dream
residential REIT

March 21, 2025

FILED VIA SEDAR+

TO: Ontario Securities Commission
British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
The Manitoba Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Registrar of Securities, Prince Edward Island
Securities Commission of Newfoundland and Labrador

Dear Sirs/Mesdames:

Dream Residential Real Estate Investment Trust (the "REIT")
Revised Annual Report and Annual Consolidated Financial Statements
SEDAR+ Project Numbers 06242175 and 06242203

We are filing a revised annual report and annual consolidated financial statements for the year ended December 31, 2024, which are to supersede the original versions that were filed with the securities regulatory authorities listed above on February 19, 2025. The original annual report was filed under SEDAR+ Project No. 06242175, and the annual consolidated financial statements were filed under SEDAR+ Project No. 06242203.

The refiling of the financial statements is a result of an administrative amendment made to the auditor's report, which does not impact the consolidated financial statements or auditor's opinion. Readers of the annual report and annual consolidated financial statements should refer to the revised version of the auditor's report in its entirety, rather than the original version contained in the documents filed on February 19, 2025. There were no other changes to the annual report and annual consolidated financial statements.

Sincerely,

Dream Residential Real Estate Investment Trust

dream
residential REIT

Dream Residential REIT

Annual Report 2024

Ascent at Lake Worth
Fort Worth, Texas

dream residential REIT

Dream Residential REIT owns and operates a portfolio of garden-style apartments, comprising 3,300 suites located primarily in the attractive Sunbelt and Midwest markets in the United States.

Our objectives include providing our unitholders with an attractive total return through disciplined capital allocation in U.S. multi-residential real estate and providing our residents with a positive living experience and environment.

Cover image: Mansions at Riverside, Tulsa, Oklahoma

Letter to Unitholders

Our operations were steady for the year. The REIT achieved healthy comparative properties NOI growth of 3.7% and delivered FFO per unit of $0.70 which was consistent with our expectations. Our business has been resilient despite a challenging market, and we have implemented a variety of initiatives to improve operating efficiency, keeping our NOI margin steady at 51.8%.

Average monthly rent ended 2024 at $1,181 per unit, or growth of 2.2% year-over-year. While growth has slowed, we have continued to outperform market benchmarks, demonstrating our adaptability as operators. Occupancy remains healthy at 93.4% and our retention rate remained a solid 56.6% for the year. We achieved one of our primary goals for 2024, by keeping our buildings well occupied despite increased competition from market supply.

2024 was a challenging year in our markets, primarily due to elevated construction deliveries. Inflation has slowly subsided, but remains above the Federal Reserve's target, keeping interest rates high. These factors have impacted our middle-of-the-middle demographic, and as a result, rent growth has been more muted than prior years. However, the U.S. housing shortage remains with few visible solutions. We see a growing renter demographic and remain optimistic in the long-term fundamentals of our properties and our markets.

We completed renovations on 196 units during the year. Returns were solid but fell below our targeted range. As a result, we lowered the velocity of our program during the year to prioritize occupancy and tenant retention. We are continuing to renovate units in Cincinnati, where demand is strong, and the economics are favourable.

In 2025, we remain focused on driving income growth, maintaining occupancy and carefully managing our operating expenses. We continue to believe in the embedded value in our portfolio, and that Dream Residential REIT is a compelling investment opportunity. We are committed to surfacing value for our unitholders and will evaluate all options to do so.

In the meantime, we continue to have a safe and flexible balance sheet, low leverage (33.0%) with minimal upcoming debt maturities (4.8-year average term to maturity), and a strong liquidity position. We will continue to monitor debt and transactional markets and evaluate opportunities to improve our debt stack and deploy capital, prudently.

Our portfolio remains defensively positioned, targeting the middle-of-the-middle demographic at an attractive price point. We are positioned well to weather any market challenges throughout 2025.

On behalf of our management team and our Board of Trustees, we thank you for your continued interest and support of our business.

Sincerely,

"Brian Pauls"

Brian Pauls
Chief Executive Officer

February 19, 2025

Council Crossing
Bethany, Oklahoma

At a Glance*

Dream Residential REIT is an unincorporated, open-ended real estate investment trust. Our investment portfolio consists of garden-style properties primarily located in three attractive, high-growth markets across the Sunbelt and Midwest regions in the United States.

$400.5 M

investment properties

3,300

units

$409.7 M

total assets

$138.9 M

total debt

33.0%

net total debt-to-net total assets[1]

93.4%

occupancy rate

Colt's Crossing
Georgetown, Kentucky

* All figures as at December 31, 2024.
(1) Net total debt-to-net total assets is a non-GAAP ratio. Net total debt-to-net total assets is comprised of net total debt (a non-GAAP financial measure) divided by net total assets (a non-GAAP financial measure). For further information on this non-GAAP ratio and non-GAAP measures, please refer to the statements under the heading "Non-GAAP Financial Measures and Ratios" in this Annual Report.

Table of Contents

Aspen Village
Broken Arrow, Oklahoma

Management's Discussion and Analysis

(All dollar amounts in our tables are presented in thousands of United States (U.S.) dollars, except for rental rates and per Unit amounts, or unless otherwise stated.)

SECTION I – OVERVIEW AND OVERALL FINANCIAL PERFORMANCE

OVERVIEW OF THE REIT

Dream Residential Real Estate Investment Trust ("Dream Residential REIT" or the "REIT") is an unincorporated, open-ended real estate investment trust established on February 24, 2022 pursuant to the REIT's Declaration of Trust under the laws of the Province of Ontario. All financial information is reported in U.S. dollars and has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") unless otherwise noted.

The operations of the REIT commenced on May 6, 2022, when it completed its initial public offering ("IPO") of 9,620,000 units of the REIT ("Trust Units") for gross proceeds of $125.1 million or $110.9 million net of underwriter fees and other transaction costs. Net proceeds of the IPO were used to fund the cash component of the purchase price for interests in a portfolio of 16 garden-style multi-residential properties (the "portfolio" or "Initial Properties") located in the United States consisting of 3,432 units, as well as for general trust purposes. On November 29, 2023, the REIT disposed of an investment property in Wichita, Kansas. As at December 31, 2024, the REIT owns a portfolio of 15 investment properties consisting of 3,300 units in total. The properties target mid-market renters and are primarily located in three attractive markets across the Sunbelt and Midwest markets in the U.S., including the Greater Dallas-Fort Worth region, Greater Oklahoma City region, and Greater Cincinnati region, which we refer to as our "Primary Markets".

OUR STRATEGY

Objectives

Our objectives are to:

- provide unitholders of the REIT ("Unitholders") with an opportunity to invest in a portfolio of residential rental real estate properties with a focus on multi-residential properties that are located in attractive U.S. markets with strong economic fundamentals;
- provide Unitholders with predictable, sustainable and tax-efficient cash distributions;
- enhance returns and increase the value of our properties by allocating capital thoughtfully, including investment in our value-add program, and creating a positive and lasting impact for our residents, fostering inclusive communities and mitigating negative effects on the environment; and
- expand our asset base across high-growth U.S. residential markets through strategic acquisition opportunities that enhance value to Unitholders.

Organic growth and value-add strategy

We have an opportunity to strategically deploy capital to reposition and modernize units in our portfolio and to increase the rental rates on these units. We leverage our in-house property management team to implement value-add and cost-saving initiatives in our portfolio. Our management team and asset managers have extensive experience executing on similar value-add initiatives. Having an internal property management team also enables us to take a disciplined approach to cost-saving initiatives at the individual property level and for the broader portfolio. We believe that our team's focus on quality, process and responsiveness enables us to be an efficient property operator, and we also expect to benefit from consolidation of vendor services for our investment properties. We believe such cost-saving initiatives support our ability to create value for Unitholders.

External growth strategy

We continue to pursue a disciplined external growth strategy that includes third-party acquisitions and investments. We expect to target multi-residential assets located in growing markets of scale that feature favourable economic and demographic trends. Based on our asset managers' experience and on-the-ground knowledge, we believe that we can identify strong assets that will outperform the market as well as underperforming assets where we can improve performance. Through data analysis, operational experience, and local knowledge, we believe we have the ability to discern and identify undervalued assets and submarkets or regions. We believe we will be able to improve the operating performance of acquired properties to enhance cash flow and net asset value growth.

Disciplined capital allocation
Over time, we intend to deploy capital into three main types of real estate investment opportunities. We refer to these three categories as: (i) “Core” / “Core+”; (ii) “Value-Add”; and (iii) “Opportunistic”. We believe that our capital allocation strategy will be effective in achieving our objectives of providing predictable and sustainable distributions while enhancing returns. Through active property and asset management, we intend to monitor the performance of our investments, the performance of the multi-residential real estate sector, and economic trends in order to allocate future capital to the investment opportunity category with the highest expected risk-adjusted return. We may selectively sell certain assets and recycle capital where we believe more attractive investment alternatives exist, subject to our assessment of the risk profile of the particular investment.

Conservative financial policy
We operate our business in a disciplined manner with a focus on maintaining a strong balance sheet and liquidity position. We intend to continue to maintain a prudent financial profile. Our debt strategy includes obtaining secured mortgage financing on a fixed rate basis. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit re-financing exposure in any particular period. We also intend to enter into long-term loans at fixed or variable rates when borrowing conditions are favourable and may seek financing from other sources of low-cost capital.

Impact and environmental, social and governance (“ESG”) focus
We will focus on generating positive returns and stable cash flows, including through the thoughtful implementation of energy and resource management programs at our investment properties. We are also committed to integrating impact and responsible ESG practices in our business to further our objective of positively impacting our communities from a social perspective.

KEY PERFORMANCE INDICATORS AT A GLANCE

Performance is measured by these and other key indicators:

	As at		
	December 31, 2024	September 30, 2024	December 31, 2023
Total portfolio			
Number of assets	**15**	15	15
Investment properties fair value	**$ 400,502**	$ 396,390	$ 398,310
Units	**3,300**	3,300	3,300
Occupancy rate – in place (period-end)	**93.4%**	93.3%	93.7%
Average in-place base rent per month per unit	**$ 1,181**	$ 1,175	$ 1,156
Estimated market rent to in-place base rent spread (%) (period-end)	**4.0%**	7.7%	8.3%

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Operating results				
Net income (loss)	**$ 4,218**	$ (12,882)	**$ 6,357**	$ (14,849)
Funds from operations (“FFO”)(1)	**3,421**	3,497	**13,867**	13,944
Net rental income	**2,732**	2,642	**25,188**	24,850
Comparative properties net operating income (“Comparative properties NOI”)(1)	**6,286**	6,140	**24,856**	23,963
Comparative properties NOI margin(2)	**52.9%**	52.1%	**51.8%**	51.7%
Per Unit amounts				
Distribution rate per Trust Unit	**$ 0.105**	$ 0.105	**$ 0.420**	$ 0.420
Diluted FFO per Unit(3)(7)	**0.17**	0.18	**0.70**	0.71

		As at
	December 31, 2024	December 31, 2023
Financing		
Net total debt-to-net total assets[4]	**33.0%**	31.6%
Average term to maturity on debt (years)	**4.8**	5.3
Interest coverage ratio[5] (times)	**2.9**	2.9
Undrawn credit facility	**$ 55,000**	$ 70,000
Available liquidity[1]	**$ 60,382**	$ 80,943
Capital		
Total number of Trust Units and Class B Units (in thousands)[8]	**19,679**	19,656
Net asset value ("NAV") per Unit[6]	**$ 13.39**	$ 13.50
Trust Unit price	**$ 6.24**	$ 6.75

(1) FFO, comparative properties NOI and available liquidity are non-GAAP financial measures. See the "Non-GAAP Financial Measures and Ratios" section for a description of these non-GAAP financial measures.
(2) Comparative properties NOI margin is a non-GAAP ratio. See the "Non-GAAP Financial Measures and Ratios" section for a description of this non-GAAP ratio.
(3) Diluted FFO per Unit is a non-GAAP ratio. See the "Non-GAAP Financial Measures and Ratios" section for a description of this non-GAAP ratio. Diluted FFO per Unit includes FFO, a non-GAAP financial measure.
(4) Net total debt-to-net total assets ratio is a non-GAAP ratio. See the "Non-GAAP Financial Measures and Ratios" section for a description of this non-GAAP ratio. Net total debt-to-net total assets ratio includes net total debt and net total assets, which are non-GAAP financial measures.
(5) Interest coverage ratio (times) is a non-GAAP ratio. See the "Non-GAAP Financial Measures and Ratios" section for a description of this non-GAAP ratio. The definition of interest coverage ratio (times) includes the trailing 12-month adjusted EBITDAFV, a non-GAAP financial measure.
(6) NAV per Unit is a non-GAAP ratio. See the "Non-GAAP Financial Measures and Ratios" section for a description of this non-GAAP ratio. The definition of NAV per Unit includes total equity (including Class B Units), a non-GAAP financial measure.
(7) See the "Supplementary Financial Measures and Other Disclosures" section under the heading "Weighted average number of Units" for a description of the determination of diluted weighted average number of Units.
(8) As at December 31, 2024, total number of Units includes 3,692,084 (December 31, 2023 – 7,011,203) Class B Units that are classified as a liability under IFRS Accounting Standards.

BUSINESS UPDATE

The REIT completed 2024 with stable operational results for both the three-month period ending December 31, 2024 ("Q4 2024") and the year ended December 31, 2024. The REIT presents the three months and year ended December 31, 2024 periods along with the comparative quarter and period for December 31, 2023. Comparative properties net operating income (a non-GAAP financial measure) for the three months and for the year ended December 31, 2024 was $6.3 million and $24.9 million, respectively, compared to $6.1 million and $24.0 million for the comparative quarter and period ended December 31, 2023, respectively. The increase was primarily driven by lease trade-outs on renewals and the impact of newly renovated units under the value-add program. For the three months ended December 31, 2024, investment properties operating expenses decreased to $5.6 million from $5.7 million in the comparative quarter, removing the impact of the property sold in Q4 2023 and recognizing property tax when the obligation is imposed under IFRIC 21. The decrease in investment properties operating expenses was due to lower payroll-related costs and maintenance and repairs, partially offset by higher utilities and property taxes. For the three months and year ended December 31, 2024, the REIT generated net rental income of $2.7 million and $25.2 million, respectively, compared to $2.6 million and $24.9 million for the comparative quarter and period.

FFO (a non-GAAP financial measure) for the three months ended December 31, 2024 and December 31, 2023 was $3.4 million and $3.5 million, respectively. FFO decreased slightly over the comparative quarter due to increased general and administrative expenses and decreased interest and other income, partially offset by increased comparative properties NOI. For the three months ended December 31, 2024, net income (loss) was $4.2 million, compared to $(12.9) million for the comparative quarter. The increase in the net income (loss) from the three months ended December 31, 2023 was primarily due to the increase in fair value adjustments to investment properties of $13.6 million and the increase in fair value adjustments to financial instruments of $2.8 million. The remaining difference was mainly driven by higher comparative NOI, debt settlement costs in Q4 2023 from the sale of a property, the lower interest expense on the Class B Units this quarter as a result of Class B Units that were redeemed on a one-for-one basis for Trust Units on February 12, 2024 and September 5, 2024.

FFO for the year ended December 31, 2024 was $13.9 million, which is consistent with the comparative period. Increased comparative NOI was offset by higher general and administrative expenses and lower interest and other income over the comparative period. For the year ended December 31, 2024, net income (loss) was $6.4 million, compared to $(14.8) million for the comparative period. The increase from the year ended December 31, 2023 was primarily due to the increase in fair value adjustments to investment properties of $17.7 million and by the increase in fair value adjustments to financial instruments of $1.7 million. The remaining difference from the comparative period was mainly driven by higher comparative NOI, debt settlement costs from a mortgage refinancing and property sale in 2023, as well as lower interest expense on the Class B Units this quarter as a result of Class B Units that were redeemed on a one-for-one basis for Trust Units during 2024.

The REIT achieved organic growth across the portfolio during the quarter, capturing rental rate growth, while making continued progress on the implementation of its value-add initiatives. The weighted average monthly rent as at December 31, 2024 was $1,181 per unit, compared to $1,175 per unit at September 30, 2024, an increase of 0.5%.

Blended lease trade-outs averaged 1.4% for the three months ended December 31, 2024 compared to 2.5% in the comparative quarter. At December 31, 2024, estimated market rents were $1,228 per unit (September 30, 2024 – $1,266), resulting in an average gain-to-lease for the portfolio of 4.0% (September 30, 2024 – 7.7%). The REIT expects to continue to focus leasing efforts on capturing renewal rental rate lifts over time as it sets rents on expiring leases to market rates and captures higher rents on completed value-add units.

The portfolio occupancy rate was 93.4% as at December 31, 2024, compared to 93.3% as at September 30, 2024. The occupancy rate increased slightly as we continue to manage our value-add program and focus on tenant retention. For the three months ended December 31, 2024, renovations were completed on 56 units across the Greater Dallas-Fort Worth and Greater Cincinnati regions. An additional four units are currently under renovation in the Greater Cincinnati region as of December 31, 2024. For the year ended December 31, 2024, we have completed 196 units across all three regions in the portfolio. We are actively managing the timing and number of units that we plan on renovating. While we have continued to see positive returns on the value-add program, we have begun to slow down our pace of renovations in order to prioritize occupancy and focus on tenant retention. We will closely monitor the leasing conditions in our regions to determine the most favourable time to complete renovations.

The REIT ended the quarter with approximately $60.4 million of available liquidity (a non-GAAP financial measure), which comprised $5.4 million of cash and cash equivalents and $55.0 million of capacity on our revolving credit facility. Net total debt-to-net total assets ratio (a non-GAAP financial ratio) was 33.0% derived from total debt of $138.9 million and total assets of $409.7 million as at December 31, 2024. On December 31, 2024, the REIT repaid in full two mortgages totalling $15.0 million with a contractual weighted average interest rate of 4.05% by drawing on the revolving credit facility. As at December 31, 2024, the REIT's mortgages payable comprises nine fixed rate mortgages with a face value of $129.1 million and a weighted average contractual interest rate of 3.99% (fair value of $122.8 million and effective interest rate of 5.13% as at December 31, 2024).

On January 14, 2025, the Toronto Stock Exchange ("TSX") accepted a notice filed by the REIT to renew its prior normal course issuer bid ("NCIB") for a one-year period. Under the bid, the REIT has the ability to purchase for cancellation a maximum of 1,506,457 of its Trust Units (representing 10% of the REIT's public float of 15,064,579 Trust Units as of December 31, 2024) through the facilities of the TSX. The renewed bid commenced on January 16, 2025 and will remain in effect until the earlier of January 15, 2026 or the date on which the REIT has purchased the maximum number of Trust Units permitted under the bid. For the year ended December 31, 2024, there were no Trust Units purchased under its NCIB.

On February 12, 2024, a total of 3,278,128 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of $22.3 million. On September 5, 2024, an additional 40,991 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of $0.3 million.

On April 4, 2024, the REIT extended the term of its credit facility to March 28, 2027. The change did not have an impact on the REIT's current borrowing capacity.

On February 19, 2025, the REIT announced the commencement of a strategic review process for the REIT and is in the process of retaining a financial advisor.

BASIS OF PRESENTATION

This management's discussion and analysis ("MD&A") of Dream Residential REIT's results of operations and financial condition should be read in conjunction with the REIT's audited consolidated financial statements and accompanying notes for the years ended December 31, 2024 and December 31, 2023. Such consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). All dollar amounts are stated in thousands of U.S. dollars, unless otherwise noted.

For simplicity, throughout this MD&A, we make reference to the following:

- "Trust Units", meaning units of the REIT;
- "Class B Units", meaning the Class B units in the capital of DRR Holdings LLC ("Holdco LLC"), a subsidiary of the REIT; and
- "Units", meaning the Trust Units and the Class B Units.

