (1,411)
Deferred unit compensation expense		761	468	2,482	1,667
Deferred income tax expense (recovery)		(7,259)	5,563	2,901	6,891
Interest on subsidiary redeemable units		3,246	3,246	9,739	9,804
Foreign exchange loss (gain)	13	1,071	1,362	1,908	(1,113)
Costs on sale of investment properties		2,063	—	2,063	2
Total other adjustments		\$ (761)	\$ 10,415	\$ 17,637	\$ 15,840

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Decrease (increase) in amounts receivable	\$ (560)	\$ 4,622	\$ (2,723)	\$ (2,215)
Decrease (increase) in prepaid expenses and other assets	2,620	(1,873)	(233)	(1,722)
Decrease (increase) in other non-current assets	3	(21)	245	28
Increase (decrease) in amounts payable and accrued liabilities	(10,067)	(2,960)	(12,710)	669
Increase (decrease) in other non-current liabilities	275	(85)	9,016	1,199
Increase in current tax liability	15,882	—	15,882	—
Change in non-cash working capital	\$ 8,153	\$ (317)	\$ 9,477	\$ (2,041)

Note 18

SEGMENTED INFORMATION

For the nine months ended September 30, 2021 and September 30, 2020, the Trust's reportable operating segments of its investment properties and results of operations were segmented into the following geographic components: Ontario, Québec, Western Canada, Europe and the U.S.

The chief operating decision-maker, determined to be the Chief Executive Officer of the Trust, considers the operating performance of its retained interest in the U.S. portfolio that was sold to the U.S. Fund when assessing the operating performance of the U.S. segment. Accordingly, effective July 1, 2021, the Trust's segmented income included the Trust's share of net rental income from the equity accounted investment while fair value adjustments on investment properties and internal leasing costs included in net loss on transactions and other activities excludes the equity accounted investment in the U.S. segment.

The chief operating decision-maker also considers the performance of assets held for sale (except for those where the Trust will continue to retain an interest) and disposed properties separately from the investment properties in the geographic segments, and discontinued operations (as applicable) separately from the segmented income in the geographic segments.

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

Three months ended September 30, 2021	Ontario	Québec	Western Canada	Europe	U.S.	Segment total	Other ⁽¹⁾	Total
Investment properties revenue	\$ 18,534	\$ 13,444	\$ 16,383	\$ 26,001	\$ 3,811	\$ 78,173	\$ (2,341)	\$ 75,832
Investment properties operating expenses	(4,202)	(2,920)	(5,798)	(2,673)	(841)	(16,434)	312	(16,122)
Net rental income (segmented income)	\$ 14,332	\$ 10,524	\$ 10,585	\$ 23,328	\$ 2,970	\$ 61,739	\$ (2,029)	\$ 59,710
Fair value adjustments on investment properties ⁽²⁾	\$ 109,214	\$ 30,541	\$ 9,901	\$ 13,233	\$ (29)	\$ 162,860	\$ (408)	\$ 162,452
Net loss on transactions and other activities ⁽³⁾	(284)	(76)	(423)	(78)	—	(861)	(3,138)	(3,999)

(1) Other includes the reversal of net rental income from the equity accounted investment included in segmented income, net property management and other income, and items included in net gain (loss) on transactions and other activities that were not segmented.

(2) During the three months ended September 30, 2021, the Trust wrote off transaction costs associated with acquisitions in Ontario, Québec and Europe totalling \$12,395 and included in fair value adjustments on investment properties. The U.S. segment excludes the equity accounted investment.

(3) Net loss on transactions and other activities allocated to the geographic segments represents internal leasing costs. The U.S. segment excludes the equity accounted investment.

Three months ended September 30, 2020	Ontario	Québec	Western Canada	Europe	U.S.	Segment total	Other ⁽¹⁾	Total
Investment properties revenue	\$ 16,110	\$ 9,309	\$ 15,431	\$ 5,463	\$ 12,699	\$ 59,012	\$ 1	\$ 59,013
Investment properties operating expenses	(4,700)	(2,410)	(5,366)	(588)	(3,693)	(16,757)	(4)	(16,761)
Net rental income (segmented income)	\$ 11,410	\$ 6,899	\$ 10,065	\$ 4,875	\$ 9,006	\$ 42,255	\$ (3)	\$ 42,252
Fair value adjustments on investment properties	\$ 27,147	\$ 14,697	\$ (582)	\$ 2,118	\$ 22,934	\$ 66,314	\$ —	\$ 66,314
Net loss on transactions and other activities ⁽²⁾	(240)	(152)	(404)	—	—	(796)	(1,367)	(2,163)

(1) Other includes properties sold and properties originally held for sale and subsequently sold during the prior year that were not presented separately as discontinued operations. Furthermore, other includes items within net gain (loss) on transactions and other activities that were not segmented.

