Q1 2017

Dream Unlimited Corp.

dream

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Letter to Shareholders

One comment resonates with me from a leader of a family business, when he said, "**in our family, a quarter is 25 years**". Given this perspective, I am proud of what we have accomplished in the first 22 years of the business. I think we are in an excellent position, both with our assets and our people to make our business what we want for its 'first quarter'.

We have made major strides in the last few years with respect to our strategy for our urban and suburban development business. We are focused on intensification and maximizing the value of our real estate and land in a way we were not before. Our recently launched complete master-planned communities in Western Canada are gaining market share and builder and customer satisfaction. We have increased our knowledge, skill set and execution ability to plan, design and develop mixed-use projects within Toronto and Ottawa and we have added to our fantastic inventory of land with exceptional urban sites. We have increased our equity ownership interest in Dream Office REIT (TSX:D.UN), as we expect that owning a transforming office REIT, focused on core assets will provide for great returns over the long term. We have also made exceptional progress growing and diversifying our asset management business to include fees from developments and third party partners. We have also developed our thinking around our balance sheet, continuing to decrease our leverage and increase both our liquidity and pool of unencumbered assets. We have an emphasis on increasing our income producing properties in order to increase our recurring income, which we believe will make our business more predictable and safer.

As we approach the completion of our first 'quarter' of a century, I would like to finish it as a mature business. Where we know what we do best, how we do it best, operate with an even more conservative balance sheet, a diversified income stream and an asset base that provides for internal growth for at least two more 'quarters' or 50 years.

In terms of our achievements during the first 90 days of 2017, I am also proud of what we have accomplished. We continued to invest in more exceptional development sites in Toronto, having successfully closed on our Port Credit investment, a 72-acre development site on the waterfront in Mississauga, Ontario which is expected to be developed into a large master-planned/mixed-use community to include approximately 2,500 residential units and 200,000 square feet of retail and commercial space. It is a privilege to be able to develop this size a community in the Greater Toronto Area, along with our consortium of partners. Including Port Credit, our Lakeshore East Development, which closed in 2016, and additional lands we hold in the Canary District and Distillery District in downtown Toronto, we have approximately 6,500 residential units in our development pipeline, at the project level, in Toronto alone. We are seeing the premium value of urban density throughout our entire business and believe our pipeline will be a material driver of our profits in the future years.

Notwithstanding market conditions in Western Canada, we expect to achieve approximately 950 lot sales and approximately 340 housing occupancies in 2017 – which will be nearly double that of prior year.

We are maintaining strong liquidity with $114 million of undrawn credit capacity on our main operating line. We also further invested in Dream Alternatives in the first quarter of 2017 and hold approximately $250 million in the Publicly Listed Funds (collectively Dream Office REIT, Dream Global REIT and Dream Alternatives), representing approximately one-third of the Company's market capitalization as of quarter end.

There is tremendous value in our people, assets and business as a whole. The focus on our business now is to set up Dream for long term success as we head towards the end of our 'first quarter' and contemplating the path for our 'second quarter'.

As always, I thank you for your continued support for and interest in our business.

Sincerely,

Michael Cooper
President and Chief Responsible Officer
May 9, 2017

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding Dream Unlimited Corp. (the "Company" or "Dream"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the audited consolidated financial statements of Dream, including the notes thereto, as at and for the year ended December 31, 2016 and the condensed consolidated financial statements as at and for the three months ended March 31, 2017 which can be found in the Company's annual filings on the System for Electronic Document Analysis and Retrieval ("SEDAR") (www.sedar.com). The financial statements underlying this MD&A, including 2016 comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain disclosures included herein are Non-IFRS measures. For further details, see page 39 of this MD&A.