When we use terms such as “we”, “us” and “our”, we are referring to the REIT and its subsidiaries. When we refer to “Unitholders”, we are referring to holders of the Trust Units and Class B Units.

Certain figures in this document are presented on a comparative portfolio basis. Comparative portfolio figures represent the results of investment properties that the REIT has owned in all periods presented. Sold investment properties are excluded from comparative portfolio figures.

Estimated market rents disclosed throughout this MD&A are management’s estimates and are based on current period leasing fundamentals. This determination is based on a number of factors, including an assessment of local market conditions, supply and demand, and the volume of recent leasing activity at each property in our portfolio, as well as the competitive market landscape, which is analyzed using an industry standard lease management software system. The current estimated market rents are at a point in time and are subject to change based on future market conditions.

The board of trustees of the REIT (the “Board of Trustees”) approved the content of this MD&A on February 19, 2025 and the MD&A is dated as of such date. Disclosure in this document is current to that date unless otherwise stated. Additional information relating to the REIT can be found on the System for Electronic Document Analysis and Retrieval+ (“SEDAR+”) at www.sedarplus.com and also on the REIT’s website at www.dreamresidentialreit.ca.

FORWARD-LOOKING DISCLAIMER

This MD&A contains statements that constitute forward-looking information within the meaning of applicable securities legislation in Canada. The forward-looking information in this MD&A is presented for the purpose of providing disclosure of the current expectations of our future events or results, having regard to current plans, objectives and proposals, and such information may not be appropriate for other purposes. Forward-looking information may also include information regarding our respective future plans or objectives and other information that does not comprise historical fact. Forward-looking information is predictive in nature and depends upon or refers to future events or conditions. Forward-looking information in this MD&A includes, but is not limited to, statements regarding the REIT’s objectives and strategies to achieve those objectives; the benefits to be derived from building improvements; the REIT’s external growth strategy; achieving strong rental rate growth as the REIT sets rents on expiring leases; the REIT’s implementation of its value-add program, including our capacity to manage such program, its expected costs, return on invested capital, expected rental premiums to result from renovations, number of units to be renovated and renovation timelines and anticipated returns therefrom; the REIT’s ability to prioritize occupancy and focus on tenant retention and results thereof; the REIT’s ability to manage seasonality; the belief that the Primary Markets will benefit from strong economic and multi-residential real estate fundamentals, and that the REIT’s properties will provide stable cash flows and face opportunities to increase rents; the usefulness of certain metrics; expectations regarding our units’ gain-to-lease potential and estimates of market rent for our properties; expectations regarding distributions; expectations regarding costs associated with remediation of properties damaged by fires and the ability to recover insurance proceeds and anticipated repair timelines; the expectation that expenses will fluctuate with changes in occupancy levels; our ability and strategy to mitigate and manage certain risks; the belief in the strength of the U.S. multi-residential real estate sector; the intention of using interest rate swap derivative instruments to manage interest rate risk; our ability to make normal course issuer bid under the renewed bid; our internal control over financial reporting; anticipated changes in accounting policies; and similar statements concerning anticipated future events, future growth and future leasing activity, including business prospects and opportunities, rent collection, future development plans, capital investments, financing, and the real estate industry in general. Forward-looking statements can generally be identified by words such as “may”, “would”, “could”, “should”, “will”, “likely”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “outlook”, “objective”, “forecast”, “project”, “budget”, “estimate”, “potential”, “continue”, “target”, and similar expressions suggesting future outcomes or events to identify forward-looking information.

Any such forward-looking information is based on information currently available to us and is based on assumptions, estimates and analyses made by us in light of our respective experiences and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct.

Certain assumptions underlying the forward-looking information in this MD&A include, but are not limited to: that no unforeseen changes in the legislative and operating framework for our business will occur, including unforeseen changes to tax laws; that we will meet our future objectives and priorities; that we will have access to adequate capital to fund our future projects and plans and that we will receive financing on acceptable terms; that our future projects and plans will proceed as anticipated; that our future level of indebtedness and our future growth potential will remain consistent with our current expectations; that the impact of the current economic climate and the current global financial conditions on our operations, including our financing capability and asset value, will remain consistent with our current expectations; that no duties, tariffs or other trade restrictions will negatively impact the REIT; that government restrictions due to a health crisis or pandemic on our ability to operate our business will not be reimposed in any material respects; that inflation and interest rates will not materially increase beyond current market expectations; that we will be able to refinance our debts as they mature; that there will be no material changes to government and environmental regulations adversely affecting our operations; and that future market and economic conditions will occur as expected. However, whether actual results and developments will conform with the expectations and predictions contained in the forward-looking information is subject to a number of risks and uncertainties, many of which are beyond our control, and the effects of which can be difficult to predict. Factors that could cause actual results or events to differ materially from those described in the forward-looking information include, but are not limited to: risks relating to the ownership of real estate; the rollover of leases; the geographic concentration of our properties and tenants; unexpected capital expenditures; financing risks; changes in interest rates; economic environment factors, including inflation and stagflation, energy costs, and geopolitical issues including war, terrorism or other acts of violence; the imposition of duties, tariffs and other trade restrictions and their impacts; international sanctions; changes in law; tax risks; competition; environmental and climate change risks; insurance; cyber security; public health risks and other factors discussed under the heading "Risks and Our Strategy to Manage" in this MD&A; and the factors discussed under the heading "Risk Factors" in the Annual Information Form of the REIT available under the REIT's profile on SEDAR+ at www.sedarplus.com. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material which could also cause actual results or future events to differ materially from those expressed in such forward-looking information. In evaluating any forward-looking information contained in this MD&A, we caution readers not to place undue reliance on any such forward-looking information.

Any forward-looking information speaks only as of the date of this MD&A. Unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking information contained in this MD&A to reflect subsequent information, events, results, circumstances or otherwise. 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.dreamresidentialreit.ca.

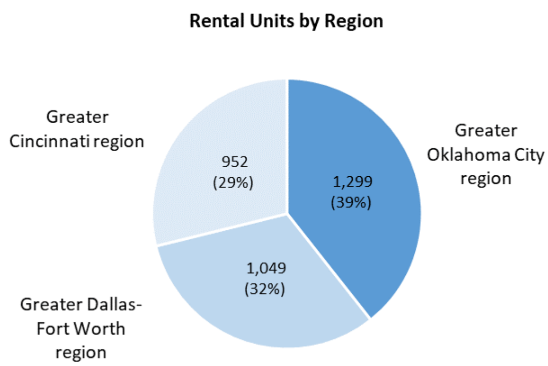
SECTION II

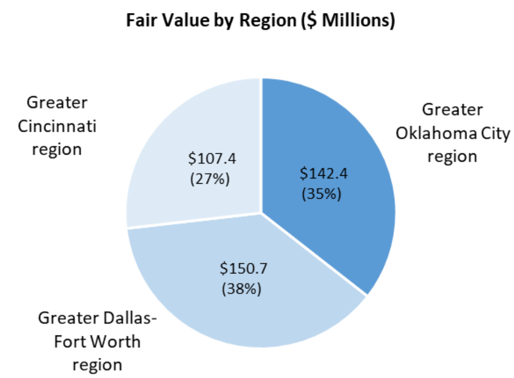
OUR PROPERTIES

Dream Residential REIT owns and operates a portfolio of 15 garden-style multi-residential properties consisting of 3,300 units. The properties are located in four states across the Sunbelt and Midwest regions in the U.S. The portfolio has been grouped into three regions: the Greater Dallas-Fort Worth region, the Greater Oklahoma City region and the Greater Cincinnati region. We believe these are attractive markets that will benefit from strong economic and multi-residential real estate fundamentals. The properties are well located within their respective markets and we believe they are well positioned to provide stable cash flows with opportunities to increase rent over time. We cater to a broad tenant base with the properties providing a diversified mix of units by size and rental rate. As at December 31, 2024, our portfolio occupancy rate was 93.4%.

In this MD&A, references to the Greater Oklahoma City region include the Forrest Grove property located in Wichita, Kansas, as management viewed this property as a part of this region for operational purposes. This property was sold on November 29, 2023.

Total portfolio-owned units and fair value by region





The following table includes information on fair value of the properties in our portfolio by region:

			As at
Region	**December 31, 2024**	September 30, 2024	December 31, 2023
Greater Oklahoma City	**$ 142,400**	$ 139,500	$ 138,540
Greater Dallas-Fort Worth	**150,687**	152,520	156,570
Greater Cincinnati[1]	**107,415**	104,370	103,200
Total portfolio	**$ 400,502**	$ 396,390	$ 398,310

The following table includes information on the number of rental units, average monthly rent and market rent for units in our portfolio:

		Average monthly rent per unit			Market rent per unit		
Region	Rental units	**December 31, 2024**	September 30, 2024	December 31, 2023	**December 31, 2024**	September 30, 2024	December 31, 2023
Greater Oklahoma City	1,299	**$ 1,049**	$ 1,041	$ 1,018	**$ 1,137**	$ 1,164	$ 1,123
Greater Dallas-Fort Worth	1,049	**1,327**	1,327	1,315	**1,339**	1,355	1,350
Greater Cincinnati[1]	952	**1,209**	1,205	1,174	**1,240**	1,311	1,322
Total portfolio	3,300	**$ 1,181**	$ 1,175	$ 1,156	**$ 1,228**	$ 1,266	$ 1,252

(1) In this MD&A, references to the Greater Cincinnati region include the Colt's Crossing property located in Georgetown, Kentucky, as management views this property as a part of this region for operational purposes.

The Greater Oklahoma City region is our largest region by unit count with a total of 1,299 units (39% of the portfolio units); this is followed by the Greater Dallas-Fort Worth region with 1,049 units (32% of the portfolio units) and the Greater Cincinnati region with 952 units (29% of the portfolio units). By fair value, 38% of our portfolio is in the Greater Dallas-Fort Worth region, 35% is in the Greater Oklahoma City region and 27% is in the Greater Cincinnati region as at December 31, 2024.

Average monthly rent per unit as at December 31, 2024 was $1,181 or $1.32 per square foot, a 0.5% increase compared to September 30, 2024. Average monthly rent of properties in the Greater Cincinnati region was $1,209 per unit, representing a 0.3% increase from September 30, 2024, and average monthly rent of properties in the Greater Oklahoma City region was $1,049 per unit, representing a 0.8% increase from September 30, 2024. Average monthly rent of properties in the Greater Dallas-Fort Worth region was $1,327 per unit, consistent with September 30, 2024.

OUR OPERATIONS

Total portfolio in-place occupancy rate

			As at
In-place occupancy rate (%)	**December 31, 2024**	September 30, 2024	December 31, 2023
Greater Oklahoma City region	**94.4%**	95.6%	93.8%
Greater Dallas-Fort Worth region	**93.1%**	90.4%	92.4%
Greater Cincinnati region	**92.2%**	93.3%	95.1%
Total portfolio	**93.4%**	93.3%	93.7%

Portfolio in-place occupancy was 93.4% as at December 31, 2024, compared to 93.3% as at September 30, 2024. Occupancy increased 270 basis points ("bps") in the Greater Dallas-Fort Worth region due to increased leasing efforts and the completion of renovated units under the value-add program. Occupancy decreased in both the Greater Oklahoma City region and the Greater Cincinnati region from September 30, 2024 as we continue to manage seasonality and our value-add program.

Total portfolio renewal spreads

The following table summarizes the total portfolio tenant retention ratio with a comparison between the renewal rate and expiring rate on retained tenant space for the three months and years ended December 31, 2024 and December 31, 2023:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Tenant retention ratio[1]	**55.9%**	59.6%	**56.6%**	55.4%
Renewal rate (monthly rate per unit)	**$ 1,181**	$ 1,135	**$ 1,201**	$ 1,161
Expiring rate (monthly rate per unit)	**$ 1,129**	$ 1,097	**$ 1,153**	$ 1,085
Renewal rate to expiring rate spread (monthly rate per unit)	**$ 52**	$ 38	**$ 48**	$ 76
Renewal rate to expiring rate spread (%)	**4.6%**	3.5%	**4.2%**	7.0%

(1) Tenant retention ratio is a supplementary financial measure and is defined as the number of renewed leases divided by the total number of leases signed during the period. See the "Supplementary Financial Measures and Other Disclosures" section.

Total portfolio new lease spreads

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
New leases (units)	**290**	320	**1,258**	1,510
New leases rate (monthly rate per unit)	**$ 1,172**	$ 1,153	**$ 1,171**	$ 1,164
Expiring rate (monthly rate per unit)	**$ 1,199**	$ 1,166	**$ 1,178**	$ 1,126
New leases rate to expiring rate spread (monthly rate per unit)	**$ (27)**	$ (13)	**$ (7)**	$ 38
New leases rate to expiring rate spread (%)	**(2.3%)**	(1.1%)	**(0.6%)**	3.4%

Rent growth in the portfolio has been driven by sustained positive lease trade-outs on renewals. The REIT focused leasing efforts on capturing rental rate lifts on renewals, resulting in continued positive blended lease trade-outs. Blended lease trade-outs for Q4 2024 averaged 1.4%, mainly driven by an average increase on renewals of approximately 4.6%, partially offset by new lease rates decreasing 2.3% compared to expiring rents. The retention rate for the three months ended December 31, 2024 was 55.9%.

Total portfolio blended lease trade-outs by region

The following table summarizes the new, renewal and blended lease trade-outs by region for the three months ended December 31, 2024:

	For the three months ended December 31, 2024		
	New leases rate to expiring rate spread (%)	Renewal rate to expiring rate spread (%)	Blended lease rates to expiring rate spread (%)
Greater Oklahoma City region	(0.4%)	6.0%	3.1%
Greater Dallas-Fort Worth region	(6.3%)	3.3%	(1.8%)
Greater Cincinnati region	2.7%	4.3%	3.7%
Total portfolio	**(2.3%)**	**4.6%**	**1.4%**

Net rental income

Net rental income is defined by the REIT as total investment properties revenue less investment properties operating expenses in accordance with IFRS Accounting Standards. For a discussion of total investment properties revenue and investment properties operating expenses, refer to the "Our Results of Operations" section.

	Three months ended December 31,				Year ended December 31,			
	2024		2023		**2024**		2023	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Greater Oklahoma City region	**$ 1,262**	**46.2%**	$ 1,015	38.4%	**$ 9,273**	**36.9%**	$ 8,954	36.0%
Greater Dallas-Fort Worth region	**(725)**	**(26.5%)**	(617)	(23.4%)	**7,937**	**31.5%**	7,578	30.5%
Greater Cincinnati region	**2,195**	**80.3%**	2,244	85.0%	**7,978**	**31.6%**	8,318	33.5%
Net rental income	**$ 2,732**	**100.0%**	$ 2,642	100.0%	**$ 25,188**	**100.0%**	$ 24,850	100.0%

Value-add units

During Q4 2024, the REIT completed a total of 56 unit renovations across the portfolio under the value-add program, with four units under renovation as at December 31, 2024. During the three months ended December 31, 2024, renovated units averaged an increase in lease rates of $99 per unit, which represents an 8.2% lease trade-out. The term "lease trade-out" is not considered a non-IFRS measure. Management estimates the gain-to-lease potential for our units, which is calculated as the difference between the in-place rent per unit and management's estimate of the current corresponding market rent for each unit. Management's estimate of market rents for the properties is based on a number of factors, including an assessment of local market conditions, supply and demand and the volume of recent leasing activity at each property, as well as the competitive market landscape, which is analyzed using an industry standard lease management software system.

The following tables summarize the number of units in the value-add program, including the number of units where renovations were completed and the number of units under renovation for the three months and years ended December 31, 2024 and December 31, 2023:

	Three months ended December 31,		Year ended December 31,	
Completed	**2024**	2023	**2024**	2023
Greater Oklahoma City region	**—**	33	**33**	161
Greater Dallas-Fort Worth region	**40**	52	**128**	249
Greater Cincinnati region	**16**	—	**35**	—
Total portfolio	**56**	85	**196**	410

			As at
Under renovation	**December 31, 2024**	September 30, 2024	December 31, 2023
Greater Oklahoma City region	**—**	—	7
Greater Dallas-Fort Worth region	**—**	24	9
Greater Cincinnati region	**4**	7	—
Total portfolio	**4**	31	16

The following table summarizes the impact of the renovated units on the monthly lease rate for the three months and year ended December 31, 2024:

	Three months ended December 31, 2024			
	Original lease	New lease	New lease to original lease spread	Lease trade-out (%)
Renovated units (per unit amounts)	**$ 1,204**	**$ 1,303**	**$ 99**	**8.2%**

	Year ended December 31, 2024			
	Original lease	New lease	New lease to original lease spread	Lease trade-out (%)
Renovated units (per unit amounts)	**$ 1,191**	**$ 1,271**	**$ 80**	**6.7%**

OUR RESULTS OF OPERATIONS

The following tables highlight selected financial information of the REIT for the three months and years ended December 31, 2024 and December 31, 2023. This information has been compiled from the consolidated financial statements of the REIT and notes thereto for the three months and year ended December 31, 2024.

Consolidated statement of comprehensive income (loss)

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Investment properties revenue	**$ 11,884**	$ 11,997	**$ 47,990**	$ 47,561
Investment properties operating expenses	**(9,152)**	(9,355)	**(22,802)**	(22,711)
Net rental income	**2,732**	2,642	**25,188**	24,850
Other income				
Interest and other income	**26**	59	**211**	337
	26	59	**211**	337
Other expenses				
General and administrative	**(1,025)**	(912)	**(3,829)**	(3,458)
Interest expense – debt	**(1,866)**	(1,874)	**(7,371)**	(7,427)
Interest expense – Class B Units	**(389)**	(736)	**(1,677)**	(2,944)
Debt settlement costs	**—**	(373)	**—**	(632)
	(3,280)	(3,895)	**(12,877)**	(14,461)
Fair value adjustments				
Fair value adjustments to investment properties	**644**	(12,937)	**(8,173)**	(25,834)
Fair value adjustments to financial instruments	**4,096**	1,249	**2,008**	259
	4,740	(11,688)	**(6,165)**	(25,575)
Net income (loss) and comprehensive income (loss)	**$ 4,218**	$ (12,882)	**$ 6,357**	$ (14,849)

Investment properties revenue

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Investment properties revenue	**$ 11,884**	$ 11,997	**$ 47,990**	$ 47,561

Investment properties revenue comprises rental revenue, ancillary income and other income. The majority of investment property revenue consists of rental revenue that includes all rental-related income earned from the investment properties, including rent earned from residents under lease agreements. Ancillary income includes utility recoveries, property expense recoveries, pet fees, amenity fees and parking fees earned from tenants under the terms of the lease agreements. Other income includes application fees, late charges, and damages and cleaning fees that are generally considered one-time charges unrelated to the lease agreements.

Investment properties revenue for the three months and year ended December 31, 2024 was $11.9 million and $48.0 million, respectively, compared to $12.0 million and $47.6 million in the comparative period. The comparative quarter and period also includes $0.2 million and $1.2 million, respectively, of revenue attributable to an investment property sold in Q4 2023. Comparative investment properties revenue increased $0.1 million for the three months ended December 31, 2024 over the comparative quarter. The increase over the comparative quarter and period were driven by positive blended lease trade-outs and rental premiums from our value-add program.