(2) Net loss on transactions and other activities allocated to the geographic segments represents internal leasing costs.

Nine months ended September 30, 2021	Ontario	Québec	Western Canada	Europe	U.S.	Segment total	Other ⁽¹⁾	Total
Investment properties revenue	\$ 54,482	\$ 36,524	\$ 49,310	\$ 43,798	\$ 28,757	\$ 212,871	\$ (2,341)	\$ 210,530
Investment properties operating expenses	(14,029)	(9,256)	(17,617)	(5,189)	(7,284)	(53,375)	312	(53,063)
Net rental income (segmented income)	\$ 40,453	\$ 27,268	\$ 31,693	\$ 38,609	\$ 21,473	\$ 159,496	\$ (2,029)	\$ 157,467
Fair value adjustments on investment properties ⁽²⁾	\$ 328,632	\$ 94,070	\$ 14,563	\$ (9,748)	\$ 17,061	\$ 444,578	\$ (408)	\$ 444,170
Net loss on transactions and other activities ⁽³⁾	(813)	(427)	(1,147)	(231)	(43)	(2,661)	(3,984)	(6,645)

(1) Other includes the reversal of net rental income from the equity accounted investment included in segmented income, net property management and other income, and items included in net gain (loss) on transactions and other activities that were not segmented.

(2) During the nine months ended September 30, 2021, the Trust wrote off transaction costs associated with acquisitions in Canada, Europe and the U.S. totalling \$69,974 and included in fair value adjustments on investment properties. The U.S. segment excludes the equity accounted investment.

(3) Net loss on transactions and other activities allocated to the geographic segments represents internal leasing costs. The U.S. segment excludes the equity accounted investment.

Nine months ended September 30, 2020	Ontario	Québec	Western Canada	Europe	U.S.	Segment total	Other ⁽¹⁾	Total
Investment properties revenue	\$ 47,800	\$ 28,041	\$ 47,965	\$ 12,938	\$ 37,879	\$ 174,623	\$ —	\$ 174,623
Investment properties operating expenses	(14,111)	(7,390)	(17,281)	(1,143)	(10,304)	(50,229)	(23)	(50,252)
Net rental income (segmented income)	\$ 33,689	\$ 20,651	\$ 30,684	\$ 11,795	\$ 27,575	\$ 124,394	\$ (23)	\$ 124,371
Fair value adjustments on investment properties ⁽²⁾	\$ 24,427	\$ 13,683	\$ (12,277)	\$ (17,843)	\$ 20,234	\$ 28,224	\$ —	\$ 28,224
Net gain (loss) on transactions and other activities ⁽³⁾	(750)	(487)	(1,058)	—	—	(2,295)	1,099	(1,196)

(1) Other includes properties sold and properties originally held for sale and subsequently sold during the prior year that were not presented separately as discontinued operations. Furthermore, other includes items within net gain (loss) on transactions and other activities that were not segmented.

(2) During the nine months ended September 30, 2020, the Trust wrote off transaction costs totalling \$30,152 included in fair value adjustments on investment properties.

(3) Net gain (loss) on transactions and other activities allocated to the geographic segments represent internal leasing costs.

Investment properties and equity accounted investment

Nine months ended September 30, 2021	Ontario	Québec	Western Canada	Europe	U.S.	Segment total	Other ⁽¹⁾	Total
Investment properties ⁽²⁾	\$ 1,540,970	\$ 864,196	\$ 634,472	\$ 2,010,718	\$ 48,010	\$ 5,098,366	\$ (49,380)	\$ 5,048,986
Capital expenditures ⁽³⁾	7,444	11,988	7,467	2,167	2,437	31,503	—	31,503
Equity accounted investment	—	—	—	—	90,077	90,077	—	90,077

(1) Includes assets held for sale.