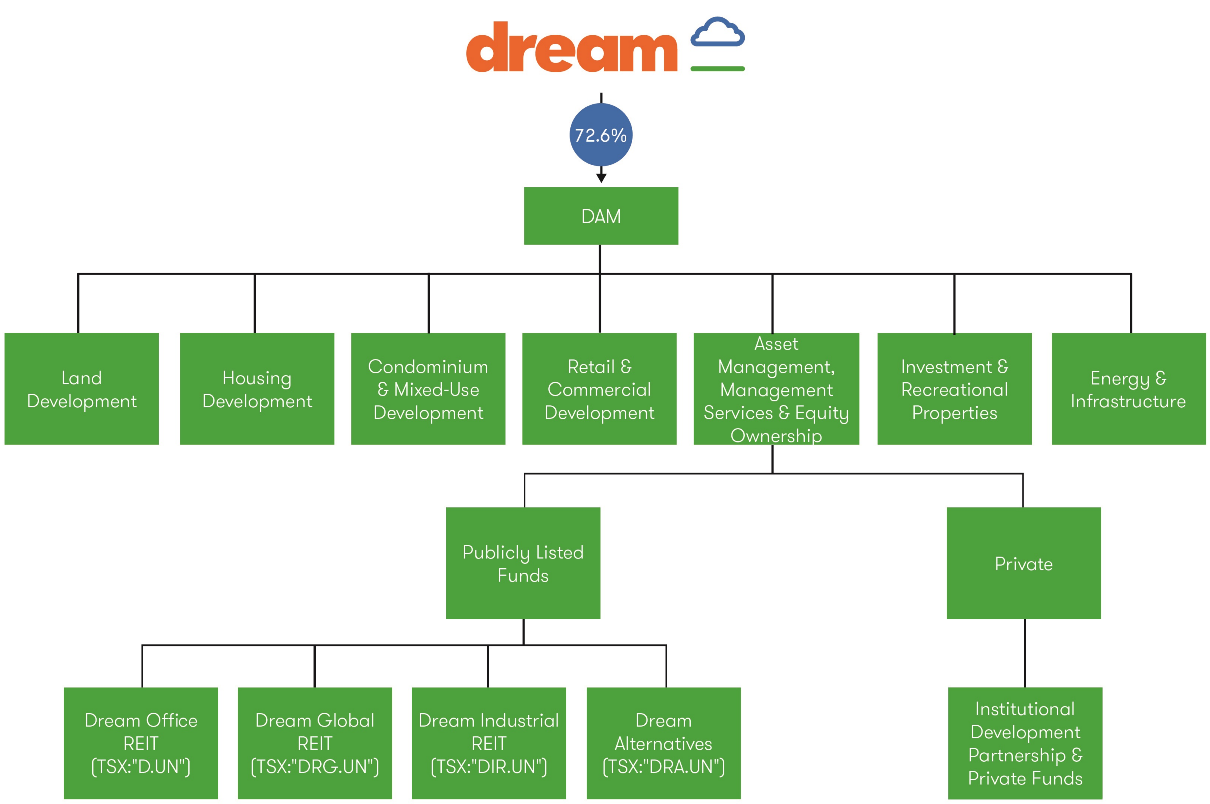
All dollar amounts in tables within this MD&A are in thousands of Canadian dollars, unless otherwise specified. Unless otherwise specified, all references to "we", "us", "our" or similar terms refer to Dream and its subsidiaries. This MD&A is dated as of May 9, 2017.

Business Overview

Dream is one of Canada's leading real estate companies with approximately $14.0 billion of assets under management in North America and Europe. The scope of the business includes residential land development, housing and condominium development, asset management and management services for four Toronto Stock Exchange ("TSX")—listed trusts and institutional partnerships, investments in and management of Canadian renewable energy infrastructure and commercial property ownership. Dream has an established track record for being innovative and for its ability to source, structure and execute on compelling investment opportunities.

From the outset, we have successfully identified and executed on opportunities for the benefit of the business and shareholders, including the creation of Dundee Realty Corporation ("Dundee Realty") in 1996 as a public company, its subsequent privatization in 2003, the creation of Dream Office REIT (formerly Dundee REIT) in 2003 and its sale of substantial assets in 2007, the establishment of our asset management business, and the creation of Dream Global REIT (formerly Dundee International REIT), Dream Industrial REIT (formerly Dundee Industrial REIT) and Dream Hard Asset Alternatives Trust ("Dream Alternatives") in 2011, 2012 and 2014, respectively.

Dream holds a 72.6% interest in Dream Asset Management Corporation ("DAM") with the remaining interest owned by a company controlled by the President and Chief Responsible Officer ("CRO"), Michael Cooper. The President and CRO has an approximate 31% economic interest in the Company and holds an 80% voting interest in Dream.



Summary of Achievements – First Quarter of 2017

Toronto Condominium and Mixed-Use Developments

In the three months ended March 31, 2017, the Company successfully launched marketing of Block 16, within Stage 2 of the Canary District. Block 16 is a 12-storey residential building with 187 condominium units and approximately 9,000 square feet ("sf") of retail. As of May 5, 2017, the condominium units were fully sold. The Company has entered into sales agreements with purchasers at an average of approximately $705 per sf, compared to an average of $570 per sf for Blocks 4 and 11, which were within Stage 1 of the Canary District. As part of the Stage 2 lands (which comprise three separate development Blocks – 12, 13 and 16), the partnership expects to develop a total of 1,200 condominium units and 30,000 sf of retail in addition to the 30,000 sf in Stage 1, which is 78% leased to date. Dream currently expects to begin construction of Block 16 in the fourth quarter of 2017, for first occupancy by late 2019.

Subsequent to March 31, 2017, the Company successfully closed on a 3-year term loan of $32.0 million ($16.0 million at Dream's share), secured by the Stage 2 lands of the development. The loan can be prepaid in whole or in part at any time without penalty.