Investment properties operating expenses

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Investment properties operating expenses	**$ (9,152)**	$ (9,355)	**$ (22,802)**	$ (22,711)

Investment properties operating expenses comprise repair and maintenance expenses, payroll, marketing, and other costs associated with the management and maintenance of the investment properties. Operating expenses are expected to 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 December 31, 2024 and December 31, 2023 were $9.2 million and $9.4 million, respectively. After removing the impact of recognizing property tax when the obligation is imposed under IFRIC 21 and the sold property in Q4 2023, the investment properties operating expenses were $5.6 million and $5.7 million for the three months ended December 31, 2024 and December 31, 2023, respectively. The decrease was due to lower payroll related costs and maintenance and repairs, partially offset by higher utilities and property taxes. For the three months ended December 31, 2024, there was $5.0 million of realty tax expense recognized in the statement of comprehensive income (loss), compared to $4.9 million for the three months ended December 31, 2023.

Investment properties operating expenses for the years ended December 31, 2024 and December 31, 2023 were $22.8 million and $22.7 million, respectively. Removing the impact of recognizing property tax when the obligation is imposed under IFRIC 21 and the sold property in Q4 2023, the investment properties operating expenses were $23.1 million and $22.4 million for the year ended December 31, 2024 and the comparative period, respectively. This increase is largely driven by increased utilities, property insurance and property taxes, partially offset by a reduction in maintenance and repairs, as well as salaries and payroll. For the year ended December 31, 2024, realty tax expense of $6.1 million (year ended December 31, 2023 – $5.5 million) was recognized in net income (loss) in the statement of comprehensive income (loss).

General and administrative

The following table summarizes our general and administrative ("G&A") expenses for the three months and years ended December 31, 2024 and December 31, 2023:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
General and administrative expenses[1]	**$ (1,025)**	$ (912)	**$ (3,829)**	$ (3,458)

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

G&A expenses include legal fees, audit fees, other professional fees, salaries and benefits for certain REIT employees, trustee fees, insurance and other administrative costs. The asset management fees are fees charged by related parties under the Asset Management Agreement as further described in the section "Related party transactions".

G&A expenses for the three months and year ended December 31, 2024 were $1.0 million and $3.8 million, respectively, compared to $0.9 million and $3.5 million in the comparative quarter and period. The increase in G&A expenses from the comparative quarter and period was primarily due to increased personnel costs, professional fees, as well as deferred compensation expense under the unit incentive plan.

Interest expense on debt and Class B Units

For the three months ended December 31, 2024 and December 31, 2023, interest expense on debt remained consistent at $1.9 million. For the years ended December 31, 2024 and December 31, 2023, interest expense on debt was $7.4 million. The comparative period includes higher interest from the refinancing of a mortgage in the first quarter of 2023 slightly offset by the repayment of the mortgage on the sold property in Q4 2023. During the year ended December 31, 2023, the REIT refinanced a mortgage on one of its investment properties (Oak Place) at a rate of 4.88%.

Interest expense on the Class B Units for the three months and year ended December 31, 2024 was $0.4 million and $1.7 million, respectively, compared to $0.7 million and $2.9 million in the comparative quarter and period, respectively. The decrease from the prior quarter and period was a result of certain Class B Unitholder redemption requests received by Holdco LLC. Such Class B Units were redeemed on a one-for-one basis in exchange for an equivalent number of Trust Units. For a detailed discussion about our Class B Units and their distributions, refer to the section "Our Equity".

Debt settlement costs

As a result of the refinanced mortgage on one of our investment properties (Oak Place) discussed above under "Interest expense on debt and Class B Units" and under "Our Financing – Debt composition", the REIT paid $0.1 million of debt settlement costs in cash during the year ended December 31, 2023. In connection with the refinancing, the REIT also wrote off unamortized financing costs and a fair value discount totalling $0.2 million related to the previous mortgage during the year ended December 31, 2023.

Debt settlement costs have been excluded from the calculation of FFO for the year ended December 31, 2023. See "Non-GAAP Financial Measures and Ratios".

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 months and years ended December 31, 2024 and December 31, 2023.

Fair value adjustments to financial instruments
Fair value adjustments to financial instruments include remeasurements of the carrying value of Class B Units and deferred trust units, which are carried as a liability under IFRS Accounting Standards. The fair value adjustments to financial instruments are dependent on the change in the Trust Unit's trading price and the adjustments may vary period-to-period as the liabilities are marked to the closing price for the Trust Units.

For the three months ended December 31, 2024, the REIT recorded a fair value gain of approximately $4.0 million on the remeasurement of the carrying value of Class B Units and a fair value gain of $0.1 million on the remeasurement of the deferred trust units as a result of the change in the Trust Unit's price during the period.

For the year ended December 31, 2024, the REIT recorded a fair value gain of approximately $1.7 million on the remeasurement of the carrying value of Class B Units and a fair value gain of $0.3 million on the remeasurement of the deferred trust units as a result of the change in the Trust Unit's price during the period.

Quarterly information

The following table shows quarterly information since January 1, 2023:

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Investment properties revenue	**$ 11,884**	$ 11,993	$ 12,099	$ 12,014	$ 11,997	$ 11,970	$ 11,955	$ 11,639
Investment properties operating expenses	**(9,152)**	(4,154)	(4,115)	(5,381)	(9,355)	(4,557)	(4,270)	(4,529)
Net rental income	**2,732**	7,839	7,984	6,633	2,642	7,413	7,685	7,110
Other income								
Interest and other income	**26**	46	64	75	59	119	79	80
	26	46	64	75	59	119	79	80
Other expenses								
General and administrative	**(1,025)**	(840)	(1,083)	(881)	(912)	(890)	(861)	(795)
Interest expense – debt	**(1,866)**	(1,850)	(1,827)	(1,828)	(1,874)	(1,885)	(1,861)	(1,807)
Interest expense – Class B Units	**(389)**	(391)	(392)	(505)	(736)	(736)	(736)	(736)
Debt settlement costs and transaction costs on disposal of investment property	**—**	—	—	—	(373)	—	—	(259)
	(3,280)	(3,081)	(3,302)	(3,214)	(3,895)	(3,511)	(3,458)	(3,597)
Fair value adjustments								
Fair value adjustments to investment properties	**644**	(3,034)	(4,106)	(1,677)	(12,937)	(13,558)	(1,406)	2,067
Fair value adjustments to financial instruments	**4,096**	(3,793)	2,706	(1,001)	1,249	7,433	8,105	(16,528)
	4,740	(6,827)	(1,400)	(2,678)	(11,688)	(6,125)	6,699	(14,461)
Net income (loss) and comprehensive income (loss)	**$ 4,218**	$ (2,023)	$ 3,346	$ 816	$ (12,882)	$ (2,104)	$ 11,005	$ (10,868)

Funds from operations ("FFO")

FFO is a non-GAAP financial measure. Management believes FFO (including diluted FFO per Unit) is an important measure of our operating performance. This non-GAAP financial measure is a commonly used measure of performance of real estate operations; however, it is not a standardized financial measure under IFRS Accounting Standards and it might not be comparable to similar financial measures disclosed by other issuers. It does not represent net income (loss) nor cash flows generated from (utilized in) operating activities, as defined by IFRS Accounting Standards, and is not necessarily indicative of cash available to fund Dream Residential REIT's needs. FFO has been reconciled to net income (loss) in the "Non-GAAP Financial Measures and Ratios" section under the heading "Funds from operations and diluted FFO per Unit". Diluted weighted average number of Units is defined in the section "Supplementary Financial Measures and Other Disclosures" under the heading "Weighted average number of Units".

The following table summarizes the actual FFO (a non-GAAP financial measure) and diluted FFO per Unit (a non-GAAP ratio) for the three months and years ended December 31, 2024 and December 31, 2023.

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
FFO[1]	**$ 3,421**	$ 3,497	**$ 13,867**	$ 13,944
Diluted weighted average number of Units[2]	**19,829**	19,750	**19,810**	19,776
Diluted FFO per Unit[1]	**$ 0.17**	$ 0.18	**$ 0.70**	$ 0.71

(1) FFO is a non-GAAP financial measure, and diluted FFO per Unit is a non-GAAP ratio. See the "Non-GAAP Financial Measures and Ratios" section for a description of non-GAAP financial measures and ratios.
(2) A description of the determination of the diluted weighted average number of Units outstanding during the period can be found in the section "Supplementary Financial Measures and Other Disclosures" under the heading "Weighted average number of Units".

Net operating income ("NOI") and Comparative properties NOI

NOI and comparative properties NOI are non-GAAP financial measures that are defined as investment properties revenue less investment properties operating expenses and realty taxes accounted for in accordance with IFRS Accounting Standards, except for adjustments related to IFRIC 21. Comparative properties NOI excludes the property sold in Q4 2023. Management believes NOI and comparative properties NOI are important measures of the income generated from investment properties and they are used by the REIT in evaluating the performance of the REIT's properties. They are also a key input in determining the value of the REIT's properties. See "Non-GAAP Financial Measures and Ratios" for a description of these non-GAAP financial measures.

Comparative properties NOI margin is a non-GAAP ratio and is calculated as comparative properties NOI (a non-GAAP financial measure) divided by comparative investment properties revenue (a non-GAAP financial measure). Management believes that comparative properties NOI margin is a meaningful supplementary measure of the operating performance of the REIT's investment properties. Comparative properties NOI margin is an important measure of the percentage of income generated from the investment properties and is used by the REIT in evaluating the performance of the portfolio. See "Non-GAAP Financial Measures and Ratios" for a description of this non-GAAP financial ratio.

The following table reconciles comparative investment properties revenue to investment properties revenue, and NOI and comparative properties NOI (non-GAAP financial measures) to net rental income, for the three months and the years ended December 31, 2024 and December 31, 2023.

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Investment properties revenue	**$ 11,884**	$ 11,997	**$ 47,990**	$ 47,561
Less: Investment properties revenue from sold properties	**—**	206	**—**	1,198
Comparative investment properties revenue[1]	**$ 11,884**	$ 11,791	**$ 47,990**	$ 46,363
Net rental income	**2,732**	2,642	**25,188**	24,850
Property tax liability adjustment (IFRIC 21)	**3,554**	3,582	**(332)**	(358)
Net operating income (NOI)[2]	**$ 6,286**	$ 6,224	**$ 24,856**	$ 24,492
Less: NOI from sold properties	**—**	84	**—**	529
Comparative properties NOI[2]	**$ 6,286**	$ 6,140	**$ 24,856**	$ 23,963
Comparative properties NOI margin[2]	**52.9%**	52.1%	**51.8%**	51.7%

(1) Comparative investment properties revenue is a non-GAAP financial measure. See the "Non-GAAP Financial Measures and Ratios" section for a description of this non-GAAP financial measure and non-GAAP ratio.
(2) NOI and comparative properties NOI are non-GAAP financial measures and comparative properties NOI margin is a non-GAAP ratio. See the "Non-GAAP Financial Measures and Ratios" section for a description of these non-GAAP financial measures and non-GAAP ratio.

Comparative properties NOI was $6.3 million and $6.1 million for the three months ended December 31, 2024 and December 31, 2023, respectively. The increase was due to higher comparative investment properties revenue and lower investment properties operating expenses, removing the impact of recognizing property tax when the obligation is imposed under IFRIC 21 and the property sold in Q4 2023. Net rental income, the most directly comparable financial measure to NOI and comparative properties NOI, for the three months ended December 31, 2024 and December 31, 2023 was $2.7 million and $2.6 million, respectively. During the three months ended December 31, 2024, comparative investment properties revenue of $11.9 million was $0.1 million higher than the comparative quarter, due to the continued positive blended lease trade-outs. The comparative NOI margin (a non-GAAP ratio) of 52.9% for the three months ended December 31, 2024 was 80 basis points higher than the comparative quarter mainly due to increased comparative investment properties revenue.

Comparative properties NOI for the year ended December 31, 2024 totalled $24.9 million, compared to $24.0 million in the comparative period. The increase was due to higher comparative investment properties revenue, partially offset by higher investment properties operating expenses, removing the impact of recognizing property tax when the obligation is imposed under IFRIC 21 and the property sold in Q4 2023. Net rental income, the most directly comparable financial measure to NOI and comparative properties NOI, for the years ended December 31, 2024 and December 31, 2023 was $25.2 million and $24.9 million, respectively. During the year ended December 31, 2024, comparative investment properties revenue of $48.0 was $1.6 million higher than the comparative period, due to continued positive blended lease trade-outs and the rental premiums from our value-add program.

Related party transactions

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

Our external asset managers are DRR Asset Management LP (“Dream Asset Manager”), a subsidiary of Dream Unlimited Corp. (“Dream”), and Pauls Realty Services, LLC (“Pauls Asset Manager” – collectively with Dream Asset Manager, the “Asset Managers”), a subsidiary of Pauls Capital, LLC (“Pauls”).

Pauls Services Agreement

On May 6, 2022, the REIT entered into a services agreement (the “Pauls Services Agreement”) with Pauls Asset Manager. Pursuant to the Pauls Services Agreement, Pauls Asset Manager and its affiliates provide certain administrative services to us on an as needed and cost recovery basis.

Dream Services Agreement

On May 6, 2022, the REIT entered into a services agreement (the “Dream Services Agreement”) with Dream Asset Management Corporation (“DAM”). Pursuant to the Dream Services Agreement, DAM and its affiliates provide certain administrative services to us on an as needed and cost recovery basis.

Asset Management Agreement

On May 6, 2022, the REIT entered into an asset management agreement (the “Asset Management Agreement” or the “AMA”) with Dream DRR Asset Management LLC and Pauls Asset Manager. Dream DRR Asset Management LLC subsequently assigned its interest in the AMA to an affiliate, Dream Asset Manager, on June 11, 2022. Pursuant to the AMA, the Asset Managers provide the REIT with a range of asset management services. In return, the Asset Managers are entitled to certain fees, to be allocated 50% to Dream Asset Manager and 50% to Pauls Asset Manager or in such other proportions as the Asset Managers shall advise from time to time.

Related party transactions with Dream

The following table summarizes our fees paid and costs reimbursed to Dream for the three months and the years ended December 31, 2024 and December 31, 2023:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Incurred under the AMA:				
Asset management fee (included in general and administrative expenses)	**$ 111**	$ 113	**$ 444**	$ 455
Capital expenditure fee (included in investment properties)	**65**	84	**155**	266
Expense reimbursements related to financing arrangements	**16**	16	**81**	76
Total costs incurred under the AMA	**192**	213	**680**	797
Total costs reimbursed under the Dream Services Agreement	**$ 108**	$ 38	**$ 288**	$ 212

Related party transactions with Pauls

The following table summarizes our fees paid and costs reimbursed to Pauls for the three months and the years ended December 31, 2024 and December 31, 2023:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Incurred under the AMA:				
Asset management fee (included in general and administrative expenses)	**$ 111**	$ 113	**$ 444**	$ 455
Capital expenditure fee (included in investment properties)	**65**	84	**155**	266
Expense reimbursements related to financing arrangements	**2**	3	**21**	50
Total costs incurred under the AMA	**178**	200	**620**	771
Total costs reimbursed under the Pauls Services Agreement	**$ 82**	$ 71	**$ 285**	$ 230

SECTION III

INVESTMENT PROPERTIES

As at December 31, 2024, the REIT's investment properties comprise 15 garden-style multi-residential income-producing properties consisting of 3,300 units.

Investment properties continuity

The following table summarizes changes in the value of our investment properties by region for the three months and year ended December 31, 2024:

	For the three months ended December 31, 2024				
	October 1, 2024	Building improvements	Fair value adjustments	Insurance proceeds	**December 31, 2024**
Greater Oklahoma City region	$ 139,500	$ 825	$ 2,075	$ —	**$ 142,400**
Greater Dallas-Fort Worth region	152,520	2,068	(3,301)	(600)	**150,687**
Greater Cincinnati region	104,370	1,175	1,870	—	**107,415**
Total investment properties	$ 396,390	$ 4,068	$ 644	$ (600)	**$ 400,502**

	For the year ended December 31, 2024				
	January 1, 2024	Building improvements	Fair value adjustments	Insurance proceeds	**December 31, 2024**
Greater Oklahoma City region	$ 138,540	$ 2,664	$ 1,196	$ —	**$ 142,400**
Greater Dallas-Fort Worth region	156,570	5,245	(10,528)	(600)	**150,687**
Greater Cincinnati region	103,200	3,056	1,159	—	**107,415**
Total investment properties	$ 398,310	$ 10,965	$ (8,173)	$ (600)	**$ 400,502**

In June of 2024, there was a fire at a property in the Greater Dallas-Fort Worth region. Based on current information, the estimated damage to the property is $2.0 million. Costs associated with remediation and rebuild are expected to be fully covered by insurance, less a $0.3 million deductible, as well as lost income from business interruption insurance. During the year ended December 31, 2024, $0.6 million of insurance proceeds was recorded as restricted funds in the consolidated financial statements. The REIT will draw down these funds as the repairs progress. During the year ended December 31, 2024, $0.1 million related to repairs have been completed and $0.1 million of insurance proceeds have been received and recorded in cash and cash equivalents. The fair value adjustments to investment properties in the statement of comprehensive income (loss) for the year ended December 31, 2024 includes a $1.9 million loss related to the fire.

In September of 2024, there was a fire at a property in the Greater Cincinnati region. Based on current information, the total estimated damage to the property is $1.5 million. Costs associated with remediation and rebuild are expected to be fully covered by insurance, less a $0.3 million deductible, as well as lost income from business interruption insurance. During the year ended December 31, 2024, $0.1 million related to repairs have been recorded in the consolidated financial statements. The fair value adjustments to investment properties in the statement of comprehensive income (loss) for the year ended December 31, 2024 includes a $1.4 million loss related to the fire.

Significant assumptions used in the valuation of investment properties

The fair value of the investment properties as at December 31, 2024 represents the REIT's best estimate based on internally and externally available information as at the end of the reporting period.

The REIT values its investment properties using the direct capitalization method, supported by appraisals obtained from qualified external valuation professionals. In applying the direct capitalization method, the stabilized NOI of each property is divided by an appropriate capitalization rate ("cap rate") with adjustments for items such as average lease-up costs, vacancy rates, non-recoverable capital expenditures, management fees and other non-recurring items. The stabilized future estimated cash flows are divided by an overall cap rate.

The significant valuation metrics used in the direct capitalization method are stabilized cap rates. The following table summarizes the stabilized cap rates by region as at December 31, 2024 and December 31, 2023:

	As at December 31, 2024		As at December 31, 2023	
Cap rates	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)
Greater Oklahoma City region	**5.50%–6.55%**	**5.88%**	5.15%–6.60%	5.65%
Greater Dallas-Fort Worth region	**5.50%–5.75%**	**5.66%**	5.20%–5.50%	5.37%
Greater Cincinnati region	**5.75%–6.25%**	**6.03%**	5.50%–6.50%	5.97%
Total investment properties	**5.50%–6.55%**	**5.84%**	5.15%–6.60%	5.63%

The REIT believes valuation metrics, such as weighted average cap rates by region, will enable investors to better understand how specific operating metrics, such as in-place rents versus market rents in the respective regions, may impact our values. The weighted average cap rate is determined using the annualized forecasted net operating income by property.

Fair value adjustments to investment properties

As at December 31, 2024, the REIT determined the fair value of its investment properties to be $400.5 million based on the direct capitalization method. As a result, for the three months ended December 31, 2024, the REIT recorded a fair value gain of $0.6 million, primarily comprising a $2.1 million fair value gain in the Greater Oklahoma City region, a $1.9 million fair value gain in the Greater Cincinnati region, and a $3.3 million fair value loss in the Greater Dallas-Fort Worth region. The fair value adjustments to the Greater Dallas-Fort Worth region were mainly driven by cap rate expansion from Q3 2024 and a fair value loss on a property valued by a qualified external valuation professional. The fair value adjustments to the Greater Oklahoma City region were driven by stabilized NOI growth and a fair value gain on a property valued by a qualified external valuation professional. The fair value adjustments to the Greater Cincinnati region were mainly driven by fair value gains on three properties valued by qualified external valuation professionals, partially offset by cap rate expansion across two of the remaining properties.