(2) The Ontario segment includes \$50,420 of properties held for development. The U.S. segment excludes equity accounted investment.

(3) Includes building improvements and initial direct leasing costs and lease incentives. The Ontario segment includes \$557 of capitalized interest and other pre-development costs. The U.S. segment excludes the equity accounted investment.

Year ended December 31, 2020	Ontario	Québec	Western Canada	Europe	U.S.	Total
Investment properties	\$ 1,076,343	\$ 493,228	\$ 613,301	\$ 473,341	\$ 585,388	\$ 3,241,601
Capital expenditures ⁽¹⁾	6,906	3,009	4,989	1,291	2,340	18,535

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

Note 19

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dream Industrial REIT and its subsidiaries enter into transactions and arrangements with related parties, generally conducted on a cost-recovery basis or under normal commercial terms. As at September 30, 2021, management had committed to a plan to sell the remaining two wholly owned investment properties and the Trust's 80% interest in a development project in the U.S. to the Fund (see Note 8).

Agreements with DAM

The following table summarizes our fees paid to or received from DAM, including both continuing and discontinued operations, for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Incurred under the Asset Management Agreement:				
Asset management fee (included in general and administrative expenses)	\$ (2,543)	\$ (1,532)	\$ (6,205)	\$ (4,457)
Acquisition fee (included in investment properties)	(1,012)	(430)	(9,815)	(3,178)
Capital expenditures fee	(330)	—	(330)	—
Expense reimbursements related to financing arrangements	(194)	(198)	(627)	(714)
Total costs incurred under the Asset Management Agreement	\$ (4,079)	\$ (2,160)	\$ (16,977)	\$ (8,349)
Total costs reimbursed under the Shared Services and Cost Sharing Agreement	\$ (256)	\$ (200)	\$ (549)	\$ (993)

The Asset Management Agreement (“AMA”) with DAM provides for an incentive fee payable in an amount equal to 15% of the Trust’s adjusted funds from operations per Unit as defined in the AMA, which includes gains on the disposition of any properties in the year (together, “AFFO”), in excess of the hurdle amount, which was initially set at \$0.80 per Unit and increases annually by 50% of the increase in the consumer price index (the “Hurdle Amount”). For the most recently completed fiscal year for the AMA, which ended October 3, 2020, the Hurdle Amount was \$0.86 per Unit.

The AMA has an initial term ending October 3, 2022 and is automatically renewed for further five-year terms unless and until terminated in accordance with its terms. The AMA may be terminated by DAM at any time after the initial term. Other than in respect of termination resulting from certain events of insolvency of DAM, on termination of the AMA, all accrued fees under the AMA, including the incentive fee, are payable to DAM. In such circumstances or if the Trust is acquired, the incentive fee is calculated as if all the Trust’s properties were sold on the applicable date.

Disposition gains in the AFFO calculation used for determining the incentive fee are based on the fair value of the Trust’s investment properties, at the applicable date, relative to their historic purchase price. As at September 30, 2021, the historic purchase price for the Trust’s investment properties (including assets held for sale) used in determining the incentive fee was \$4,141,555 (December 31, 2020 – \$2,641,913).

As at September 30, 2021 and December 31, 2020, no incentive fees have been paid or are payable by the Trust to DAM.

The amount of the incentive fee payable by the Trust on any date will be contingent upon various factors, including, but not limited to, changes in the Trust’s AFFO as defined in the AMA, movements in the fair value of investment properties, acquisitions and dispositions, future foreign exchange rates, and changes in the total number of outstanding Units of the Trust.

Agreement and transactions with Dream Office REIT

The following table summarizes the costs reimbursed to Dream Office REIT for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total costs reimbursed under the Services Agreement	\$ (1,290)	\$ (1,303)	\$ (4,051)	\$ (3,836)

The following table summarizes our distributions paid and payable to subsidiaries of Dream Office REIT for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Distributions paid and payable to Dream Office REIT on subsidiary redeemable units	\$ (3,246)	\$ (3,246)	\$ (9,739)	\$ (9,804)
Distributions paid and payable to Dream Office REIT on REIT Units	(1,409)	(1,540)	(4,227)	(4,760)
Distributions paid and payable to Dream Office REIT	\$ (4,655)	\$ (4,786)	\$ (13,966)	\$ (14,564)

Agreements with PAULS Corp, LLC (‘PAULS Corp’)

The following table summarizes our fees paid and costs reimbursed to an affiliate of PAULS Corp for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total costs incurred under the Property Management Agreement ⁽¹⁾	\$ (230)	\$ (418)	\$ (1,207)	\$ (1,372)
Pre-development cost recovery/development fee	(202)	(39)	(388)	(194)

(1) Amounts include financing fees, leasing fees, and cost recovery for property management and portfolio management.