In the three months ended March 31, 2017, the Company acquired a 7.75% equity ownership interest in Port Credit West Village Partners Limited Partnership (the "Port Credit" development or the "Partnership") for $8.9 million, which owns 72 acres of waterfront property for development in Mississauga's Port Credit area. The acquisition was partially funded through a $105.0 million non-revolving credit facility ($8.1 million at Dream's share) with a term of 3 years. Dream Hard Asset Alternatives Trust ("Dream Alternatives") also owns a 23.25% ownership interest in Port Credit and the residual third-party partners/co-developers include: Kilmer Van Nostrand, Diamond Corp., and FRAM + Slokker. The Partnership intends to work with the Port Credit residents and stakeholders on a plan to transform the site into a complete, vibrant and diverse waterfront community. The site is expected to be redeveloped into a large master-planned residential/mixed-use community. Highlights of the draft master plan proposal include approximately 2,500 residential units and 200,000 sf of retail and commercial space. The proposal is subject to various approvals, and initial construction is anticipated to begin in 2019.

On April 26, 2017, upon receipt of certain approvals, Dream successfully closed on a $205.0 million construction facility ($66.6 million at Dream's share) to develop its Riverside Square condominium project. Riverside Square is a 5-acre, two-phase, mixed-use development located in Toronto's downtown east side on the south side of Queen St. East and immediately east of the Don Valley Parkway. Dream has a 32.5% interest in the project and its residual partners include a condominium/mixed-use developer and an automotive group. The first phase of the project consists of 690 residential condominium units, a state-of-the-art multi-level auto-plex and approximately 16,000 sf of retail space. The second phase is planned to consist of 38,000 sf of multi-tenant commercial space with a grocery-anchored component together with 213 condominium units, of which 140 units have been released to the market. As at March 31, 2017 we are 98% sold out in Phase 1, which commenced marketing in 2014, and 96% of the released units in Phase 2 have sold, which commenced marketing in May 2016. Phase 1 of Riverside Square is expected to commence occupancy in late 2018.

Activity in Western Canada

Residential Land and Housing Activity

In the three months ended March 31, 2017, we achieved 97 lot sales and 31 housing unit occupancies (three months ended March 31, 2016 – 39 lot sales and 20 housing unit occupancies). Approximately 79% of our lots sold year-to-date were within our active developments, Brighton (Holmwood) in Saskatoon, Harbour Landing in Regina and the Meadows in Edmonton. In 2017, Dream expects to achieve approximately 950 lot sales, 35 acre sales and 340 housing unit occupancies. Of these, at May 5, 2017, 610 lots, 19 acres and 145 housing units were either sold or subject to future sales commitments.

We continue to focus on executing on our strategy to participate in more of the market share within our new communities by developing more single family homes, retail and commercial properties ourselves. As we build out and sell, lease or rent these properties, we intend to capture the development profit on both the land and building components and add to our recurring income sources by holding any income properties developed. We are focusing on building out our existing communities and strategically evaluating when servicing should commence in new communities.

In the three months ended March 31, 2017, approximately 371 acres of the Company's landholdings, which form part of the future master-planned community of Elan (1,272 acres in total), were annexed into the Town of Beaumont (south of Edmonton). This significant milestone provides substantial clarity concerning the timing of development and allows us to continue advancing planning approvals. Dream expects the development of these lands will commence in the next three years.

Regina's City Council passed first and second readings of the Neighbourhood Plan for Dream's master-planned community of Coopertown on April 24, 2017. Final reading for approval is scheduled for May 29, 2017. The Neighbourhood Plan provides a development strategy for transitioning, over the long term, a large section of Regina's northwest quadrant from its current agricultural state to a fully urbanized landscape that will include new neighbourhoods, an urban centre, parks and schools. Coopertown is expected to accommodate a significant part of the City of Regina's population growth and has the potential to accommodate at least 35,000 people. Dream owns approximately 1,045 acres of the 1,900 acres within the Coopertown Neighbourhood planning limits. Dream expects the development of its 1,045 acres to commence in 2018 and yield over 10,000 single and multi-family residential units and nearly 500,000 sf of commercial space over the next 25 years. The approval of these lands is considered to be a major milestone for the Company.

Retail and Commercial Developments

In the three months ended March 31, 2017, we continued to make progress on our active retail development projects in Western Canada. At March 31, 2017, Dream had approximately 481,900 sf of active retail projects under construction in Saskatoon and Edmonton, which had committed leases of 68.5% and a weighted average lease term of 14.4 years. Dream expects to earn a development yield of approximately 7.6% on these retail projects, based on the estimated stabilized net operating income ("NOI") at completion and the total estimated cost of development, including land and excluding any rental revenue earned during the development phase. At March 31, 2017, Dream's active retail projects under construction were recorded within investment properties on the balance sheet at $90.2 million, using a discounted cash flow approach under IFRS. Management's estimated value upon their respective completion dates in 2018-2020 expected to be $153.7 million at Dream's share, using estimated stabilized NOI at completion and market capitalization rates in the range of 6.25-6.5%. For additional details please refer to page 24 of this MD&A.