For the year ended December 31, 2024, the REIT recorded a fair value loss of $8.2 million, comprising a $10.5 million fair value loss in the Greater Dallas-Fort Worth region, a $1.2 million fair value gain in the Greater Oklahoma City region, and a $1.2 million fair value gain in the Greater Cincinnati region. The fair value loss in the Greater Dallas-Fort Worth region is due to the same reasons noted above, along with cap rate expansion over the year. The fair value gains in the Greater Cincinnati and Greater Oklahoma City regions are primarily due to the same reasons noted above. The fair value adjustments in the Greater Cincinnati and Greater Dallas-Fort Worth regions include a $1.4 million in Q3 2024 and $1.9 million fair value loss in Q2 2024, respectively, due to the fires described above.

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 incremental revenue over the long term, we must maintain, or improve, each property's condition to meet market demand.

OUR FINANCING

Debt composition

We financed the acquisition of the Initial Properties with a combination of fixed rate secured debt with staggered maturities. Our fixed rate debt initially comprised mortgages on certain Initial Properties which were assumed by us at the IPO Closing (the "Assumed Mortgages"). We have a long-term debt maturity profile, with a weighted average term to maturity of approximately 4.8 years as at December 31, 2024. All of our outstanding indebtedness is composed of fixed rate debt, which mitigates our exposure to interest rate risk in a rising interest rate environment. Over time, we may use interest rate swap derivative instruments as part of our interest rate risk management strategy. These swaps may be utilized to manage interest rate exposure over the period of the interest rate swaps. As at December 31, 2024, our total principal amount of debt outstanding is $138.9 million, comprised of $123.9 million of mortgages payable and $15.0 million outstanding on the credit facility. This compares to $137.6 million as at December 31, 2023, which was comprised of mortgages payable. On December 31, 2024 we repaid in full two mortgages totalling $15.0 million with a contractual weighted average interest rate of 4.05% secured by two properties in the Greater Cincinnati region by drawing on the REIT's revolving credit facility.

As at December 31, 2024 we have $55.0 million capacity available under our credit facility for future opportunities. At December 31, 2024, our net total debt-to-net total assets ratio (a non-GAAP financial ratio) was 33.0%, total debt was $138.9 million and total assets were $409.7 million.

On April 4, 2024, the REIT extended the term of its credit facility to March 28, 2027. The change did not have an impact on the REIT's borrowing capacity.

For more detail, see "Non-GAAP Financial Measures and Ratios – Net total debt-to-net total assets ratio".

Debt summary

		As at		
Financing metrics		**December 31, 2024**		December 31, 2023
Net total debt-to-net total assets[(1)]		**33.0%**		31.6%
Average term to maturity on debt (years)		**4.8**		5.3
Interest coverage ratio (times)[(1)]		**2.9**		2.9
Undrawn credit facility	**$**	**55,000**	$	70,000
Available liquidity[(2)]	**$**	**60,382**	$	80,943

(1) Net total debt-to-net total assets ratio and interest coverage ratio (times) are non-GAAP ratios. See the "Non-GAAP Financial Measures and Ratios" section for a description of these non-GAAP ratios.
(2) Available liquidity is a non-GAAP financial measure. The description and calculation of this measure is included in the "Non-GAAP Financial Measures and Ratios" section.

Debt maturity profile

The following table details our total debt maturity profile as at December 31, 2024:

			Mortgages			Revolving credit facility			Total
Debt maturities		Outstanding balance due at maturity	Weighted average contractual interest rate		Outstanding balance due at maturity	Weighted average contractual interest rate		Outstanding balance due at maturity	Weighted average contractual interest rate
2025	$	—	—%	$	—	—%	$	—	—%
2026		—	—%		—	—%		—	—%
2027		19,828	4.18%		15,000	6.09%		34,828	5.00%
2028		10,835	4.38%		—	—%		10,835	4.38%
Thereafter		97,783	3.91%		—	—%		97,783	3.91%
Total	$	128,446	3.99%	$	15,000	6.09%	$	143,446	4.21%
Scheduled principal repayments on non-matured debt (2025–2029)		613			—			613	
Total	$	129,059	3.99 %	$	15,000	6.09 %	$	144,059	4.23 %
Unamortized financing costs		(1,086)			—			(1,086)	
Unamortized fair value discount on acquired mortgages		(4,119)			—			(4,119)	
Debt per consolidated financial statements	$	123,854	4.00 %	$	15,000	6.09 %	$	138,854	4.23 %

OUR EQUITY

Total equity

Our Declaration of Trust authorizes the issuance of an unlimited number of Trust Units. In addition to the Trust Units, our discussion of equity also includes the Class B Units. The Class B Units are, in all material respects, economically equivalent to the Trust Units and are redeemable under certain circumstances by the holder thereof for cash or, as determined by Holdco LLC and as directed by the REIT in its sole discretion, Trust Units (on a one-for-one basis). However, pursuant to IFRS Accounting Standards, the Class B Units are classified as a liability in our consolidated financial statements.

	As at December 31, 2024		As at December 31, 2023	
	Number of Units	**Amount**	Number of Units	Amount
Unitholders' equity	**15,986,611**	**$ 150,864**	12,645,268	$ 128,179
Retained earnings	**—**	**89,625**	—	89,853
Total equity per consolidated financial statements	**15,986,611**	**240,489**	12,645,268	218,032
Add: Class B Units	**3,692,084**	**23,039**	7,011,203	47,326
Total equity (including Class B Units)[1]	**19,678,695**	**263,528**	19,656,471	265,358
NAV per Unit [2]		**$ 13.39**		$ 13.50

(1) Total equity (including Class B Units) is a non-GAAP financial measure. The description and calculation of this measure is included in the "Non-GAAP Financial Measures and Ratios" section.
(2) NAV per Unit is a non-GAAP ratio. The description and calculation of this ratio is included in the "Non-GAAP Financial Measures and Ratios" section.

Continuity of equity

The following table summarizes the changes in our outstanding equity:

For the three months ended December 31, 2024	Trust Units	Class B Units	Total Units
Total Units outstanding as at October 1, 2024 (beginning of period)	15,983,098	3,692,084	19,675,182
Trust Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	3,513	—	3,513
Total Units outstanding as at December 31, 2024	**15,986,611**	**3,692,084**	**19,678,695**
Percentage of all Units	81.2%	18.8%	100.0%

For the year ended December 31, 2024 and subsequent to the period	Trust Units	Class B Units	Total Units
Total Units outstanding as at January 1, 2024 (beginning of period)	12,645,268	7,011,203	19,656,471
Class B Units redeemed for Trust Units	3,319,119	(3,319,119)	—
Trust Units issued pursuant to DUIP	22,224	—	22,224
Total Units outstanding as at December 31, 2024	**15,986,611**	**3,692,084**	**19,678,695**
Percentage of all Units	81.2%	18.8%	100.0%
Trust Units issued pursuant to DUIP	—	—	—
Total Units outstanding as at February 19, 2025	**15,986,611**	**3,692,084**	**19,678,695**
Percentage of all Units	81.2%	18.8%	100.0%

On February 12, 2024, a total of 3,278,128 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of $22.3 million.

On September 5, 2024, a total of 40,991 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of $0.3 million.

Distribution policy

The REIT's Declaration of Trust provides our trustees with the discretion to determine the distributions payable, from time to time, out of the income of the REIT, the net realized capital gains of the REIT, the capital of the REIT or otherwise. We currently pay monthly distributions of $0.035 per Trust Unit, or $0.42 per Trust Unit on an annualized basis. Similar to other non-GAAP financial measures such as total equity (including Class B Units), our discussion of total distributions paid and payable (a non-GAAP financial measure) includes distributions paid on the Class B Units, which are economically equivalent to Trust Units. However, pursuant to IFRS Accounting Standards, the Class B Units are classified as a liability in our consolidated financial statements.

The following table summarizes our total distributions (a non-GAAP financial measure) paid and payable for the three months and the years ended December 31, 2024 and December 31, 2023:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Total distributions paid and payable on Trust Units	**$ (1,679)**	$ (1,328)	**$ (6,585)**	$ (5,324)
Add: Interest paid and payable on Class B Units	**(389)**	(736)	**(1,677)**	(2,944)
Total distributions paid and payable[(1)] on Trust Units and Class B Units	**$ (2,068)**	$ (2,064)	**$ (8,262)**	$ (8,268)

(1) Total distributions paid and payable is a non-GAAP financial measure. The description and calculation of this measure is included in the "Non-GAAP Financial Measures and Ratios" section.

The following table summarizes our monthly distributions paid and payable subsequent to year-end:

Date distribution announced	Month of distribution	Date distribution was paid or payable	Distribution per Trust Unit	Total distributions paid or payable on Trust Units
December 18, 2024	December 2024	January 15, 2025	$ 0.035	$ 559
January 22, 2025	January 2025	February 14, 2025	0.035	559

Normal course issuer bid

On January 4, 2024, the TSX accepted a notice filed by the REIT to renew its prior NCIB for a one-year period. Under the bid, the REIT will have the ability to purchase for cancellation a maximum of 1,174,446 of its Trust Units. The renewed bid commenced on January 8, 2024 and remained in effect until January 7, 2025. For the year ended December 31, 2024, there were no Trust Units purchased under the NCIB (December 31, 2023 – 150,758 Trust Units for a total of $1.2 million). There have been no Trust Units purchased for cancellation subsequent to December 31, 2024.

Subsequent to year-end, on January 14, 2025, the TSX accepted a noticed filed by the REIT to renew its prior NCIB for a one-year period. Under the bid, the REIT will have the ability to purchase for cancellation up to a maximum of 1,506,457 of its Trust Units (representing 10% of the Trust's public float of 15,064,579 Units as of December 31, 2024) through the facilities of the TSX. The renewed bid commenced on January 16, 2025 and will remain in effect until the earlier of January 15, 2026 or the date on which the REIT has purchased the maximum number of Trust Units permitted under the bid. Daily repurchases will be limited to 2,603 Units, representing 25% of the average daily trading volume of the Trust Units on the TSX during the last six calendar months (being 10,413 Units per day), other than purchases pursuant to applicable block purchase exceptions.

In connection with the renewal of its normal course issuer bid, the REIT has established an automatic securities purchase plan (the "Plan") with its designated broker to facilitate the purchase of Units under the NCIB at times when the REIT would ordinarily not be permitted to purchase its Trust Units due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the REIT's broker based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the Trust Units may also be purchased in accordance with management's discretion. The Plan will terminate on January 15, 2026.

Cash flows from operating activities less interest and other financing costs paid on debt and total distributions (a non-GAAP financial 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 paid and payable (a non-GAAP financial measure), primarily due to fluctuations in non-cash working capital. To the extent there are shortfalls in cash flows generated from (utilized in) operating activities less interest and other financing costs paid on debt when compared to total distributions paid and payable (a non-GAAP financial measure), the REIT will fund the shortfalls with cash and cash equivalents and with our existing credit facility. The use of our credit facility may involve risks compared to 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 REIT to borrow under the credit facility), the risk that the credit facility may not be renewed at maturity or is renewed on unfavourable terms, and the risk associated with increasing the overall indebtedness of the REIT. In the event that shortfalls exist, the REIT does not anticipate cash distributions will be suspended in the foreseeable future. Accordingly, to the extent there are shortfalls, distributions may be considered an economic return of capital. The REIT 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. Management reviews the estimated annual distributable cash flows with the Board of Trustees periodically to assist the board in determining the targeted distribution rate.

The following table summarizes net income (loss), cash flows generated from (utilized in) operating activities, interest and other financing costs paid on debt, and total distributions paid and payable (a non-GAAP financial measure) for the three months and the years ended December 31, 2024 and December 31, 2023:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Cash generated from operating activities	**$ 3,509**	$ 6,647	**$ 18,580**	$ 21,272
Interest expense paid on debt	**(1,512)**	(1,528)	**(5,912)**	(5,936)
Net income (loss)	**4,218**	(12,882)	**6,357**	(14,849)
Total Trust Units' distributions paid and payable	**(1,679)**	(1,328)	**(6,585)**	(5,324)
Total distributions paid and payable[1]	**(2,068)**	(2,064)	**(8,262)**	(8,268)

(1) Total distributions paid and payable is a non-GAAP financial measure. See the "Non-GAAP Financial Measures and Ratios" section for a description.

As required by National Policy 41-201, *"Income Trusts and Other Indirect Offerings"*, the following table outlines the difference between net income (loss) and total distributions paid and payable (a non-GAAP financial measure), as well as the difference between cash flows generated from (utilized in) operating activities less cash interest paid on debt and total distributions paid and payable (a non-GAAP financial measure), in accordance with the guidelines:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Excess (shortfall) of net income (loss) over total distributions paid and payable[1][2]	**$ 2,150**	$ (14,946)	**$ (1,905)**	$ (23,117)
Excess (shortfall) of cash flows generated from operating activities less cash interest paid on debt over total distributions paid and payable[2][3]	**(71)**	3,055	**4,406**	7,068

(1) Excess (shortfall) of net income (loss) over total distributions paid and payable is calculated as net income (loss) less total distributions paid and payable (a non-GAAP financial measure).
(2) Total distributions paid and payable is a non-GAAP financial measure. See the "Non-GAAP Financial Measures and Ratios" section under the heading "Total distributions paid and payable".
(3) Excess (shortfall) of cash flows generated from (utilized in) operating activities less cash interest paid on debt over total distributions paid and payable is calculated as cash generated from operating activities less interest and other financing costs paid on debt less total distributions paid and payable (a non-GAAP financial measure).

For the three months ended December 31, 2024, total distributions paid and payable exceeded cash flows generated from (utilized in) operating activities less cash interest paid on debt by $0.1 million primarily due to the timing of property taxes. For the three months ended December 31, 2024, the REIT funded the amount of shortfalls in cash flows relative to the distributions paid and payable by utilizing cash and cash equivalents on hand.

For the year ended December 31, 2024, total distributions paid and payable exceeded net income (loss) by $1.9 million primarily due to the effect of negative fair value adjustments to investment properties that are non-cash in nature.

SECTION IV

NON-GAAP FINANCIAL MEASURES AND RATIOS

In this MD&A, we make reference to certain non-GAAP financial measures and non-GAAP ratios to measure and explain the operating results and financial performance of the REIT. These measures are commonly used by entities in the real estate industry as useful metrics for measuring performance. However, these non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under IFRS Accounting Standards and do not have a standardized meaning prescribed by IFRS Accounting Standards, and therefore might not be comparable to similar measures presented by other issuers. Rather, these measures are provided as additional information to complement those IFRS Accounting Standards measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS Accounting Standards.

Included in this section are reconciliations of non-GAAP financial measures and non-GAAP ratios presented throughout this MD&A to the most directly comparable financial measure.

Funds from operations ("FFO") and diluted FFO per Unit

FFO is a non-GAAP financial measure of consolidated net income (loss) in accordance with IFRS Accounting Standards, excluding: (i) distributions on redeemable or exchangeable Units recorded as finance cost under IFRS Accounting Standards (including distributions on the Class B Units), (ii) unrealized fair value adjustments to investment properties, (iii) property taxes accounted for under IFRIC 21, and (iv) debt settlement costs arising from capital management activities and disposals of investment properties and transaction costs on disposals of investment properties. Management has included an adjustment for property taxes accounted for under IFRIC 21 to show property taxes as if they had been accrued on a straight-line basis rather than fully recognized when the obligation is imposed. FFO should not be construed as an alternative to net income (loss) or cash flows provided by or used in operating activities determined in accordance with IFRS Accounting Standards. Our method of calculating FFO may differ from other issuers' methods and, accordingly, may not be comparable to FFO reported by other issuers. Management regards FFO as a key measure of operating performance. Management believes FFO (a non-GAAP financial measure) provides our investors additional relevant information on our operating performance.

In January 2022, the Real Property Association of Canada ("REALPAC") published a white paper titled "White Paper on Funds from Operations and Adjusted Funds from Operations for IFRS". We have reviewed the REALPAC white paper's FFO guidelines and our method of calculating FFO is substantially in accordance with REALPAC's recommendations, 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, we are 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.

Diluted FFO per Unit is a non-GAAP ratio. Diluted FFO per Unit is calculated as FFO (a non-GAAP financial measure) divided by the diluted weighted average number of Units outstanding during the period, which is calculated based on the weighted average of all Units (including Trust Units issuable upon the redemption of Class B Units, Class B Units, unvested deferred trust units and associated income deferred trust units). Management believes that diluted FFO per Unit, a non-GAAP ratio, provides our investors with additional relevant information on our operating performance. Fair value adjustments to investment properties and financial instruments and other items detailed in the following table do not necessarily provide an accurate picture of the REIT's past or recurring operating performance.

FFO has been reconciled to net income (loss) (the most directly comparable IFRS financial measure) in the following tables for the three months and the years ended December 31, 2024 and December 31, 2023. The following tables also summarize the components used to calculate diluted FFO per Unit for the same periods:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Net income (loss)	**$ 4,218**	$ (12,882)	**$ 6,357**	$ (14,849)
Add (deduct):				
Fair value adjustments to investment properties	**(644)**	12,937	**8,173**	25,834
Fair value adjustments to financial instruments	**(4,096)**	(1,249)	**(2,008)**	(259)
Property tax liability adjustment (IFRIC 21)	**3,554**	3,582	**(332)**	(358)
Debt settlement costs and transaction cost on disposal of investment properties	**—**	373	**—**	632
Interest expense on Class B Units	**389**	736	**1,677**	2,944
Funds from operations (“FFO”)(1)	**$ 3,421**	$ 3,497	**$ 13,867**	$ 13,944
Diluted weighted average number of Units(2)	**19,829**	19,750	**19,810**	19,776
Diluted FFO per Unit(1)(2)	**$ 0.17**	$ 0.18	**$ 0.70**	$ 0.71

(1) FFO is a non-GAAP financial measure, and diluted FFO per Unit is a non-GAAP ratio.

(2) A description of the determination of the diluted weighted average number of Units outstanding during the period can be found in the “Supplementary Financial Measures and Other Disclosures” section under the heading “Weighted average number of Units”.

FFO for the three months ended December 31, 2024 and December 31, 2023 was $3.4 million and $3.5 million, respectively. Diluted FFO per Unit was $0.17 for the three months ended December 31, 2024, compared to $0.18 for the three months ended December 31, 2023. FFO and Diluted FFO per Unit decreased over the comparative quarter due to increased general and administrative expenses and decreased interest and other income, partially offset by increased comparative properties NOI. Net income (loss), the most directly comparable financial measure to FFO, was $4.2 million and $(12.9) million for the three months ended December 31, 2024 and December 31, 2023, respectively.

FFO for the years ended December 31, 2024 and December 31, 2023 was consistent at $13.9 million. Diluted FFO per Unit was $0.70 for the year ended December 31, 2024, compared to $0.71 in the comparative period. The decrease was due to increased comparative NOI offset by higher general and administrative expenses and lower interest and other income over the comparative period.

NAV per Unit

NAV per Unit is a non-GAAP ratio calculated as the total equity (including Class B Units) (a non-GAAP financial measure) divided by the total number of Trust Units and Class B Units. This non-GAAP ratio is an important measure used by the REIT, as it reflects management’s view of the intrinsic value of the REIT and enables investors to determine if the REIT’s Unit price is trading at a discount or a premium relative to the NAV per Unit at each reporting period.

The table within the section “Our Equity” under the heading “NAV per Unit” summarizes the components to calculate NAV per Unit as at December 31, 2024 and December 31, 2023.