Agreements with the U.S. Fund

The following table summarizes our fees earned from the U.S. Fund for the three and nine months ended September 30, 2021 and September 30, 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Total fees earned under the Property Management Agreement ⁽¹⁾	\$ 743	—	\$ 743	—

(1) Amounts include management fees, construction fees, leasing fees, and cost recovery for property management and accounting.

Amounts due from (to) related parties

	September 30, 2021	December 31, 2020
Amounts due from related parties		
Dream Office REIT	\$ —	\$ 375
DAM	25	73
U.S. Fund	743	—

	September 30, 2021	December 31, 2020
Amounts due to related parties		
DAM	\$ (4,335)	\$ (2,143)
Dream Office REIT	(452)	(1,352)
PAULS Corp	(4)	(56)

Distributions and interest payable to Dream Office REIT

	September 30, 2021	December 31, 2020
Interest payable on subsidiary redeemable units to Dream Office REIT ⁽¹⁾	\$ (1,082)	\$ (1,082)
Distributions payable to Dream Office REIT ⁽²⁾	(470)	(470)

(1) Interest payable on subsidiary redeemable units is in relation to the 18,551,855 subsidiary redeemable units held by Dream Office REIT as at September 30, 2021 and December 31, 2020.

(2) Distributions payable is in relation to the 8,052,451 REIT Units held by Dream Office REIT as at September 30, 2021 and December 31, 2020.

Note 20

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 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.

The Trust participates in a joint venture with other related parties that own a development site in Las Vegas, Nevada. Under the operating agreement, the Trust has committed to make capital contributions of US\$10,703 for the development of the project, in addition to the purchase price of the land. Since inception of the joint venture to September 30, 2021, the Trust has funded US\$9,134 (December 31, 2020 – US\$885) in development costs.

Note 21

OTHER FINANCIAL INSTRUMENTS

Cross-currency interest rate swap arrangements

The following table summarizes the Trust's cross-currency interest rate swap arrangements outstanding as at September 30, 2021:

	Euro notional amount	U.S./Canadian dollar notional amount	Maturity date	Financial instrument measurement	Fair value assets (liabilities)
Canadian dollar to euro cross-currency interest rate swap – Series A Debentures ⁽¹⁾	€ 161,499	\$ 250,000	December 22, 2025	Fair value through other comprehensive income	\$ 7,044
Canadian dollar to euro cross-currency interest rate swap – Reopening Series A Debentures ⁽²⁾	135,474	200,000	December 22, 2025	Fair value through other comprehensive income	(2,231)
Canadian dollar to euro cross-currency interest rate swap – Series B Debentures ⁽³⁾	135,750	200,000	June 17, 2024	Fair value through other comprehensive income	(1,326)
Canadian dollar to euro cross-currency interest rate swap – Series C Debentures ⁽⁴⁾	271,499	400,000	June 17, 2027	Fair value through other comprehensive income	(6,050)
U.S. dollar to euro cross-currency interest rate swap – U.S. term loan ⁽⁵⁾⁽⁶⁾	127,108	150,000	January 31, 2024	Fair value through other comprehensive income	3,503
Total	€ 831,330				\$ 940

(1) The interest rate associated with the euro notional amount is 0.489%. The interest rate associated with the Canadian dollar notional amount is 1.662%.

(2) The interest rate associated with the euro notional amount is 0.294%. The interest rate associated with the Canadian dollar notional amount is 1.662%.

(3) The interest rate associated with the euro notional amount is three-month EURIBOR plus 0.5608%. The interest rate associated with the Canadian dollar notional amount is three-month CDOR plus 0.35%.

(4) The interest rate associated with the euro notional amount is 0.547%. The interest rate associated with the Canadian dollar notional amount is 2.057%.