In the three months ended March 31, 2017, Dream transferred $13.7 million of land inventory (held at cost) to investment properties (held at fair value) upon achieving its first tenant occupancy at the Shops of South Kensington in Saskatoon. As a result, the Company realized a fair value increase in the property of $6.2 million in the first quarter of 2017. The retail site comprises 72,300 sf of gross leasable area ("GLA") and will include tenants such as Save-On-Foods, Scotiabank and Shoppers Drug Mart. As at March 31, 2017, Dream had secured leases for approximately 86.2% of the site GLA with a weighted average lease term of 16.8 years.

Strong Liquidity Position & Update on Investments in Publicly Listed Funds

In the three months ended March 31, 2017, Dream acquired an additional 1.6 million units in Dream Alternatives (TSX: DRA.UN) for a total cost of $10.2 million, which includes 0.1 million units reinvested through Dream Alternatives' Distribution Reinvestment Plan ("DRIP"). As at March 31, 2017, Dream held a total of 7.5 million units in Dream Alternatives, representing an ownership interest of approximately 10%. In aggregate, the total fair value of the units held by Dream in the Publicly Listed Funds (collectively Dream Office REIT (TSX: D.UN), Dream Global REIT (TSX: DRG.UN) and Dream Alternatives) was $251.6 million as at March 31, 2017, representing approximately one-third of the Company's total market capitalization. For additional details please refer to page 22 of this MD&A.

Dream renewed its normal course issuer bid (the "Bid"), which commenced on September 20, 2016. Under the Bid, Dream will have the ability to purchase for cancellation up to a maximum of 3,245,397 of its Subordinate Voting Shares through the facilities of the TSX at prevailing market prices. The actual number of Subordinate Voting Shares that may be purchased and the timing of any such purchases will be determined by Dream, subject to a maximum daily purchase limitation of 8,194 shares except where purchases are made in accordance with block purchase exemptions under applicable TSX rules. In the three months ended March 31, 2017, 146,492 Subordinate Voting Shares were purchased for cancellation by the Company at an average price of $6.69.

Completed over
$20 billion
of real estate and renewable power transaction

Approximately
$14.0 billion
of assets under management as at March 31, 2017

Approximately
32% IRR
delivered to shareholders over the last 13+ years, based on market capitalization, as at March 31, 2017

Strategy and Business Focus

We intend to continue growing our business by seeking out new opportunities where we can use our experience, expertise, relationships and capital to achieve attractive risk-adjusted returns. Historically, we have sought new areas of investment that look attractive. Traditionally, we invest small amounts of capital and, as we develop expertise in an industry we find attractive, we invest more capital. We will actively seek other opportunities to grow our business by employing our expertise and capital to create high returns and, where appropriate, increase our returns by co-investing with others. We expect that our growth will be driven by several factors, some of which are discussed below.

More Land in Production in Growing Markets

We own and have under contract approximately 10,000 acres of land in Western Canada, of which over 9,200 acres are in 10 large master-planned communities at various stages of approval. We estimate that, when approved, these master-planned communities will supply lots for the next 30 to 40 years. We are working to increase the number of lots that we develop in each of these markets. Annually, we estimate that we consume approximately 3%–4% of our acres that we have available for development, to generate margin from land development activities. We plan to continue to leverage our expertise to develop phased, master-planned communities.

Build More on Our Owned Lands and Further Diversify Revenue Streams

We expect to increase our profitability by increasing the amount of development on our owned lands. Historically, we have sold all multi-family, retail and commercial sites to third parties and have constructed single family homes in Saskatoon and Regina. Over time, the development approval process has become increasingly difficult, making approved land scarcer, and also more valuable. We have expanded our operations to include development on our owned lands by i) increasing homebuilding activities in Saskatoon and Regina and having newly established homebuilding capabilities in Calgary; and ii) developing income producing retail and commercial properties within our master-planned communities.

Asset Management, Management Services and Equity Interests in Related Parties

As the manager of four publicly listed funds and numerous institutional and development partnerships, we are on the front line and well-positioned to observe, in real time, the impact of economic trends on the drivers of demand for real property, such as demand for space, urbanization trends and employment levels in each of the markets in which we operate. This access to real-time economic data may provide us with a competitive advantage.

In 2015, Dream and Canadian Pacific Railway Limited ("Canadian Pacific") (NYSE/TSX: CP) announced an agreement to form a joint venture called Dream Van Horne Properties. The joint venture will maximize the value of Canadian Pacific's surplus real estate portfolio in Canada and the United States by leveraging the experience and expertise of Dream to develop real estate assets over the next several years. Under the terms of the joint venture with Canadian Pacific, Dream will earn development and management fees as properties are developed by the joint venture. Dream is entitled to an equity interest in these properties. In 2017, we anticipate further advances on the partnership and to identify opportunities for value add on identified real estate assets.