Net operating income (“NOI”), comparative properties NOI, comparative properties NOI margin and comparative investment properties revenue

NOI and comparative properties NOI are non-GAAP financial measures which are defined as investment properties revenue less investment properties operating expenses and realty taxes accounted for in accordance with IFRS Accounting Standards, except for adjustments related to IFRIC 21. Comparative properties NOI excludes the property sold in Q4 2023. NOI and comparative properties NOI should not be construed as an alternative to net income (loss) determined in accordance with IFRS Accounting Standards. The REIT’s method of calculating NOI and comparative properties NOI may differ from other issuers’ methods and, accordingly, may not be comparable to NOI and comparative properties NOI reported by other issuers.

Management believes NOI and comparative properties NOI are important measures of the income generated from investment properties and they are used by the REIT in evaluating the performance of the REIT’s properties. They are also a key input in determining the value of the REIT’s properties.

Comparative properties NOI margin is a non-GAAP ratio and is calculated as comparative properties NOI (a non-GAAP financial measure) divided by comparative investment properties revenue (a non-GAAP financial measure). Management believes that comparative properties

NOI margin is a meaningful supplementary measure of the operating performance of the REIT's investment properties. Comparative properties NOI margin is an important measure of the percentage of income generated from the investment properties and is used by the REIT in evaluating the performance of the portfolio.

Comparative investment properties revenue (a non-GAAP financial measure) is an input into the calculation of comparative properties NOI margin. Comparative investment properties revenue excludes the property sold in Q4 2023. Comparative investment properties revenue has been reconciled to investment properties revenue (the most directly comparable IFRS financial measure) within the section "Our Results of Operations" under the heading "Net operating income ("NOI")".

NOI and comparative properties NOI for the three months and the years ended December 31, 2024 and December 31, 2023 have been reconciled to net rental income (the most directly comparable IFRS financial measure) within the section "Our Results of Operations" under the heading "Net operating income ("NOI")".

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

Adjusted EBITDAFV is defined by the REIT as net income (loss) for the period adjusted for one-time property adjustments, non-cash items included in investment properties revenue, fair value adjustments to investment properties and financial instruments, interest expense on debt and Class B Units, and debt settlement costs and transaction costs on disposal of investment properties. During the three months ended December 31, 2022, the REIT updated its calculation of EBITDAFV to include the property tax adjustment (IFRIC 21) as a non-cash property adjustment as this will provide investors with a more comparable measure period-over-period. The aforementioned adjustments included in net income (loss) do not necessarily provide an accurate picture of the REIT's past or recurring operating performance. Management believes adjusted EBITDAFV, a non-GAAP financial measure, provides our investors with additional relevant information on our operating performance, excluding any non-cash items and extraneous factors. Adjusted EBITDAFV is a commonly used measure of performance of real estate operations; however, it does not represent net income (loss) or cash flows generated from (utilized in) operating activities, as defined by IFRS Accounting Standards, and it is not necessarily indicative of cash available to fund the REIT's needs.

The following table reconciles adjusted EBITDAFV to net income (loss) (the most directly comparable IFRS financial measure) for the three months and the years ended December 31, 2024 and December 31, 2023.

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Net income (loss)	**$ 4,218**	$ (12,882)	**$ 6,357**	$ (14,849)
Add (deduct):				
Interest expense – debt	**1,866**	1,874	**7,371**	7,427
Interest expense – Class B Units	**389**	736	**1,677**	2,944
Fair value adjustments to investment properties	**(644)**	12,937	**8,173**	25,834
Fair value adjustments to financial instruments	**(4,096)**	(1,249)	**(2,008)**	(259)
Property tax liability adjustment (IFRIC 21)	**3,554**	3,582	**(332)**	(358)
Debt settlement costs and transaction costs on disposal of investment properties	**—**	373	**—**	632
Adjusted EBITDAFV	**$ 5,287**	$ 5,371	**$ 21,238**	$ 21,371

Available liquidity

Available liquidity is defined as the sum of cash and cash equivalents and undrawn credit facility at period-end. Management believes that available liquidity, a non-GAAP financial measure, is a useful measure to investors in determining our resources available to meet all of our ongoing obligations and future commitments.

The following table reconciles available liquidity to undrawn credit facility (the most directly comparable IFRS financial measure) as at December 31, 2024 and December 31, 2023:

		As at December 31, 2024		As at December 31, 2023
Undrawn credit facility	**$**	**55,000**	$	70,000
Cash and cash equivalents		**5,382**		10,943
Available liquidity	**$**	**60,382**	$	80,943

Total equity (including Class B Units)

One of the components used to determine the REIT's NAV per Unit (a non-GAAP ratio) is total equity (including Class B Units) (a non-GAAP financial measure). Total equity (including Class B Units) is calculated as the sum of the equity amount per consolidated financial statements and the Class B Units. Management believes this is a useful measure for investors for the purpose of determining the REIT's capital management. Management does not consider the Class B Units to be debt or borrowings of the REIT, but rather a component of the REIT's equity.

The table within the section "Our Equity" under the heading "Total equity" reconciles total equity (including Class B Units) to total equity per consolidated financial statements (the most directly comparable IFRS financial measure).

Total distributions paid and payable

Total distributions paid and payable is a non-GAAP financial measure calculated as the sum of the distributions paid and payable on Trust Units and Class B Units interest expense per the consolidated financial statements. Because management considers the Class B Units to be a component of the REIT's equity, management considers the interest paid on Class B Units to be a component of total distributions paid to Unitholders. Management believes total distributions paid and payable (a non-GAAP financial measure) is an important measure for investors to monitor the total distributions paid to all Unitholders.

The table within the section "Our Equity" under the heading "Distribution policy" reconciles total distributions paid and payable on Trust Units and Class B Units to distributions paid and payable on Trust Units (the most directly comparable IFRS financial measure) for the three months and the year ended December 31, 2024.

Interest coverage ratio (times)

Management believes that interest coverage ratio (times), a non-GAAP ratio, is an important measure that assists investors in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio is calculated as the ratio between trailing 12-month adjusted EBITDAFV and trailing 12-month interest expense on debt, both of which are non-GAAP financial measures. The Trust uses trailing 12-month figures (which in Q4 2024 are equal to full-year adjusted EBITDAFV and full-year interest expense on debt) to assist investors in identifying longer-term trends in property operating performance and the cost of the Trust's debt.

Interest expense on Class B Units is excluded from this ratio as it represents distributions on units; however, pursuant to IFRS Accounting Standards, the distributions are presented as interest expense.

The following table calculates the interest coverage ratio (times) for the trailing 12-month periods ended December 31, 2024 and December 31, 2023:

	For the trailing 12-month period ended			
		December 31, 2024		December 31, 2023
Trailing 12-month adjusted EBITDAFV[1]	**$**	**21,238**	$	21,371
Trailing 12-month interest expense on debt	**$**	**7,371**	$	7,427
Interest coverage ratio (times)		**2.9**		2.9

(1) Adjusted EBITDAFV is a non-GAAP financial measure. The description and calculation of adjusted EBITDAFV is included under the heading "Adjusted earnings before interest, taxes, depreciation, amortization and fair value adjustments ("EBITDAFV")".

Net total debt-to-net total assets ratio

Net total debt is a non-GAAP financial measure calculated as the sum of current and non-current debt less cash and cash equivalents. Net total debt is a component used in the calculation of net total debt-to-net total assets (a non-GAAP ratio). Management believes net total debt is a useful financial measure for investors to monitor the principal amount of debt outstanding after factoring in cash and cash equivalents and can be used as a component to assess the REIT's ability to take on additional debt and its ability to manage overall balance sheet risk levels.

Net total assets is a non-GAAP financial measure calculated as the sum of total assets less cash and cash equivalents. Net total assets is a component used in the calculation of net total debt-to-net total assets (a non-GAAP ratio). Management believes net total assets is a useful financial measure for investors to consider, as it can be used to assess the REIT's ability to take on additional debt and its ability to manage overall balance sheet risk levels.

These non-GAAP financial measures are not defined by IFRS Accounting Standards, do not have a standard meaning and may not be comparable to similar measures presented by other issuers.

Net total debt-to-net total assets ratio, a non-GAAP ratio, as shown below, is determined as net total debt (a non-GAAP financial measure) divided by net total assets (a non-GAAP financial measure). Management and investors monitor this non-GAAP ratio to assess the REIT's ability to take on additional debt and its ability to manage overall balance sheet risk levels.

The following table reconciles net total debt to non-current debt (the most directly comparable financial measure) and net total assets to total assets (the most directly comparable financial measure) as at December 31, 2024 and December 31, 2023:

	As at December 31, 2024	As at December 31, 2023
Non-current debt	**$ 138,835**	$ 137,632
Current debt	**19**	—
Total debt	**138,854**	137,632
Less: Cash and cash equivalents	**(5,382)**	(10,943)
Net total debt	**$ 133,472**	$ 126,689
Total assets	**$ 409,664**	$ 411,926
Less: Cash and cash equivalents	**(5,382)**	(10,943)
Net total assets	**$ 404,282**	$ 400,983
Net total debt-to-net total assets ratio	**33.0%**	31.6%

SUPPLEMENTARY FINANCIAL MEASURES AND OTHER DISCLOSURES

These supplementary financial measures do not have standard meanings and may not be comparable with similar measures presented by other issuers.

Weighted average number of Units

The basic weighted average number of Units comprises the weighted average of all Trust Units, Class 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 diluted FFO per Unit (a non-GAAP ratio) calculation includes the basic weighted average number of Trust Units, Class B Units, unvested deferred trust units and associated income deferred trust units.

The following table summarizes the basic and diluted weighted average number of Units for the three months and the years ended December 31, 2024 and December 31, 2023:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Basic (in thousands)	**19,749**	19,703	**19,735**	19,729
Diluted (in thousands)	**19,829**	19,750	**19,810**	19,776

Tenant retention ratio

Tenant retention ratio is defined by the REIT as the number of renewed leases divided by the total number of leases signed during the period. This supplementary measure is an important measure used by the REIT in evaluating operating performance of the properties.

SECTION V

DISCLOSURE CONTROLS AND PROCEDURES

For the year ended December 31, 2024, the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers") of the REIT, together with the assistance of senior management, have evaluated the design and operational effectiveness of Dream Residential REIT's disclosure controls and procedures, as defined in National Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"). The Certifying Officers have concluded that the disclosure controls and procedures are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures by Dream Residential REIT and its consolidated subsidiary entities within the required time periods.

Dream Residential REIT's internal control over financial reporting (as defined in NI 52-109) is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS Accounting Standards. Using the framework established in the "2013 Committee of Sponsoring Organizations ("COSO") Internal Control Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission, the Certifying Officers, together with other members of management, have evaluated the design and operation of Dream Residential REIT's internal control over financial reporting. Based on that evaluation, the Certifying Officers have concluded that Dream Residential REIT's internal control over financial reporting was effective as at December 31, 2024.

There were no changes in Dream Residential REIT's internal control over financial reporting during the financial year ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, Dream Residential REIT's internal control over financial reporting.

RISKS AND OUR STRATEGY TO MANAGE

In addition to the specific risks discussed in this MD&A, 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 a further discussion of the risks and uncertainties identified by Dream Residential REIT, refer to the Prospectus filed under the REIT's profile on SEDAR+ (www.sedarplus.com).

Real estate ownership

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

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

Rollover of leases

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

Concentration of properties and tenants

Currently, all of our properties are located in the United States, primarily in the Sunbelt and Midwest regions. As a result, our business and financial condition is impacted by economic and other factors specifically affecting the real estate markets in the U.S. These factors may differ from those affecting the real estate markets in other regions. Due to the concentrated nature of our properties, a number of our properties could experience any of the same conditions at the same time. In addition, the cost of our insurance could increase if there are significant losses or casualties in a particular market. If real estate conditions in the United States decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties. We will continuously evaluate the economic health of the markets in which we operate through various means to ensure that we have identified and, where possible, mitigated these risks, but our mitigation strategies may not adequately protect our business.

Unexpected capital expenditures and other fixed costs

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

We are subject to utility expenses risk relating to increased costs that we may experience as a result of higher commodity prices or other industry factors outside of our control. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these commodity costs that we cannot charge back to our tenants would increase our costs of carrying on business.

If the actual costs of maintaining or upgrading properties exceed our estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if we are not permitted to raise the rents due to legal constraints, we will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of our properties is located or similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced. Any failure by us to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that we earn from such properties. Any such event which increases our costs or reduces our rental income could have a material adverse effect on our financial condition including our cash flows and our ability to make cash distributions to our Unitholders.

Financing

Ownership of our assets, and the real estate industry generally, is capital intensive. We require access to capital to maintain and improve our properties, which could include significant capital expenditures from time to time, as well as to fund our growth strategy. There is no assurance that capital will be available when needed or on favourable terms. Our failure to access this required capital could materially adversely impact our business, our financial condition including our cash flows and our ability to make distributions to our Unitholders. Our access to third-party financing is subject to a number of factors, including general market conditions, government policies, the market's perception of our growth potential, our current and expected future earnings, our cash flow and cash distributions and cash interest payments, and the market price of the Trust Units.

We currently have certain third-party debt service obligations pursuant to our indebtedness. The degree to which we are leveraged could have important consequences to Unitholders. Such factors include: the risk that a significant portion of our cash flow may be dedicated to the payment of the principal of, and interest on, our indebtedness, thereby reducing the amount of funds available for the payment of cash distributions to our Unitholders; certain of our borrowings will be at variable rates of interest which exposes us to the risk of increased interest rates; our debt covenants may also affect flexibility in planning for, and reacting to, changes in the economy and in the industry; a high level of debt could increase our vulnerability to general adverse economic and industry conditions; covenants contained in debt facilities could limit our ability to borrow additional funds, dispose of assets, encumber our assets, pay distributions and make potential investments; a high level of debt may place us at a competitive disadvantage compared to other owners of similar real estate assets who are less leveraged and therefore may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; a high level of debt makes it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of our then-outstanding borrowings; and a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

Our ability to make scheduled payments of the principal of, or interest on, and to otherwise satisfy our debt obligations will depend on factors such as the financial performance of our properties, prevailing economic conditions, prevailing interest rate levels and financial, competitive, business and other factors, many of which are beyond our control. These factors might inhibit us from refinancing indebtedness at all or on favourable terms, which could materially adversely affect our ability to make distributions to our Unitholders.

Upon the expiry of the term of the financing or refinancing of any particular property or debt facilities, we may need to refinance, and there can be no assurance that we will be able to do so or will be able to do so on terms as favourable as those currently in place with respect to the indebtedness. Future financing may take many forms, including debt or equity financing which could alter the current debt-to-equity ratio or which could be dilutive to our Unitholders. If we are unable to refinance our indebtedness, or are only able to refinance our indebtedness on less favourable terms, this may have a material adverse effect on our financial condition including our cash flows and our ability to make distributions to our Unitholders. Similarly, if we were to be in default under the terms of our indebtedness, the applicable lender could foreclose on any of our properties on which the lender took security to satisfy our obligations under our indebtedness which could have a material adverse effect on our ability to make cash distributions to our Unitholders.

Certain of our indebtedness including the REIT's credit facility may contain restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants may place restrictions upon, among other things, our ability to: (i) incur additional indebtedness, (ii) create liens or other encumbrances, (iii) pay distributions or make certain other payments, investments, loans and guarantees, (iv) sell or otherwise dispose of assets, and (v) merge or consolidate with another entity. In addition, our indebtedness may contain financial covenants that require us to maintain certain financial ratios and meet financial condition tests. Failure to comply with such obligations could result in an event of default which, if not cured or waived, could result in acceleration of the relevant indebtedness. If any indebtedness is accelerated, there can be no assurance that our assets will be sufficient to repay that indebtedness in full. If an event of default under any indebtedness occurs, it could have a material adverse effect on our ability to make cash distributions to our Unitholders.

Interest rate risk

We require extensive financial resources to implement our future investment and growth strategy. When negotiating financing agreements or extending such agreements, we will depend on our ability to agree on terms, including in respect of interest payments and amortization. In addition, we may enter into future financing agreements with variable interest rates. Increases in interest rates could result in a significant increase in the amount paid by us and our subsidiaries to service debt, which could result in a decrease in distributions to our Unitholders and could materially adversely affect the trading price of the Trust Units.

We may implement hedging programs in order to offset the risk of losses and provide more certainty regarding the payment of distributions to Unitholders and on our cash flows should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, our financial results, and our ability to pay cash distributions to our Unitholders and make interest payments under our existing indebtedness and future financings, may be adversely affected.

Economic environment risks

Uncertainty over whether the economy will be adversely affected by inflation or stagflation, the systemic impact of volatile energy costs and geopolitical issues, may contribute to increased market volatility. Such economic uncertainties and market challenges, which may result from a continued or exacerbated general economic slowdown, including as a result of the imposition of duties, tariffs and other trade protection measures and their effects could materially and adversely affect the REIT's ability to generate revenues, thereby increasing operating costs and reducing its operating income and earnings. A difficult operating environment could also have a material adverse effect on the ability of the REIT to maintain occupancy rates at its properties, which could harm the REIT's financial condition. Under such economic conditions, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT's financial position.

Further increases to inflation or prolonged inflation above central banks' targets could lead to further increases to interest rates by central banks, which would have a more pronounced negative impact on any variable rate debt the REIT is subject to or incurs in the future and on its results of operations. Similarly, during periods of high inflation, contractual annual rent increases may be less than the rate of inflation on a continual basis. Substantial inflationary pressures and increased costs may have an adverse impact on the tenants' ability to pay rent, and the REIT's ability to increase rents on lease rollovers, which could negatively affect the REIT's financial condition.

Increased inflation could lead to higher costs on future renovations, which could reduce the profitability of the planned renovation projects to the extent that higher rents cannot be obtained from prospective tenants.

In respect of any future real estate purchases, the REIT is also subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future that it attracts at the time of its purchases, or the number of investors seeking to acquire properties decreases, the value of the REIT's investments may not appreciate or may depreciate. Accordingly, the REIT's operations and financial condition could be materially and adversely affected to the extent that an economic slowdown or downturn occurs, is prolonged or becomes more severe.

Adverse global market, economic and political conditions

Adverse Canadian, U.S. and global market, economic and political conditions, including dislocations and volatility in the credit markets and general global economic uncertainty, unexpected or ongoing geopolitical events, including disputes between nations, war, terrorism or other acts of violence, and international sanctions, could have a material adverse effect on our business, results of operations and financial condition with the potential to impact, among others: (i) the value of our properties; (ii) the availability or the terms of financing that we have or may anticipate utilizing; (iii) our ability to make principal and interest payments on, or refinance, any outstanding debt when due; (iv) the occupancy rates in our properties; and (v) the ability of our tenants to enter into new leasing transactions or to satisfy rental payments under existing leases.

The imposition of duties, tariffs and other trade restrictions (including any retaliation to such measures) could result in slow economic growth and could materially disrupt the supply chain and negatively impact the economy. This, in turn, could adversely affect the rental market generally including tenants' ability to pay rent, and increase the cost of goods, leading to higher maintenance and construction costs. Trade barriers could also increase the likelihood and intensity of other risks discussed in this MD&A, and our Annual Report and Annual Information Form. We cannot predict whether we will be able to avoid or mitigate the impact of these changes. Even if temporary, these risks, along with any other taxes or other trade barriers, could have a material adverse effect on our business, results of operations and financial condition.

Changes in law

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

Tax considerations

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

We intend to continue to qualify as a real estate investment trust for U.S. federal income tax purposes. The REIT’s qualification as a real estate investment trust depends on the REIT’s satisfaction of certain asset, income, organizational, distribution, Unitholder ownership and other requirements on a continuing basis. Accordingly, given the complex nature of the rules governing real estate investment trusts, the ongoing importance of factual determinations, including the potential tax treatment of investments the REIT makes, and the possibility of future changes in the REIT’s circumstances, no assurance can be given that the REIT’s actual results of operations for any particular taxable year will satisfy such requirements. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a real estate investment trust or the U.S. federal income tax consequences of that qualification. No assurance can be given that the REIT will not have to use one or more real estate investment trust savings provisions, which may require the REIT to pay a deficiency dividend or an excise tax or penalty (which may be material) in order to maintain qualification and taxation as a real estate investment trust.