(5) The interest rate associated with the euro notional amount is 0.857%. The interest rate associated with the U.S. dollar notional amount is a variable rate using LIBOR plus spread.

(6) For the purpose of hedge accounting, this swap arrangement is bifurcated into a cash flow and net investment hedge.

The Trust uses the cross-currency interest rate swaps to hedge a portion of the foreign exchange risk associated with its European investments and to hedge 100% of the U.S. dollar cash flows associated with the U.S. term loan.

During the prior quarter, the Trust closed a private placement offering of \$800,000 aggregate principal amount of unsecured debentures and entered into cross-currency swap arrangements to convert the gross proceeds into euros. The Canadian dollar principal and interest obligations were swapped for euro principal and interest obligations. Economically, this is equivalent to holding euro denominated debt.

For hedge accounting purposes, the cross-currency interest rate swaps have been designated as net investment hedges. Only the spot element is included in the hedging relationship. The forward element is excluded and recognized in other comprehensive income as a transaction cost of hedging and is amortized to net income through the settlement of interest payments on the cross-currency interest rate swaps. There is an economic relationship between the hedged item (European investment) and the hedging instruments (cross-currency interest rate swaps) as the foreign exchange movements on the European investment mirror the spot exchange movements on the cross-currency interest rate swaps. The Trust has established a hedge ratio of one-to-one as the underlying risk of the hedging instrument is identical to the hedge risk component. As all critical terms matched during the nine months ended September 30, 2021, the economic relationship was effective.

For the existing Canadian dollar to U.S. dollar cross-currency interest rate swap, there is an economic relationship as the cash flows in the hedged item (U.S. term loan) mirror the U.S. cash flows in the hedging instrument (cross-currency interest rate swap). The Trust has established a hedge ratio of one-to-one, as the underlying risk of the hedging instruments is identical to the hedge risk components. As all critical terms matched during the nine months ended September 30, 2021, the economic relationship was effective.

Note 22

FAIR VALUE MEASUREMENTS

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

		Carrying value as at	Fair value as at September 30, 2021		
	Note	September 30, 2021	Level 1	Level 2	Level 3
Financial instruments at amortized cost					
Mortgages	9	\$ 577,807	\$ —	\$ —	\$ 595,517
Debentures	9	1,045,250	—	1,043,632	—

		Carrying value as at	Fair value as at December 31, 2020		
	Note	December 31, 2020	Level 1	Level 2	Level 3
Financial instruments at amortized cost					
Mortgages	9	\$ 820,964	\$ —	\$ —	\$ 871,829
Debentures	9	248,339	—	251,153	—

Amounts receivable, cash and cash equivalents, tenant security deposits, amounts payable and accrued liabilities are carried at amortized cost, which approximates fair value due to their short-term nature. The unsecured revolving credit facility and unsecured term loan are carried at amortized cost, which approximates fair value given that these financial instruments have variable interest rates. In addition, subsidiary redeemable units and Deferred Unit Incentive Plan ("DUIP") are carried at amortized cost, which approximates fair value as they are readily redeemable financial instruments.

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

The Trust measures its derivatives at fair value on a recurring basis. As at September 30, 2021, these have been classified as Level 2 in the fair value measurement hierarchy. The fair value measurements of the interest rate and cross-currency interest rate swaps are calculated internally using external data provided by qualified professionals. These are based on the present value of the estimated future cash flows determined using observable yield curves and foreign currency rates as applicable.

Note 23

SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Trust issued 566,800 REIT Units under the ATM Program at a weighted average price of \$16.29 per REIT Unit for gross proceeds of \$9,232. Total costs related to the issuance of these REIT Units amounted to \$185.

On October 22, 2021, the Trust completed a public offering of 17,434,000 REIT Units at a price of \$16.50 per REIT Unit for gross proceeds of \$287,661, including 2,274,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters. Total estimated costs related to the offering totalled approximately \$12,200.

Subsequent to September 30, 2021, the Trust completed the following acquisition:

	Fair value of investment property ⁽¹⁾	Date acquired
165 Harwood Avenue N., Ajax, Ontario	\$ 18,000	October 29, 2021
Total	\$ 18,000	

(1) Excludes transaction costs.

Corporate Information

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