We will continue to be proactive in seeking out opportunities to independently manage third parties and/or create new, unique investment vehicles or partnerships that can provide value to investors. We have demonstrated our skills and track record in sourcing unique investment opportunities and generating high risk-adjusted returns through active asset management.

Development Life

It will take time to see the results from our strategy outlined above, as it takes longer to achieve results from building on owned land than from selling it to a third party. It will also take us time to ramp up as we can only develop our land when it is approved for development. Building on owned land delays the recognition of revenue, as the land sale is not recognized until the home being built on the lot is occupied by the buyer. In comparison, when selling land to a third party, revenue is typically recognized on receipt of a 15% deposit from the land buyer and when there is substantial completion of the underground servicing work. Results may be slower than prior years due to the economy in Western Canada. As such, we may not make new investments in undeveloped land at the same rate as in past years unless the lands are considered strategic by management to existing land positions already owned by the Company. Nevertheless, we expect that we will generate significant returns from building on our owned land in the future.

New Investment Activity

We are continuously looking to increase and/or develop more of our land inventory and intend to reinvest a significant portion of our profits from residential development into our core business lines, which include Western Canada residential and retail/commercial development; Toronto condominium and mixed-use development; asset management, including investments in publicly listed funds; and select opportunistic and/or strategic land acquisitions as they become available.

These are only some of the levers through which we expect to generate higher profitability within our Company over the long term. Our management team is strong and experienced. Dream has a proven track record of creating value. We believe that as a public company, we benefit from increased profile awareness, which will lead to even more opportunities for profitability and growth in the periods ahead.

Description of Our Operating Segments

Land Development

Dream actively develops land in Saskatoon, Regina, Calgary and Edmonton. Land development involves the conversion of raw land to the stage where homes and commercial buildings may be constructed on the land. This process begins with the purchase or control of raw land, generally known as land held for development, and is followed by the entitlement and development of the land. Once the process of converting raw or undeveloped land for end use has begun, that portion of the land that we conduct activity on is generally known as land under development.

Each year, we try to maintain flexibility to manage the number of lots we produce and manage our capital requirements to meet demand. Lots and acres are brought to market throughout the year, a process through which we offer fully serviced lots and acres to third-party developers who then construct, market and sell residential (single or multi-family) and commercial properties. We also retain a portion of lots and acres to build houses, multi-family units and retail commercial space, which are marketed for sale to end customers by our team.

Housing Development

We currently have housing operations in Saskatoon and Regina and have recently established homebuilding capacity in Calgary. Residential homebuilding involves the construction of single family houses and multi-family buildings, such as townhouses. Each dwelling is generally referred to as a "unit". A planned community typically includes a number of "lots" on which single family units will be situated, as identified in the neighbourhood plan. Construction time for a residential home depends on a number of factors, including the availability of labour, materials and supplies, weather and the type and size of home.

Condominium and Mixed-Use Development

Our core high-rise condominium and mixed-use development business consists of operations in Toronto, where we have over 2,900 condominium units (1,200 units at Dream's share) in inventory or in the planning stages. We also own interest in projects in Toronto and Ottawa with additional highrise residential density, which are in the planning or approval stages. We have another 5,400 residential condominium density units (1,400 units at Dream's share) in partnership investments in Toronto and Ottawa, in addition to commercial space in various stages of pre-construction or active development. High-rise condominium development typically does not commence until a substantial number of units have been pre-sold. A few months after substantial completion and customer occupancy of the building, the developer obtains all necessary approvals and the building is registered, purchasers pay the balance of the purchase price and title is transferred.

Asset Management, Management Services and Equity Interests in Publicly Listed Funds

Our asset management and management services team consists of real estate and energy/infrastructure professionals with backgrounds in property management, architecture, urban planning, engineering, development and re-development, construction, finance, accounting and law. The team brings experience from a range of major organizations in Canada; is actively involved with internal training opportunities; and has expertise in capital markets, structured finance, real estate investments, renewable power and management across a broad spectrum of property types in diverse geographic markets. We carry out our own research and analysis, financial modelling, due diligence and financial planning, and have completed over $20 billion of commercial real estate and renewable power transactions over the past 20 years.

We provide asset management and/or management services to four publicly listed funds, our renewable power business and various institutional partner/third-party real estate and development assets. The majority of our asset management fee and investment income in 2017 was derived from fees earned with development partnerships and from providing asset management and management services and/or having equity interests in the following publicly listed funds: Dream Office REIT, Dream Global REIT, Dream Industrial REIT (TSX: DIR.UN) and Dream Alternatives. We participate in numerous mezzanine loans and equity investments on an opportunistic basis and invest in and manage Dream CMCC Capital Funds I and II. Dream CMCC Capital Funds I and II are investment vehicles formed through the collaboration of Dream and its partner, Canadian Mortgage Capital Corporation ("CMCC"), to provide an opportunity for investors to invest with partners who are market leaders in developing, managing and financing real estate development projects.