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

Competition

We compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. The average age of our properties is 37 years (based on the year built or year renovated, as applicable). Some of the residential rental properties of our competitors may be newer, better located or better capitalized than our properties. Certain of these competitors have greater financial and other resources and greater operating flexibility than us and it is possible that in the future our properties will be less desirable than newer residential rental properties developed by competitors. The existence of competing managers and owners could have a material adverse effect on our ability to successfully compete for new investments, lease space in our properties, renew leases with existing residents and, in the event that such leases are not renewed, to rent unleased units, and on the rents we are able to charge, which could materially adversely affect our financial condition including cash flows and our ability to make cash distributions to our Unitholders.

Furthermore, the residential rental properties in our portfolio or that we may acquire in the future will compete with numerous housing alternatives to attract tenants, including owner-occupied single homes and multi-unit residential buildings available for rent or purchase. The relative demand for such alternatives may be increased by a decline in mortgage interest rates, government programs which promote home ownership, or other events or initiatives which increase the affordability of such alternatives as compared with residential rental properties. We also face competition from alternative housing options being facilitated by modern technology, such as Airbnb, which allows for the efficient rental of condominiums or apartments, increasing or having the potential to increase the rental inventory as compared to historic norms. The ability of condominium and apartment owners to access the rental market in this manner, whether as a new entrant to the sector as an owner of multiple suites establishing the rental of such suites as a full-time business or as a tenant of an existing rental unit (subject to the lease terms and conditions governing subletting), may give rise to an increase in the competition that we face. These factors could materially adversely affect our ability to retain tenants, lease units and increase or maintain rental rates. Such competition may reduce our occupancy rates and rental revenues and adversely affect our ability to make cash distributions to our Unitholders.

Environmental and climate change-related risk

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

Climate change continues to attract the focus of governments, investors and the general public as an important threat, given that the emission of greenhouse gases and other activities continue to negatively impact the planet. We face the risk that our properties or tenants will be subject to government initiatives aimed at countering climate change, such as reduction of greenhouse gas emissions, which could impose constraints on our operational flexibility or cause us or our tenants to incur financial costs to comply with various reforms. Any failure to adhere and adapt to climate change reform could result in fines or adversely affect our reputation, operations or financial performance. Furthermore, certain of the Initial Properties are located in Texas and other areas of the United States which have sustained significant storm damage in the past and our properties and buildings may be exposed to the impact of events caused by climate change, such as natural disasters and increasingly frequent and severe weather conditions. Such events could interrupt our operations and activities, damage our properties, and potentially decrease our property values, reduce our rental revenue (including from increased vacancy), or require us to incur additional expenses, including an increase in insurance costs to insure our properties against natural disasters and severe weather or clean-up costs. Any of these events may have a material adverse effect on our business, our financial condition including our cash flows and our ability to make cash distributions to our Unitholders. Further, to the extent we must pay unexpectedly large amounts for insurance, we could suffer reduced earnings that would result in lower distributions to Unitholders.

Insurance

We carry general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in the U.S. and are otherwise acceptable to our trustees. For the property risks, we carry “All Risks” property insurance including, but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24-month indemnity period). We also carry boiler and machinery insurance covering all boilers; pressure vessels; heating, cooling and air conditioning (“HVAC”) systems; and equipment breakdown. However, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. We partially self-insure against terrorism risk for our entire portfolio. We have insurance for earthquake risks, subject to certain policy limits, deductibles and selfinsurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We carry title insurance on all our real estate assets. However, if a loss occurs resulting from a title defect with respect to a property where the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

Cyber security risks

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

Public health risk

Public health crises, pandemics and epidemics could adversely impact our business, and thereby our and our tenants’ ability to meet payment obligations, by disrupting supply chains and transactional activities, causing reduced traffic at our properties, leading to mobility restrictions and other quarantine measures, precipitating increased government regulation and negatively impacting local, national or global economies. Public health crises, pandemics and epidemics may also increase the volatility in financial markets and impact debt and equity markets, which could affect our ability to access capital. All of these factors may have a material adverse effect on our business, results of operations and our ability to make cash distributions to Unitholders. The extent to which any public health crises, disease, epidemic or pandemic impacts business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain.

Strategic Review Process

The REIT recently announced that is is undergoing a strategic review process. The REIT has not established a definitive timeline to complete the strategic review process nor any transaction and no decisions have been reached at this time. As such, the process is subject to unknown variables including the costs, structure, terms, timing and outcome. There can be no assurance that the engagement of a financial advisor or the strategic review will result in any transaction or initiative or, if a transaction or initiative is undertaken, as to the terms or timing of such a transaction or initiative and its impact on the financial condition, liquidity, and results of operations of the REIT. The REIT does not intend to disclose further developments in connection with the review until it is determined that disclosure is necessary or appropriate or required.

SECTION VI

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on factors it believes to be reasonable under the circumstances, which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. 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.

The following are the critical accounting judgments used in applying the REIT's accounting policies that have the most material effect on the amounts in the consolidated financial statements:

Investment properties

Critical judgments are made in respect of the fair values of investment properties. At the end of each reporting period, management internally determines the fair value of investment properties using the direct capitalization method with reference to current contracted sales prices for similar properties that are available for sale, independent property appraisals and market conditions existing at the reporting date using generally accepted market practices. The independent appraisers are experienced, nationally recognized and qualified in the professional valuation of investment properties in their respective geographic areas. Judgment is applied in determining the extent and frequency of obtaining independent appraisals.

The fair values of investment properties are dependent on estimates regarding stabilized NOI and capitalization rates applicable to those assets with adjustments for items such as average lease-up costs, vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. The determination of stabilized NOI incorporates various assumptions, including those regarding contractual rents, expected future market rents, renewal rates and maintenance costs. Cap rates reflect market uncertainties and are based on the location, size and quality of the asset and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

The carrying value of the REIT's investment properties reflects management's best estimate for the highest and best use at December 31, 2024, incorporating expected future cash flows, discount rates and other applicable market information.

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

ACCOUNTING POLICY CHANGES

Amendments to IAS 1

The IASB has issued amendments to IAS 1, "Presentation of financial statements" ("IAS 1"). The amendments to IAS 1 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, 2024. The REIT may be required to settle liabilities arising from vested deferred trust units on demand by the Unitholders and does not have the right to defer settlement of such liabilities for a period of more than 12 months from the reporting date. As a result of these amendments, the REIT has adopted the standard effective January 1, 2024, classifying vested deferred trust units where there is no right to defer settlement as current liabilities in the consolidated financial statements for the current period. Consistent with the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" ("IAS 8"), the amendments must be applied retrospectively and, as such, the prior year comparative period has been restated to conform to the current period presentation.

As a result of these amendments, the REIT has also provided expanded disclosures regarding the covenants it is subject to under its debt obligations in the consolidated financial statements.

There were no changes to the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity or consolidated statements of cash flows as a result of the amendments. The amendments had no impact on the REIT's debt covenants.

ADDITIONAL INFORMATION

Additional information relating to Dream Residential REIT, including the Annual Information Form, is available on SEDAR+ at www.sedarplus.com.

Independent auditor's report

To the Unitholders of Dream Residential Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dream Residential Real Estate Investment Trust and its subsidiaries (together, the REIT) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The REIT's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Refer to note 2 – Material accounting policy information, note 3 – Critical accounting judgments, estimates and assumptions in applying accounting policies, note 4 – Investment properties and note 20 – Fair value measurements to the consolidated financial statements.* The REIT measured its investment properties at fair value as at December 31, 2024, and these assets were valued at $400.5 million. At the end of each reporting period, management internally determines the fair value of investment properties using the direct capitalization method with reference to current contracted sales prices for similar properties that are available for sale, independent property appraisals and market conditions existing at the reporting date using generally accepted market practices. The significant assumptions used in the direct capitalization method are the capitalization rates and the stabilized net operating income (stabilized NOI). Critical judgments are made by management in respect of the determination of fair values of investment properties. We considered this a key audit matter due to i) significant audit effort required to assess the fair value of investment properties; ii) the critical judgments by management when determining the fair value of investment properties, including the development of the significant assumptions; and iii) a high degree of complexity in assessing audit evidence to support the significant assumptions developed by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuation.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the fair value of investment properties, which included the following: – Evaluated the appropriateness of the direct capitalization method. – Tested the underlying data used in the valuations that are significant to the fair value of investment properties. – Evaluated the reasonableness of stabilized NOIs by comparing them to underlying accounting records and/or external market and industry data, as applicable. – Evaluated the reasonableness of the capitalization rates by comparing them to external market and industry data. – For certain investment properties, professionals with specialized skill and knowledge in the field of real estate valuation assisted in evaluating the reasonableness of the significant assumptions used by management.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the REIT as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee-Anne Kovacs.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 19, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of U.S. dollars)

	Note		**December 31, 2024**		December 31, 2023
Assets					
NON-CURRENT ASSETS					
Investment properties	4, 20	**$**	**400,502**	$	398,310
Restricted funds			**522**		312
Other non-current assets			**213**		190
			401,237		398,812
CURRENT ASSETS					
Amounts receivable	5		**1,778**		816
Prepaid expenses and other current assets			**1,267**		1,355
Cash and cash equivalents			**5,382**		10,943
			8,427		13,114
Total assets		**$**	**409,664**	$	411,926
Liabilities					
NON-CURRENT LIABILITIES					
Debt	6, 20	**$**	**138,835**	$	137,632
Deferred Unit Incentive Plan	2, 17, 18		**265**		320
			139,100		137,952
CURRENT LIABILITIES					
Class B Units	16		**23,039**		47,326
Amounts payable and accrued liabilities	7, 22		**6,657**		8,397
Debt	6, 20		**19**		—
Deferred Unit Incentive Plan	2, 17, 18		**360**		219
			30,075		55,942
Total liabilities			**169,175**		193,894
Equity					
Unitholders’ equity	12		**150,864**		128,179
Retained earnings	12		**89,625**		89,853
Total equity			**240,489**		218,032
Total liabilities and Unitholders’ equity		**$**	**409,664**	$	411,926

See the accompanying notes to the consolidated financial statements.

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

"Fahad Khan"

FAHAD KHAN
Trustee

"Vicky Schiff'

VICKY SCHIFF
Trustee

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of U.S. dollars)

		Year ended December 31,	
	Note	**2024**	2023
Investment properties revenue	8	**$ 47,990**	$ 47,561
Investment properties operating expenses	9	**(22,802)**	(22,711)
Net rental income		**25,188**	24,850
Other income			
Interest and other income		**211**	337
		211	337
Other expenses			
General and administrative	10, 22	**(3,829)**	(3,458)
Interest expense – debt	11	**(7,371)**	(7,427)
Interest expense – Class B Units	16	**(1,677)**	(2,944)
Debt settlement costs and costs on disposal of investment property	6	**—**	(632)
		(12,877)	(14,461)
Fair value adjustments			
Fair value adjustments to investment properties	4, 20	**(8,173)**	(25,834)
Fair value adjustments to financial instruments	18	**2,008**	259
		(6,165)	(25,575)
Net income (loss) and comprehensive income (loss)		**$ 6,357**	$ (14,849)

See the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars)

Year ended December 31, 2024	Note	Number of Trust Units		Unitholders' equity		Retained earnings		Total
Balance at January 1, 2024		**12,645,268**	**$**	**128,179**	**$**	**89,853**	**$**	**218,032**
Class B Units exchanged for Trust Units	16	**3,319,119**		**22,540**		**—**		**22,540**
REIT Units issued for DUIP	17	**22,224**		**145**		**—**		**145**
Net income and comprehensive income		**—**		**—**		**6,357**		**6,357**
Distributions paid and payable	14	**—**		**—**		**(6,585)**		**(6,585)**
Balance at December 31, 2024		**15,986,611**	**$**	**150,864**	**$**	**89,625**	**$**	**240,489**

Year ended December 31, 2023		Number of Trust Units		Unitholders' equity		Retained earnings		Total
Balance at January 1, 2023		12,776,418	$	129,265	$	110,026	$	239,291
Cancellation of REIT A Units under NCIB	13	(150,758)		(1,225)		—		(1,225)
Cancellation costs		—		(3)		—		(3)
REIT Units issued for DUIP	17	19,608		142		—		142
Net loss and comprehensive loss		—		—		(14,849)		(14,849)
Distributions paid and payable	14	—		—		(5,324)		(5,324)
Balance at December 31, 2023		12,645,268	$	128,179	$	89,853	$	218,032

See the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

	Note	Year ended December 31, 2024	2023
Generated from (utilized in) operating activities			
Net income (loss)		**$ 6,357**	$ (14,849)
Non-cash items:			
Debt settlement costs	6	**—**	632
Fair value adjustments on investment properties	4, 20	**8,173**	25,834
Fair value adjustments on financial instruments	18	**(2,008)**	(259)
Deferred compensation expense	17	**500**	434
Interest expense – debt	11	**7,371**	7,427
Interest expense – Class B Units	16	**1,677**	2,944
Change in non-cash working capital	15	**(3,490)**	(891)
		18,580	21,272
Generated from (utilized in) investing activities			
Proceeds from disposal of investment property, net of transaction costs		**—**	8,777
Investments in building improvements	4	**(10,095)**	(15,937)
Insurance proceeds received	4	**78**	1,157
		(10,017)	(6,003)
Generated from (utilized in) financing activities			
Distributions on Units	14	**(6,469)**	(5,328)
Interest paid – debt	11	**(5,912)**	(5,936)
Interest paid – Class B Units	16	**(1,793)**	(2,944)
Borrowings, net of financing cost additions	6	**15,000**	14,221
Lump sum repayments	6	**(14,950)**	(11,004)
Lump sum repayments on property dispositions	6	**—**	(3,609)
Debt settlement costs paid	6	**—**	(146)
Cancellation of REIT A Units under NCIB	13	**—**	(1,225)
		(14,124)	(15,971)
Decrease in cash and cash equivalents		**(5,561)**	(702)
Cash and cash equivalents, beginning of period		**10,943**	11,645
Cash and cash equivalents, end of period		**$ 5,382**	$ 10,943

See the accompanying notes to the consolidated financial statements.

(all dollar amounts in thousands of U.S. dollars)

Note 1
ORGANIZATION
Dream Residential Real Estate Investment Trust (the “REIT” or “Dream Residential REIT”) is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario (the “Declaration of Trust”). The consolidated financial statements of the REIT include the accounts of the REIT and its subsidiaries.

The Trust Units of the REIT are listed on the Toronto Stock Exchange (“TSX”) in U.S. dollars under the symbol “DRR.U”, and in Canadian dollars under the symbol “DRR.UN”. The address of the REIT’s registered office is 30 Adelaide Street East, Suite 301, Toronto, Ontario, Canada M5C 3H1. The REIT’s consolidated financial statements were authorized for issuance by the Board of Trustees on February 19, 2025, after which they may only be amended with the Board of Trustees’ approval.

Note 2
MATERIAL ACCOUNTING POLICY INFORMATION

The following describes the material accounting policies used in the preparation of these consolidated financial statements:

Basis of presentation
These consolidated financial statements are prepared on a going-concern basis and have been presented in U.S. dollars, which is the functional currency of the REIT, and all amounts are rounded to the nearest thousand unless otherwise indicated. These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and using accounting policies described herein.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Dream Residential REIT and its subsidiaries. Subsidiaries are consolidated from the date of acquisition, the date on which the REIT obtains control, and continue to be consolidated until the date such control ceases. Control exists when the REIT is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Amendments to IAS 1
The International Accounting Standards Board has issued amendments to IAS 1, “Presentation of Financial Statements” (“IAS 1”). The amendments to IAS 1 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, 2024. The REIT may be required to settle liabilities arising from vested deferred trust units on demand by the Unitholders and does not have the right to defer settlement of such liabilities for a period of more than 12 months from the reporting date. As a result of these amendments, the REIT has adopted these amendments effective January 1, 2024 and classified vested deferred trust units where there is no right to defer settlement as current liabilities in the consolidated financial statements for the current period. Consistent with the requirements of IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” (“IAS 8”), the amendments must be applied retrospectively and, as such, the prior year comparative period has been restated to conform to the current period presentation. The following table outlines the impact of the reclassifications:

	As at January 1, 2023			As at December 31, 2023		
	As reported	Reclassification	As reclassified	As reported	Reclassification	As reclassified
Current liabilities						
Deferred Unit Incentive Plan	$ —	$ 138	$ 138	$ —	$ 219	$ 219
Non-current liabilities						
Deferred Unit Incentive Plan	$ 155	$ (138)	$ 17	$ 539	$ (219)	$ 320

As a result of these amendments, the REIT has also provided expanded disclosures regarding the covenants it is subject to under its debt obligations in Note 6 of the consolidated financial statements.

Investment properties

Investment properties comprise multi-residential properties held to earn rental income or capital appreciation or both. Investment properties include land, building and building improvements, as well as certain furniture and equipment. Investment properties are initially measured at cost, including related transaction costs in connection with asset acquisitions. Subsequent to initial recognition, investment properties are measured at their estimated fair value. Gains or losses arising from changes in fair value are included in net income in the consolidated statements of comprehensive income (loss). When an investment property is disposed of, including investment properties held for sale, the asset is derecognized when control of the property is transferred. Any transaction costs arising on derecognition of an investment property are included in net income in the consolidated statements of comprehensive income (loss) during the reporting period the asset is derecognized.

At the end of each reporting period, management internally determines the fair value of investment properties using the direct capitalization method. The significant assumptions used in the direct capitalization method are the capitalization rates and the stabilized net operating income ("stabilized NOI").

Expenditures are capitalized to the property only when it is probable that future economic benefits associated with the expenditure will flow to the REIT and the cost of the item can be measured reliably. Repairs and maintenance costs are recorded in investment properties operating expenses when incurred.

Deferred Unit Incentive Plan

As described in Note 17, the REIT has a Deferred Unit Incentive Plan that provides for the granting of deferred trust units and income deferred trust units to trustees, officers, employees, employees and officers of affiliates, and service providers, including the asset managers.

Over the vesting period, deferred trust units are recorded as a liability, and compensation expense is recognized based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding Trust Units, with changes in fair value recognized in the consolidated statements of comprehensive income (loss) as a fair value adjustment to financial instruments.

Financial instruments

DESIGNATION OF FINANCIAL INSTRUMENTS

The following table summarizes the REIT's classification and measurement of financial assets and financial liabilities in accordance with IFRS 9, "Financial Instruments" ("IFRS 9"):

	Classification and measurement
Financial assets	
Amounts receivable	Financial asset at amortized cost
Restricted funds	Financial asset at amortized cost
Cash and cash equivalents	Financial asset at amortized cost
Financial liabilities	
Mortgages payable	Financial liability at amortized cost
Revolving credit facility	Financial liability at amortized cost
Class B Units	Financial liability at amortized cost
Deferred Unit Incentive Plan	Financial liability at amortized cost
Amounts payable and accrued liabilities	Financial liability at amortized cost

FINANCIAL ASSETS

Impairment

The REIT recognizes an allowance for expected credit losses for all financial assets not held at fair value through profit or loss. For amounts receivable, the REIT applies the simplified approach Expected Credit Loss ("ECL") model permitted by IFRS 9, which requires expected lifetime losses to be recognized upon initial recognition of the receivables. To measure the expected losses, the REIT has established a provision matrix that is based on its historical credit loss experience based on days past due adjusted for forward-looking factors specific to the tenant and the economic environment. The REIT will usually consider a financial asset in default when contractual payment is over 90 days past due but will also consider other factors such as alternative repayment negotiated with tenants. However, in certain cases, the REIT may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full. The results of the simplified approach ECL model are used to reduce the carrying amount of the financial asset, and the changes in the measurement of the provision for impairment are recognized in net income in the consolidated statements of comprehensive income (loss) within operating expenses. Amounts receivable are written off where there is no reasonable expectation of recovery.