Investment and Recreational Properties

Our investment properties include interests in commercial and retail properties both under development and fully income producing comprising over 1 million sf of GLA, including the Distillery District, retail developments in Western Canada, a recently acquired 73-acre commercial site in Toronto, and through jointly controlled entities. Our recreational properties include a ski area in Colorado and a 50% interest in the Broadview Hotel in a neighbourhood just east of downtown Toronto which is under development. In many cases, the construction is not overly complex and the demand for retail is created by our development of the master-planned community. Currently Dream Centres, our internal retail development division, has approximately 46 net acres of active retail projects, which will result in over 480,000 sf of GLA upon completion. In total, we are actively developing approximately 150 net acres in Western Canada that are in various stages of approvals. Refer to page 23 of this MD&A for further details.

Renewable Power

We are the co-manager of a closed-ended renewable energy infrastructure fund, Firelight, with a major Canadian pension fund. We own 20% of the renewable power fund, which is included in our equity accounted investments. The fund invests in and manages renewable power projects with a focus on wind and solar projects. Dream has pursued growth and intends to do so in the renewable power industry through Dream Alternatives in the future.

Key Financial Information and Performance Indicators

Selected Financial Information – Balance Sheet

A substantial part of the Company's future cash flows will be derived from its land inventory. As a result, management regularly reviews the Company's land holdings to determine each acre's best use in order to maximize the value of our inventory.

		March 31, 2017		December 31, 2016
Land held for development	$	**413,453**	$	413,485
Land under development		**172,535**		191,002
Housing inventory		**57,451**		50,662
Condominium inventory		**61,525**		55,634
Investment properties		**261,809**		237,982
Recreational properties		**33,880**		32,872
Other financial assets		**238,773**		238,898
	$	**1,239,426**	$	1,220,535

Dream also carries investments in various developments in Toronto, including the Canary District and Port Credit development, the development of Zibi – a master-planned community in Ottawa/Gatineau, units of Dream Alternatives, and a renewable energy infrastructure fund, Firelight, which are excluded from the table above. For further details, see Equity Accounted Investments on page 27 of this MD&A.

Selected Financial Information – Income Statement

		Three months ended March 31,		
(in thousands of dollars, except per share and outstanding share amounts)		**2017**		2016
Revenue	$	**51,648**	$	101,296
Gross margin	$	**24,331**	$	43,584
Gross margin (%)[(1)]		**47.1%**		43.0%
Net margin	$	**14,909**	$	33,269
Net margin (%)[(2)]		**28.9%**		32.8%
Earnings before income taxes	$	**16,945**	$	28,003
Earnings for the year	$	**11,438**	$	18,975
Basic earnings per share[(3)]	$	**0.10**	$	0.17
Diluted earnings per share[(3)]	$	**0.10**	$	0.17
Weighted average number of shares outstanding		**80,900,902**		78,267,627
Total issued and outstanding shares		**80,772,683**		78,248,362
Total earnings for the period attributable to:				
Shareholders	$	**8,178**	$	13,284
Non-controlling interest	$	**3,260**	$	5,691

(1) Gross margin % (see Non-IFRS measures) represents gross margin as a percentage of revenue.
(2) Net margin % (see Non-IFRS measures) represents net margin as a percentage of revenue.
(3) See Note 32 of the Company's condensed consolidated financial statements for the three months ended March 31, 2017 for further details on the calculation of basic and diluted earnings per share.

The Company evaluates its land, housing and condominium development results using gross and net margin, as defined in the notes to the table above. The asset management and management services segment and the recreational properties segment are evaluated using net margin. Investment properties are evaluated using both net operating income and net margin for the segment. Stated as a percentage to evaluate operational efficiency, these margins are used as fundamental business considerations for updating budgets, forecasts and strategic planning.

Quarterly Business Trends

A summary of the revenue, earnings and basic earnings per share for the previous eight quarters is presented below.

(in thousands of dollars, except per share amounts)	**Mar 31, 2017**	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015
Revenue	**$ 51,648**	$ 88,628	$ 53,852	$ 96,391	$ 101,296	$ 89,326	$ 130,350	$ 65,538
Earnings for the period	**11,438**	26,694	16,783	32,912	18,975	17,003	27,571	125,795
Basic earnings per share	**0.10**	0.24	0.15	0.29	0.17	0.15	0.24	1.12
Diluted earnings per share	**0.10**	0.23	0.15	0.29	0.17	0.14	0.24	1.07

Timing of Income Recognition and Impact of Seasonality

The Company's housing and condominium operations recognize revenue at the time of occupancy and, as a result, revenues and direct costs vary depending on the number of units occupied in a particular reporting period. The Company's land operations recognize revenue when a 15% deposit has been received from the third-party purchaser, ultimate collection of the full purchase price is reasonably assured, and certain other development milestones are substantially met. Revenue from land is deferred until occupancy by a third-party customer, when the land is sold as part of a home constructed by our housing division. Marketing expenses for condominiums are typically incurred prior to the occupancy of these units and accordingly are not tied to the number of units occupied in a particular period. These costs are expensed in income as incurred and reduce reported net margin.

Based on our geographic location, most of our development activity in Western Canada takes place between April and October due to weather constraints, while sales orders vary depending on the rate at which builders work through inventory, which is affected by weather and market conditions. Traditionally, our highest sales volume quarter for our land and housing divisions has been the fourth quarter, while our lowest has been the first quarter.

As a result of the above, the Company's results can vary significantly from quarter to quarter. The Company has segregated the net margin from condominium, housing and land operations from the Company's remaining activities. We have identified the net margin from asset management and management services, investment and recreational properties as recurring sources of annual income. Due to the seasonal nature of wind and solar assets within the renewable power segment, we expect higher returns on our investment in Firelight in the spring and summer months, compared to the fall and winter. A quarterly summary is presented below.

Contribution of Quarterly Net Margin and Income by Business Segment

(in thousands of dollars)	**Mar 31, 2017**	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015
Land development[(1), (2)]	**$ 1,515**	$ 5,003	$ 8,567	$ 374	$ 23,270	$ 18,315	$ 13,127	$ 11,732
Housing development[(1)]	**(292)**	275	(49)	(999)	(1,438)	170	1,596	1,835
Condominium development	**(873)**	1,103	911	4,597	1,578	(511)	10,538	(811)
	350	6,381	9,429	3,972	23,410	17,974	25,261	12,756
Investment and recreational properties[(3)]	**6,176**	786	(2,022)	3,397	5,497	588	(1,976)	2,833
Asset management and management services[(5)]	**9,348**	19,736	5,098	24,980	4,896	7,484	4,543	4,098
	15,524	20,522	3,076	28,377	10,393	8,072	2,567	6,931
Total net margin	**$ 15,874**	$ 26,903	$ 12,505	$ 32,349	$ 33,803	$ 26,046	$ 27,828	$ 19,687
Income amounts included below net margin								
Firelight Infrastructure Partners LP (Energy and Infrastructure)[(4)]	**39**	(589)	2,594	3,446	(46)	(659)	1,755	3,179
Dundee Kilmer Developments LP (Canary District)[(6)]	**(82)**	489	16,529	16,941	880	(516)	(508)	(335)
Other share of earnings (losses) from equity accounted investments	**(1,284)**	2,180	1,378	262	(1,232)	433	2,068	156
Total share of earnings (losses) from equity accounted investments	**(1,327)**	2,080	20,501	20,649	(398)	(742)	3,315	3,000
Investment income earned from publicly listed funds	**$ 3,595**	$ 3,242	$ 2,608	$ 1,500	$ 3,135	$ 2,907	$ 3,033	$ 2,919

(1) Results include land net margin on internal lot sales to our housing division, as the homes have been sold to external customers by the housing division during the periods presented. Net margin results recognized in both the land and housing divisions are eliminated on consolidation.

(2) Included in net margin for the three months ended March 31, 2016 was $24.5 million from the sale of 172 raw acres to the Province of Alberta to construct parts of the Calgary Ring Road. Refer to page 15 of this MD&A for further details.

(3) The decline in net margin during the September quarter end periods are due to the seasonal closure of the Arapahoe Basin ski resort, which generally closes operations from July to September.

(4) The decline in net earnings during the March and December quarter end periods are primarily due to the seasonality of the renewable energy projects. For additional details, refer to page 29 of this MD&A.

(5) Included in net margin for asset management and management services for the three months ended March 31, 2017, December 31, 2016 and June 30, 2016, were fees earned from development arrangements which will fluctuate period over period.

(6) Included in earnings (losses) from equity accounted investments for the three months ended June 30, 2016 and September 30, 2016 was occupancy income generated from condominium units in Stage 1 of the development, which was completed in 2016.

Growth in Asset Management Services

Fees generated within our asset management operations relating to publicly listed funds are generally contractual in nature. It is important to note that fees earned on acquisition activity in a period are not recurring in nature and will impact related margins. Fees related to development activities and partnerships included within this segment can fluctuate significantly depending on the number of active projects and on meeting certain milestones as the development manager.

Recurring Sources of Income

Historically, a large proportion of our pre-tax income was driven by our land development business and the Company expects this will generally be the case over the long term. Our housing and condominium segments are also recurring income sources, although they are subject to more volatility from period to period. In addition to this business, the Company has several non-development business lines, which it considers to be sources of recurring annual income. Below is a summary of income from the Company's significant assets generating recurring income and their applicable fair value or carrying value as at March 31, 2017. The Company views recurring income as a source of funds to meet ongoing interest and fixed operating costs of the business.