FINANCIAL LIABILITIES

Class B Units

The issued and authorized capital of the REIT's subsidiary, DRR Holdings LLC ("Holdco LLC"), consists of Class A units ("Class A Units") and Class B units ("Class B Units"). All of the Class A Units will be indirectly held by the REIT. The Class B Units are, in all material respects, economically equivalent to the Trust Units and are redeemable under certain circumstances by the holder thereof for cash or Trust Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Holdco LLC and as directed by the REIT in its sole discretion, and therefore, are considered puttable instruments in accordance with IAS 32, "Financial Instruments: Presentation" ("IAS 32"). The Class B Units have been classified as financial liabilities at amortized cost. The distributions on Class B Units are accounted for as interest expense in the consolidated statements of comprehensive income (loss) in the period in which they become payable.

Equity

The REIT is authorized to issue an unlimited number of Trust Units. Each Trust Unit represents a proportionate undivided beneficial ownership interest in the REIT, is transferable and entitles the holder to an equal participation in distributions of the REIT, rights of redemption and voting rights. Under IAS 32, the Trust Units are considered a puttable financial instrument because of the holder's option to redeem Trust Units, generally at any time, subject to certain restrictions, at a redemption price per unit calculated based on a formula determined by the Amended and Restated Declaration of Trust. The REIT has determined the Trust Units can be presented as equity and not as financial liabilities because the Trust Units have all of the features to be classified as an equity instrument.

Leases

The REIT has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low value. Those payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis and are recorded in the consolidated statement of comprehensive income (loss). Short-term leases are identified as those with a lease term of less than one year from lease commencement date or the underlying asset is of a low value determined by the REIT. All of the REIT's leases fall into these categories, therefore no right-of-use asset or lease liability have been set up on the consolidated statement of financial position.

Revenue recognition

RENTAL INCOME

IFRS 16, "Leases" ("IFRS 16") applies to rental income earned from leases. Terms of leases are generally one year or less and management accounts for tenant leases as operating leases, given that it has retained substantially all of the risks and benefits of ownership of investment properties. Rental revenue from investment properties includes base rents and other rental revenue. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in investment properties, is recorded for the difference between the rental revenue recognized and the contractual amount received. Other rental revenues are recorded as earned.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The REIT has obligations to provide ongoing services related to leases which are contract revenues within the scope of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). This ancillary service revenue includes utility recoveries, property expense recoveries, pet fees, amenity fees, and parking. The performance obligation for ancillary services is satisfied over time, and revenue is recognized when earned as services are performed. Management applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Income taxes

CANADIAN MUTUAL FUND STATUS

The REIT qualifies as a mutual fund trust pursuant to the *Income Tax Act* (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through Trust ("SIFT") pursuant to the *Income Tax Act* (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust pursuant to the *Income Tax Act* (Canada), and to make the necessary distributions to not be subject to Canadian or U.S. federal income tax.

U.S. REIT STATUS

The REIT is classified as a U.S. corporation for U.S. federal income tax purposes under current Treasury Regulations as a result of the asset acquisition that took place on May 6, 2022. Further, pursuant to section 7874 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") the REIT is treated as a U.S. corporation for all purposes under the Code and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity. In general, a company that elects real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its unitholders in any taxable year, and complies with certain other requirements is not subject to U.S. federal income taxation to the extent of the income it distributes. If it fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it qualifies as a real estate investment trust under the Code and expects to continue to do so. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT.

Accounting for levies imposed by government

IFRS Interpretation Committee ("IFRIC") 21, "Levies" ("IFRIC 21"), provides guidance on accounting for levies in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The REIT has recorded the full amount of annual realty tax liabilities and the corresponding expense at the point in time when the realty tax obligation is imposed.

Foreign currencies

The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the REIT and the presentation currency for the consolidated financial statements.

Note 3

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements of the REIT requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. 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.

The following are the critical accounting judgments used by management to make judgments, estimates and assumptions in the application of the accounting policies to the REIT that have the most significant effect on the amounts in the consolidated financial statements of the REIT:

Revenue recognition

Management exercises judgment in determining which revenue streams that arise from lease agreements are in the scope of IFRS 15 and which are not. Specifically, management considers whether a revenue stream related to a lease agreement is for the lease of an asset or is for the provision of a distinct service. Revenues related to distinct services are determined to be in the scope of IFRS 15 while the former are in the scope of IFRS 16.

Investment properties

Critical judgments are made in respect of the fair values of investment properties. At the end of each reporting period, management internally determines the fair value of investment properties using the direct capitalization method with reference to current contracted sales prices for similar properties that are available for sale, independent property appraisals and market conditions existing at the reporting date using generally accepted market practices. The independent appraisers are experienced, nationally recognized and qualified in the professional valuation of investment properties in their respective geographic areas. Judgment is applied in determining the extent and frequency of obtaining independent appraisals.

The fair values of investment properties are dependent on estimates regarding stabilized NOI and capitalization rates applicable to those assets with adjustments for items such as average lease-up costs, vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. The determination of stabilized NOI incorporates various assumptions including those regarding contractual rents, expected future market rents, renewal rates and maintenance costs. Capitalization rates reflect market uncertainties and are based on the location, size and quality of the asset and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

The carrying value of the REIT's investment properties reflects management's best estimate for the highest and best use at December 31, 2024, incorporating expected future cash flows, discount rates and other applicable market information.

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

Future accounting policy changes

IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18")

IFRS 18 will replace IAS 1, "Presentation of Financial Statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency for users. The REIT is currently assessing the detailed implications of applying the new standard on the consolidated financial statements. The REIT will apply the new standard from its effective date of January 1, 2027.

IFRS 9 and IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7")

In May 2024, amendments to IFRS 9 and IFRS 7 were issued. The amendments clarify the timing of recognition and derecognition for a financial asset or financial liability, including clarifying that a financial liability is derecognized on the settlement date. Further, the amendments introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specific condition are met. The amendments also require additional disclosures for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive income. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. The REIT is in the process of assessing the impact of these new standards.

Note 4

INVESTMENT PROPERTIES

The following table reconciles the carrying value for investment properties for the years ended December 31, 2024 and December 31, 2023:

		Year ended December 31, 2024		Year ended December 31, 2023
Balance, beginning of period	**$**	**398,310**	$	418,230
Add (deduct):				
Disposals		**—**		(9,000)
Building improvements		**10,965**		16,071
Insurance proceeds		**(600)**		(1,157)
Fair value adjustments to investment properties		**(8,173)**		(25,834)
Balance, end of period		**400,502**		398,310
Change in unrealized fair value included in net loss for the period				
Change in fair value of investment properties	**$**	**(8,173)**	$	(25,834)

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the years ended December 31, 2024 and December 31, 2023:

		Year ended December 31, 2024		Year ended December 31, 2023
Investment properties valued by qualified external valuation professionals	$	**124,500**	$	132,650
Number of investment properties valued by qualified external valuation professionals		**6**		5
Percentage of the total value of investment properties valued by qualified external valuation professionals		**31%**		33%

Fair value adjustments to investment properties

When performing fair value assessments for its investment properties, the REIT 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 sales. The fair value of the investment properties as at December 31, 2024 represents the REIT's best estimate based on internally and externally available information as at the end of the reporting period.

The fair value methodology for the REIT's investment properties is considered Level 3, as significant unobservable inputs are required to determine fair value. The fair values of the investment properties are derived from the direct capitalization method.

In June of 2024, there was a fire at a property in the Greater Dallas-Fort Worth region. Based on current information, the estimated damage to the property is $2.0 million. Costs associated with remediation and rebuild are expected to be fully covered by insurance, less a $0.3 million deductible, as well as lost income from business interruption insurance. During the year ended December 31, 2024, $0.6 million of insurance proceeds was recorded as restricted funds in the consolidated financial statements. The REIT will draw down these funds as the repairs progress. During the year ended December 31, 2024, $0.1 million related to repairs have been completed and $0.1 million of insurance proceeds have been received and recorded in cash and cash equivalents. The fair value adjustments to investment properties in the statement of comprehensive income (loss) for the year ended December 31, 2024 includes a $1.9 million loss related to the fire.

In September of 2024, there was a fire at a property in the Greater Cincinnati region. Based on current information, the total estimated damage to the property is $1.5 million. Costs associated with remediation and rebuild are expected to be fully covered by insurance, less a $0.3 million deductible, as well as lost income from business interruption insurance. During the year ended December 31, 2024, $0.1 million related to repairs have been recorded in the consolidated financial statements. The fair value adjustments to investment properties in the statement of comprehensive income (loss) for the year ended December 31, 2024 includes a $1.4 million loss related to the fire.

Assumptions used in the valuation of investment properties using the direct capitalization method

The following table summarizes the unobservable inputs used to value the REIT's investment properties:

Capitalization rates:	**December 31, 2024**	December 31, 2023
Minimum	**5.50%**	5.15%
Maximum	**6.55%**	6.60%
Weighted average	**5.84%**	5.63%

Sensitivities on assumptions

Generally, an increase in stabilized net operating income ("NOI") will result in an increase to the fair value of an investment property. An increase in the direct capitalization rate will result in a decrease to the fair value of an investment property. The direct capitalization rate magnifies the effect of a change in NOI, with a lower rate resulting in a greater impact to the fair value of an investment property than a higher rate.

The following sensitivity table outlines the potential impact on the fair value of investment properties assuming a change in the weighted average capitalization rate of 25 basis points ("bps") as at December 31, 2024:

	Impact of change to weighted average capitalization rates	
	+25 bps	–25 bps
Increase (decrease) in value	$ (16,451)	$ 17,923

Note 5
AMOUNTS RECEIVABLE

	December 31, 2024	December 31, 2023
Tenant and other receivables[1]	**$ 1,830**	$ 861
Less: Provision for impairment of tenant and other receivables	**(52)**	(45)
Total	**$ 1,778**	$ 816

(1) Tenant and other receivables is net of $911 (December 31, 2023 - $877) receivables written off during the period as uncollectible.

The carrying value of amounts receivable approximates fair value as the REIT expects to realize these amounts within the next 12 months. The REIT determines the provision of impairment of tenant and other receivables using historical information, probability of collection, lease terms, the tenants' financial condition and other factors.

The REIT leases residential properties to tenants under operating leases. All leases have a remaining term of 12 months or less.

Note 6
DEBT

	December 31, 2024	December 31, 2023
Mortgages[1][2]	**$ 123,854**	$ 137,632
Revolving Credit Facility	**15,000**	—
Total Debt	**138,854**	137,632
Less: Current portion	**(19)**	—
Non-current debt	**$ 138,835**	$ 137,632

(1) Net of financing costs $300 (December 31, 2023 - $289).
(2) Secured by charges on specific investment properties.

Continuity of debt

The following table provides a continuity of mortgages payable and the revolving credit facility for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31, 2024		
	Mortgages	**Revolving credit facility**	**Total**
Balance as at January 1, 2024	**$ 137,632**	**$ —**	**$ 137,632**
Cash items:			
Borrowings	**—**	**15,000**	**15,000**
Lump sum repayments	**(14,950)**	**—**	**(14,950)**
Non-cash items:			
Amortization of deferred financing costs	**267**	**—**	**267**
Amortization of fair value discount on acquired mortgages	**905**	**—**	**905**
Balance as at December 31, 2024	**$ 123,854**	**$ 15,000**	**$ 138,854**

	Year ended December 31, 2023		
	Mortgages	Revolving credit facility	Total
Balance as at January 1, 2023	$ 136,621	$ —	$ 136,621
Cash items:			
Borrowings	14,437	—	14,437
Lump sum repayments	(11,004)	—	(11,004)
Lump sum repayments on investment property disposition	(3,609)	—	(3,609)
Financing costs additions	(216)	—	(216)
Non-cash items:			
Amortization of deferred financing costs	260	—	260
Amortization of fair value discount on acquired mortgages	880	—	880
Debt settlement costs(1)	263	—	263
Balance as at December 31, 2023	$ 137,632	$ —	$ 137,632

(1) Includes write-offs of financing costs and fair value adjustments associated with a mortgage refinancing completed during Q1 2023 and a mortgage discharged upon disposal of an investment property in Q4 2023.

The REIT's weighted average effective interest rate on mortgages payable at December 31, 2024 is 5.13%. The maturity dates on the mortgages payable as at December 31, 2024 range from 2025 to 2033.

Mortgages payable

As at December 31, 2024, there are nine mortgages, which have a contractual weighted average interest rate of 3.99% and a face value of $129,059. As at December 31, 2023, there were 11 mortgages, which had a contractual weighted average interest rate of 4.0% and a face value of $144,009. The mortgages are generally interest-only and are all fixed rate and secured by first charges on the investment properties.

On December 31, 2024, the REIT repaid in full two mortgages totalling $15.0 million with a contractual weighted average interest rate of 4.05% secured by two properties in the Greater Cincinnati region by drawing on the revolving credit facility.

The following table details the scheduled maturities of principal and interest on all outstanding borrowings as of December 31, 2024:

	Mortgage balances due at maturity	Scheduled principal repayments on mortgages	Total principal obligation for mortgages	Revolving credit facility	Contractual interest payments	Total contractual commitments for debt
2025	—	19	19	—	6,140	6,159
2026	—	79	79	—	6,138	6,217
2027	19,828	115	19,943	15,000	4,609	39,552
2028	10,835	223	11,058	—	4,224	15,282
Thereafter	97,783	177	97,960	—	5,957	103,917
Total	$ 128,446	$ 613	$ 129,059	15,000	$ 27,068	$ 171,127
Plus: Unamortized financing costs			(1,086)			
Plus: Unamortized fair value discount on acquired mortgages			(4,119)			
Total mortgages			$ 123,854			

Revolving Credit Facility

The REIT has a $70,000 senior secured revolving credit facility (the "Credit Facility"), which was amended and extended on April 4, 2024 to a new maturity date of March 28, 2027. Total financing fees of $438 related to the origination and amendment of the Credit Facility have been capitalized and recognized as service fees on a straight-line basis, resulting in amortization of the deferred financing costs of $87 for the year ended December 31, 2024, which has been recorded in interest expense on debt. The Credit Facility is secured by four of the REIT's investment properties and a general security agreement over the assets of the REIT.

	Maturity date	Interest rates on drawings	Face interest rate	Borrowing capacity	Drawings	Letters of credit	Amount available
Formula-based maximum not to exceed $70,000	March 28, 2027	Prime + 0.75% or SOFR + 1.85%	6.10%	$ 70,000	$ (15,000)	$ —	$ 55,000

The REIT's credit facility contains three financial covenants which are tested quarterly following each reporting date, as follows:

- Debt to total assets ratio – The REIT must maintain a maximum specified ratio of its total debt and its total assets, each as defined in the amended agreement.
- Interest coverage ratio – The REIT must maintain a minimum specified ratio of EBITDA, as defined in the amended agreement, to total interest payments required under the REIT's consolidated debt obligations.
- Total net worth – The REIT must maintain a minimum amount of equity, as defined in the amended agreement.

There have been no breaches of the REIT's financial covenants.

The carrying amount of the REIT's debt subject to periodic compliance with financial covenants as at December 31, 2024 is $15,000.

Note 7

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
Trade payables	**$ 162**	$ 836
Accrued distributions payable	**689**	688
Accrued interest	**444**	496
Tenant security deposits	**475**	750
Rent received in advance	**297**	331
Accrued expenses and other liabilities	**4,590**	5,296
Total	**$ 6,657**	$ 8,397

Note 8

INVESTMENT PROPERTY REVENUE

The following table shows the breakdown of investment property revenue that is all earned in the United States:

	Year ended December 31,	
	2024	2023
Rental revenue	**$ 42,440**	$ 42,226
Ancillary income	**3,449**	3,214
Other income	**2,101**	2,121
Total	**$ 47,990**	$ 47,561

Note 9

INVESTMENT PROPERTY OPERATING EXPENSES

	Year ended December 31,	
	2024	2023
Operating and maintenance expense	**$ 10,290**	$ 11,329
Realty tax expense and insurance	**8,554**	7,676
Utilities	**3,958**	3,706
Total	**$ 22,802**	$ 22,711

Note 10

GENERAL AND ADMINISTRATIVE EXPENSES

	Note	Year ended December 31, 2024	2023
Salaries and benefits		$ **813**	$ 746
Deferred compensation expense	17	**500**	434
Professional fees and general corporate expenses(1)		**1,526**	1,242
Asset management fees	22	**990**	1,036
Total		$ **3,829**	$ 3,458

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

Note 11

INTEREST EXPENSE – DEBT

Interest expense incurred and charged to income is recorded as follows:

	Year ended December 31, 2024	2023
Interest expense incurred, at contractual rate of debt	$ **5,865**	$ 5,944
Amortization of deferred financing costs – mortgages	**267**	260
Amortization of deferred financing costs – Credit Facility	**87**	98
Amortization of fair value discount on acquired mortgages	**905**	880
Credit Facility fees	**247**	245
Total	$ **7,371**	$ 7,427

Note 12

EQUITY

Dream Residential REIT Trust Units

	December 31, 2024		December 31, 2023	
	Number of Trust Units	**Amount**	Number of Trust Units	Amount
Unitholders' equity	**15,986,611**	$ **150,864**	12,645,268	$ 128,179
Retained earnings	**—**	**89,625**	—	89,853
Total equity	**15,986,611**	$ **240,489**	12,645,268	$ 218,032

Dream Residential REIT is authorized to issue an unlimited number of Trust Units. Trust Units represent an undivided beneficial interest in the REIT and in distributions made by the REIT. No Trust Unit has preference or priority over any other. Each Trust Unit entitles the holder to one vote at all meetings of Unitholders.

During the year ended December 31, 2024, a total of 3,319,119 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of $22,540.

Note 13

NORMAL COURSE ISSUER BID

On January 4, 2024, the TSX accepted a notice filed by the REIT to renew its prior NCIB for a one-year period. Under the NCIB, the REIT has the ability to purchase for cancellation a maximum of 1,174,446 of its Trust Units. The renewed NCIB commenced on January 8, 2024 and remained in effect until January 7, 2025.

On January 14, 2025, the TSX accepted a noticed filed by the REIT to renew its prior NCIB for a one-year period. Under the bid, the REIT will have the ability to purchase for cancellation up to a maximum of 1,506,457 of its Trust Units (the "Trust Units") (representing 10% of the Trust's public float of 15,064,579 Units as of December 31, 2024) through the facilities of the TSX. The bid commenced on January 16, 2025 and will remain in effect until the earlier of January 15, 2026 or the date on which the REIT has purchased the maximum number of Trust Units permitted under the bid. Daily repurchases will be limited to 2,603 Units, representing 25% of the average daily trading volume of the Trust Units on the TSX during the prior six calendar months (being 10,413 Units per day), other than purchases pursuant to applicable block purchase exceptions. As of December 31, 2024, the number of issued and outstanding Units was 15,986,611.

In connection with the renewal of its normal course issuer bid, the REIT has established an automatic securities purchase plan (the "Plan") with its designated broker to facilitate the purchase of Units under the NCIB at times when the REIT would ordinarily not be permitted to purchase its Units due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the REIT's broker based upon the parameters prescribed by the TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the Trust Units may also be purchased in accordance with management's discretion. The Plan has been pre-cleared by the TSX and will terminate on January 15, 2026.

During the year ended December 31, 2024, there were no Trust Units purchased for cancellation under the NCIB (December 31, 2023 – 150,758 Trust Units for a total of $1,225).

Subsequent to December 31, 2024, there were no Trust Units purchased for cancellation under the NCIB.

Note 14

DISTRIBUTIONS

The Amended and Restated Declaration of Trust provides the Board of Trustees with the discretion to determine the distributions payable, from time to time, out of income of the REIT, net realized capital gains of the REIT, the capital of the REIT or otherwise. Monthly distribution payments to Unitholders are payable on or about the 15th day of the following month.

The following table summarizes distribution payments for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31,	
	2024	2023
Paid in cash	**$ (6,469)**	$ (5,328)
Add: Payable at December 31, 2023 (December 31, 2022)	**443**	447
Deduct: Payable at December 31, 2024 (December 31, 2023)	**(559)**	(443)
Total distributions paid or payable	**$ (6,585)**	$ (5,324)

The following table summarizes our monthly distributions paid and payable subsequent to December 31, 2024:

Date distribution announced	Month of distribution	Date distribution was paid or is payable	Distribution per Trust Unit	Total distribution paid or payable
December 18, 2024	December 2024	January 15, 2025	$ 0.035	$ 559
January 22, 2025	January 2025	February 14, 2025	0.035	559

Note 15

SUPPLEMENTARY CASH FLOW INFORMATION

The following table outlines the components of the changes in non-cash working capital under operating activities:

	Year ended December 31,	
	2024	2023
Amounts receivable	**$ (962)**	$ 104
Prepaid expenses and other current assets	**88**	(305)
Other non-current assets	**(110)**	(33)
Amounts payable and accrued liabilities	**(2,818)**	(747)
Restricted funds	**312**	90
Total	**$ (3,490)**	$ (891)

Note 16

CLASS B UNITS

The REIT has the following Class B Units outstanding:

	Year ended December 31, 2024			Year ended December 31, 2023		
	Number of Class B Units		Amount	Number of Class B Units		Amount
Beginning balance	**7,011,203**	**$**	**47,326**	7,011,203	$	47,677
Class B Units issued	**—**		**—**	—		—
Class B Units exchanged for Trust Units	**(3,319,119)**		**(22,540)**	—		—
Remeasurement of carrying value	**—**		**(1,747)**	—		(351)
Total Class B Units	**3,692,084**	**$**	**23,039**	7,011,203	$	47,326

The Class B Units are economically equivalent to Trust Units and are entitled to receive distributions equal to those provided to holders of Trust Units. These Class B Units have been classified as a financial liability in accordance with IFRS and measured at amortized cost.

During the year ended December 31, 2024, the REIT incurred $1,677 (December 31, 2023 – $2,944) in distributions on the Class B Units, which is included in interest expense in the consolidated statements of comprehensive income (loss).

During the year ended December 31, 2024, the REIT recognized remeasurement of carrying value gains on the Class B Units in the amount of $1,747 (December 31, 2023 – $351). Any gains or losses recognized on the remeasurement of the carrying value of the Class B Units is included in the fair value adjustments to financial instruments in the consolidated statements of comprehensive income (loss).

On February 12, 2024, a total of 3,278,128 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of $22.3 million.

On September 5, 2024, a total of 40,991 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of $0.3 million.

Note 17

DEFERRED UNIT INCENTIVE PLAN

On May 6, 2022, the REIT adopted a Deferred Unit Incentive Plan (the "Plan"), a long-term equity-based incentive compensation plan. The Plan provides for the granting of deferred trust units to: (i) trustees, officers and employees of the REIT; (ii) employees and officers of affiliates of the REIT; and (iii) service providers of the REIT (including the asset managers) and employees of such service providers. Deferred trust units are granted at the discretion of the Board of Trustees and, unless otherwise specified in the applicable award agreement, will vest: (i) immediately on the date of grant to trustees; (ii) over a five-year period, pursuant to which one-fifth of the deferred trust units will vest on each anniversary date of grant for the officers; and (iii) over a three-year period, pursuant to which one-third of the deferred trust units will vest on each anniversary date of grant for the remaining participants, respectively. Deferred trust units are notional units with a fair value based on the Trust Units' closing trading price.

Compensation expense related to the granting of deferred trust units is determined based on the fair value of the award at the expected grant dates using the issuance price of the deferred trust units. The compensation expense is recorded within general and administrative expenses.

The following table provides a continuity of the Plan activity for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31,			
		2024		2023
Balance, beginning of period	**$**	**539**	$	155
Deferred compensation expense		**500**		434
REIT Units issued for vested deferred trust units		**(145)**		(142)
Remeasurement of carrying value of deferred trust units		**(261)**		92
Cash settlement of deferred trust units		**(8)**		—
Balance, end of period	**$**	**625**	$	539

		December 31, 2024		December 31, 2023
Outstanding and payable at beginning of year	**$**	**79,781**	$	29,827
Granted		**74,725**		68,129
Income deferred trust units		**7,267**		3,843
REIT A Units issued		**(22,224)**		(19,608)
REIT A units settled in cash		**(2,837)**		(2,405)
Forfeited		**(1,154)**		(5)
Outstanding and payable at end of year	**$**	**135,558**	$	79,781

	December 31, 2024			December 31, 2023		
		Grant price range	**Number of units granted(1)**		Grant Price range	Number of units granted(1)
Deferred trust units granted	**$**	**6.29–7.31**	**74,725**	$	6.91–8.74	68,129

(1) Includes 62,877 deferred trust units granted to key management personnel and trustees as at December 31, 2024 (December 31, 2023 - 57,479)

Note 18

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Year ended December 31,			
		2024		2023
Remeasurement of carrying value of Class B Units	**$**	**1,747**	$	351
Remeasurement of carrying value of deferred trust units		**261**		(92)
Total	**$**	**2,008**	$	259

Note 19

RISK MANAGEMENT

Risks arising from financial instruments

IFRS 7 places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how management manages those risks, including market, credit and liquidity risks.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, foreign currency risk and other market price risk.

i. Interest rate risk

There is interest rate risk associated with the REIT's fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. The REIT is exposed to variable rate debt on its drawings on the Credit Facility. The REIT is exposed to the variability in market interest rates and credit spreads on maturing debt to be renewed and the variability of interest rates on its variable rate debt. In order to manage exposure to interest rate risk, management endeavours to manage maturities of fixed rate debt, match the nature of the debt with the cash flow characteristics of the underlying asset and undertake hedging strategies when appropriate. As at December 31, 2024, all mortgages payable are fixed rate debt and the nearest mortgage maturity is in 2027. As at December 31, 2024, we have $15.0 million drawn on our revolving credit facility.

The following interest rate sensitivity table outlines the potential impact of a 100 bps change in the interest rate on variable rate financial assets and liabilities:

			Interest rate risk			
	Amounts as at		–100 bps		+100 bps	
	December 31, 2024		Income	Equity	Income	Equity
Financial assets						
Cash and cash equivalents	$ 5,382		$ (54)	$ (54)	$ 54	$ 54
Financial liabilities						
Revolving credit facility	$ 15,000		$ 150	$ 150	$ (150)	$ (150)

ii. Currency risk

Currency risk is the risk that an investment's value will fluctuate due to changes in currency exchange rates. The REIT's financial statement presentation currency is the U.S. dollar and operations are located in the U.S. As the REIT's Head Office is in Canada, there are certain transactions completed in Canadian dollars. However, these transactions are minimal and therefore do not expose the REIT to significant currency risk.

iii. Other market price risk

Other market price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads. The REIT has no significant exposure to other market price risk as it does not hold equity securities or commodities.

Credit Risk

Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. Management mitigates credit risk exposure by evaluating the creditworthiness of new residents and obtaining security deposits wherever permitted. The maximum exposure to credit risk at the reporting date is the carrying value of the tenant receivables. Cash and cash equivalents carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

Liquidity Risk

Liquidity risk is the risk that there will be difficulty in meeting financial obligations as they become due. Accordingly, there is a liquidity risk that management would be unable to dispose of illiquid assets in a timely way in response to changing economic or investment conditions. The liquidity of the assets in the REIT is also subject to macroeconomic, financial, competitive and other factors that are beyond management's control. Management manages maturities of debt and monitors the repayment dates to ensure sufficient capital will be available to cover obligations as they become due. As at December 31, 2024, current liabilities exceeded current assets by $21,648. However, management does not believe that Class B Units cause or increase liquidity risk as Holdco LLC, as directed by the REIT, can elect for any redemptions to be in cash or Trust Units. Management manages liquidity risk by maintaining adequate cash and cash equivalent balances to ensure sufficient capital will be available to cover financial obligations as they become due.

Note 20

FAIR VALUE MEASUREMENTS

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, management maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. Management's policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the periods presented, no transfers were made among Levels 1, 2 and 3.

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

Investment properties

The accounting policy of the REIT, as indicated in Note 2, is applied in determining the fair value of investment properties by using the direct capitalization method. As a result, these measurements are classified as Level 3 in the fair value hierarchy as summarized in the following table:

		Carrying value as at	Fair value as at December 31, 2024		
	Note	**December 31, 2024**	**Level 1**	**Level 2**	**Level 3**
Investment properties	4	**$ 400,502**	**—**	**—**	**$ 400,502**

		Carrying value as at	Fair value as at December 31, 2023		
	Note	December 31, 2023	Level 1	Level 2	Level 3
Investment properties	4	$ 398,310	—	—	$ 398,310

Valuations of investment properties are most sensitive to changes in capitalization rates. Investment properties are valued on a highest-and-best-use basis.

The significant assumptions in the valuation of investment properties are as follows:

Direct capitalization method

- Capitalization rates – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – normalized property operating revenues less property operating expenses.

Investment properties valuation process

Management is responsible for determining the fair value measurements included in the consolidated financial statements. At the end of each reporting period, management internally determines the fair value of investment properties using the direct capitalization method with reference to current contracted sales prices for similar properties that are available for sale, independent property appraisals and market conditions existing at the reporting date using generally accepted market practices.

Financial instruments

The following table outlines the financial instruments carried at amortized cost where the carrying value does not approximate fair value:

		Carrying value as at	Fair value as at December 31, 2024		
	Note	**December 31, 2024**	**Level 1**	**Level 2**	**Level 3**
Mortgages payable	6	**$ 123,854**	**—**	**—**	**$ 122,840**
Revolving credit facility	6	**15,000**	**—**	**—**	**15,000**

		Carrying value as at	Fair value as at December 31, 2023		
	Note	December 31, 2023	Level 1	Level 2	Level 3
Mortgages payable	6	$ 137,632	—	—	$ 137,465
Revolving credit facility	6	—	—	—	—

As at December 31, 2024 and December 31, 2023, amounts receivable, cash and cash equivalents, amounts payable, and accrued liabilities were carried at amortized cost, which approximates fair value due to their short-term nature.

Mortgages

The fair value of mortgages as at December 31, 2024 is determined by discounting the expected cash flows of each mortgage using market discount rates. The discount rates are determined using the U.S. Department of the Treasury benchmark bond yield for instruments of similar maturity adjusted for the REIT's specific credit risk. In determining the adjustment for credit risk, management considers market conditions, the fair value of the investment properties by which mortgages are secured, and other indicators of the REIT's creditworthiness. As a result, these measurements are classified as Level 3 in the fair value hierarchy.

Revolving Credit Facility

The revolving Credit Facility is priced at prevailing market interest rates plus the REIT's specific credit spread. Since the interest rate on the variable component of the revolving Credit Facility fluctuates with changes in market rates, the fair value of the revolving Credit Facility is equivalent to amounts drawn on the facility. Because the applicable interest rate is a combination of market rates plus a Trust-specific spread, these are Level 3 measurements in the fair value hierarchy.

Note 21

CAPITAL MANAGEMENT

The REIT's capital consists of mortgages payable, revolving credit facility, Class B Units and Unitholders' equity. Management's policy is to preserve a strong capital base so as to maintain consistent and sustainable unitholder distributions, service debt obligations, fund capital expenditure requirements and provide the resources needed to acquire new income properties.

Various debt ratios and cash flow metrics are used to ensure capital adequacy and to monitor capital requirements. The primary ratios used for assessing capital management are net total debt-to-net total assets and the interest coverage ratio. Other significant indicators include unencumbered investment properties, weighted average interest rate, average term to maturity of debt and variable rate debt as a percentage of total debt. These indicators assist the REIT in assessing whether the debt level maintained is sufficient to provide adequate cash flows for Unitholders' distributions and capital expenditures requirements and for evaluating the need to raise funds for further expansion. Certain mortgages payable and the revolving Credit Facility have debt covenant requirements that are monitored by the REIT to ensure there are no defaults. These covenants include loan-to-value ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited liability company level. For the years ended December 31, 2024 and December 31, 2023, there were no events of default on any of the REIT's obligations under its Credit Facility or mortgages.

The REIT's equity consists of units in which the carrying value is impacted by earnings and unitholder distributions. Amounts retained in excess of the distributions are used to service debt obligations and fund capital expenditures and working capital requirements. Management monitors distributions to ensure adequate resources are available by comparing the sum of distributions on Trust Units and Class B Units to cash flows generated from (utilized in) operating activities.

Note 22

RELATED PARTY TRANSACTIONS

Pauls Services Agreement

On May 6, 2022, the REIT entered into a services agreement (the "Pauls Services Agreement") with Pauls Realty Services, LLC ("Pauls Asset Manager"), a subsidiary of Pauls Capital, LLC ("Pauls"). Pursuant to the Pauls Services Agreement, Pauls Asset Manager and its affiliates will provide certain administrative services to us on an as needed and cost recovery basis.

Dream Services Agreement

On May 6, 2022, the REIT entered into a services agreement (the "Dream Services Agreement") with Dream Asset Management Corporation, a subsidiary of Dream. Pursuant to the Dream Services Agreement, Dream Unlimited Corp. ("Dream") and its affiliates provide certain administrative services to us on an as needed and cost recovery basis.

Asset Management Agreement

On May 6, 2022, the REIT entered into an asset management agreement (the "Asset Management Agreement" or the "AMA") with Dream DRR Asset Management LLC and Pauls Asset Manager. Dream DRR Asset Management LLC subsequently assigned its interest in the AMA to an affiliate, DRR Asset Management LP ("Dream Asset Manager" – together with Pauls Asset Manager, the "Asset Managers"). Pursuant to the Asset Management Agreement, the Asset Managers provide the REIT with a range of asset management services. In return, the Asset Managers are entitled to the following fees, to be allocated 50% to Dream Asset Manager and 50% to Pauls Asset Manager or in such other proportions as the Asset Managers shall advise from time to time:

- An asset management fee calculated and payable on a monthly basis, equal to 0.25% of the purchase price of the properties (which in respect of the Initial Properties was determined on May 6, 2022);
- An incentive fee calculated and payable on an annual basis, equal to the product of: (i) the weighted average number of issued and outstanding Trust Units and Class B Units, multiplied by (ii) 15% of the amount by which DRR FFO per Unit (as defined in the AMA) exceeds the hurdle amount initially determined at $0.72 per unit, and which increases annually by 50% of the increase in the U.S. consumer price index ("CPI");
- A capital expenditure fee payable on a quarterly basis, equal to the difference between: (i) 5% of hard construction costs incurred on all capital projects in respect of a direct investment property in excess of $1,000, excluding (A) work done on behalf of tenants or maintenance capital expenditures, and (B) construction costs incurred in connection with a development or redevelopment project where the Asset Managers or one of their affiliates is paid a

development fee, and (ii) the amount of any development fee or cost recovery paid by the REIT in a fiscal year in respect of any development or redevelopment of a direct investment property pursuant to a development agreement entered into with a third-party developer;

- An acquisition fee equal to: (i) 1% of the purchase price of a property on the first $100,000 of properties acquired in each fiscal year, (ii) 0.75% of the purchase price of the property on the next $100,000 of properties acquired in each fiscal year, and (iii) 0.50% of the purchase price of a property in excess of $200,000 of properties acquired in each fiscal year; and
- A financing fee equal to the actual expenses incurred in supplying services related to financing transactions.

The AMA has an initial term ending May 6, 2032 and is automatically renewed for further five-year terms unless and until terminated in accordance with its terms. The AMA may be terminated by the Asset Managers at any time after the initial term, upon 180 days' notice. In connection with such termination, all accrued fees under the AMA, including the incentive fee, are payable to the Asset Managers. In such circumstances, the incentive fee is calculated as if all the REIT's properties were sold on the applicable date.

Agreements with Dream

The following table summarizes the fees incurred and costs to be reimbursed to Dream for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31,	
	2024	2023
Incurred under the AMA:		
Asset management fee (included in general and administrative expenses)	**$ 444**	$ 455
Capital expenditure fee (included in investment properties)	**155**	266
Expense reimbursements related to financing arrangements	**81**	76
Total costs incurred under the AMA	**680**	797
Total costs reimbursed under the Dream Services Agreement	**$ 288**	$ 212

The following table summarizes the amounts due to Dream as at December 31, 2024 and December 31, 2023:

	December 31, 2024	December 31, 2023
Amounts due to Dream	**$ 301**	$ 251

Distributions payable to Dream

	December 31, 2024	December 31, 2023
Interest on Class B Units payable to Dream(1)	**$ 54**	$ 54
Distributions payable to Dream(2)	**27**	27

(1) Interest payable on Class B Units is in relation to the 1,548,921 Class B Units held by Dream as at December 31, 2024.
(2) Distributions payable is in relation to the 784,614 Trust Units held by Dream as at December 31, 2024.

As at December 31, 2024, Dream and its subsidiaries own 784,614 Trust Units and 1,548,921 Class B Units, representing approximately 11.9% ownership in the REIT.

Agreements with Pauls

The following table summarizes our fees incurred and costs to be reimbursed to Pauls for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31, 2024	2023
Incurred under the AMA:		
Asset management fee (included in general and administrative expenses)	**$ 444**	$ 455
Capital expenditure fee (included in investment properties)	**155**	266
Expense reimbursements related to financing arrangements	**21**	50
Total costs incurred under the AMA	**620**	771
Total costs reimbursed under the Pauls Services Agreement	**$ 285**	$ 230

The following table summarizes the amounts due to Pauls as at December 31, 2024 and December 31, 2023:

	December 31, 2024	December 31, 2023
Amounts due to Pauls	**$ 186**	$ 282

Distributions payable to Pauls

	December 31, 2024	December 31, 2023
Interest on Class B Units payable to Pauls(1)	**$ 46**	$ 46
Distributions payable to Pauls(2)	**20**	20

(1) Interest payable on Class B Units is in relation to the 1,321,843 Class B Units held by Pauls and its subsidiaries as at December 31, 2024.
(2) Distributions payable is in relation to the 576,923 Trust Units held by Pauls and its subsidiaries as at December 31, 2024.

As at December 31, 2024, Pauls and its subsidiaries own 576,923 Trust Units and 1,321,843 Class B Units, representing approximately 9.6% ownership in the REIT.

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Toronto, Ontario
President
Dunloe Group Inc.

P. Jane Gavan
Toronto, Ontario
President, Asset Management
Dream Unlimited Corp.

Fahad Khan[Ind.,1,2]
Toronto, Ontario
Vice President and
Chief Investment Officer
E-L Financial Corporation Limited

Brian Pauls
Denver, Colorado
Chief Executive Officer
Dream Residential REIT

Vicky Schiff[Ind.,1,2,3]
Los Angeles, California
Corporate Director

Legend:
Ind. Independent

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

Management Team

Brian Pauls
Chief Executive Officer

Derrick Lau
Chief Financial Officer

Scott Schoeman
Chief Operating Officer

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Listing Symbols: DRR.U & DRR.UN

For more information, please visit
www.dreamresidentialreit.ca

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