Investment and recreational properties	**Segment**	**Ownership %**	**Pre-tax income measure[1]**	**Balance sheet measure**	**IFRS asset value at March 31, 2017**	**IFRS asset value at December 31, 2016**	**Q1 2017 pre-tax income**	**Q1 2016 pre-tax income**
Arapahoe Basin ski hill (Colorado)	Recreational properties	100%	Net operating income	Book value	$ **19,822**	$ 20,068	$ **6,977**	$ 6,554
Distillery District (inclusive of retail and parking)	Investment properties	50%	Net operating income	Fair value	**111,049**	111,049	**1,132**	1,133
Western Canada retail under development – Tamarack and Shops of South Kensington[2]	Investment properties	100%	Net operating income	Fair value	**81,624**	58,550	**692**	382
Toronto retail and mixed-use properties	Equity accounted investments	50%	Net operating income	Fair value	**12,809**	10,703	**151**	105
Total assets and recurring income from investment and recreational properties					**$ 225,304**	**$ 200,370**	**$ 8,952**	**$ 8,174**

Other sources of recurring income	**Segment**	**Ownership %**	**Pre-tax income measure[1]**	**Balance sheet measure**	**IFRS asset value at March 31, 2017**	**IFRS asset value at December 31, 2016**	**Q1 2017 pre-tax income**	**Q1 2016 pre-tax income**
Income earned from contracts with publicly listed funds	Asset management	100%	Net margin	Book value	$ **43,000**	$ 43,000	$ **5,757**	$ 4,475
Direct equity investments held in publicly listed funds[3]	Investment income/other	100%	Investment income	Fair value	**204,079**	204,208	**3,595**	3,135
Firelight Infrastructure	Equity accounted investments	20%	Net earnings	Book value	**39,640**	39,602	**39**	(46)
Other sources of recurring income					**$ 286,719**	**$ 286,810**	**$ 9,391**	**$ 7,564**
Total assets and recurring income from investment and recreational properties and other sources					**$ 512,023**	**$ 487,180**	**$ 18,343**	**$ 15,738**

(1) Refer to page 39 of this MD&A for definitions of Non-IFRS measures, including net operating income.

(2) Our Western Canada retail assets in Tamarack and Shops of South Kensington are currently earning rental revenues from select tenants who have taken occupancy during the development phases. The assets are not expected to be fully stabilized until their completion dates in 2018 - 2020. The IFRS asset value at March 31, 2017 includes $20.6 million relating to the Shops of South Kensington, as first tenant occupancy occurred in the three months ended March 31, 2017.

(3) Refer to page 22 of this MD&A for details on the movement in investment and other income. IFRS asset value at March 31, 2017 excludes the Company's investment in Dream Global REIT deferred trust units of $14.6 million (December 31, 2016 - $15.6 million) and Dream Alternatives of $38.0 million (December 31, 2016 - $30.2 million).

Selected Operating Metrics

The purpose of the following tables is to highlight the operating performance of our major segments, some of which are held through both direct ownership and equity accounted investments. For further details, refer to the individual segment operating results of this MD&A.

	For the three months ended March 31,			
(in thousands of dollars, except average selling price and units)		**2017**		2016
LAND DEVELOPMENT				
Lot revenue	**$**	**13,140**	$	5,104
Acre revenue	**$**	**—**	$	38,954
Total revenue[1]	**$**	**13,140**	$	44,058
Gross margin[1]	**$**	**4,787**	$	26,234
Gross margin (%)[2]		**36.4%**		59.5%
Net margin[1]	**$**	**1,515**	$	23,270
Net margin (%)[2]		**11.5%**		52.8%
Lots sold		**97**		39
Average selling price – lots	**$**	**135,000**	$	131,000
Undeveloped acres sold		**—**		172
Average selling price – undeveloped acres	**$**	**—**	$	226,000
HOUSING DEVELOPMENT				
Housing units occupied		**31**		20
Revenue[1]	**$**	**11,288**	$	7,556
Gross margin[1]	**$**	**2,477**	$	1,344
Gross margin (%)[2]		**21.9%**		17.8%
Net margin[1]	**$**	**(292)**	$	(1,438)
Net margin (%)[2]		**(2.6%)**		(19.0%)
Average selling price – housing units	**$**	**364,000**	$	378,000
Average square feet of homes sold		**1,372**		1,324
Average selling price per square foot for occupied units	**$**	**265**	$	285
CONDOMINIUM DEVELOPMENT				
Attributable to Dream, including direct and equity accounted investments[2]:				
Condominium occupancies – units, project level[3]		**2**		204
Total revenue[3]	**$**	**559**	$	30,809
Gross margin[4]	**$**	**264**	$	4,706
Gross margin (%)[2]		**47.2%**		15.3%
Net margin	**$**	**(1,283)**	$	689
Net margin (%)[2]		**n/a**		2.2%
Average selling price of condominiums occupied:				
Per unit	**$**	**325,000**	$	353,000
Per square foot	**$**	**435**	$	480

(1) Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation. For more details, please refer to page 12 of this MD&A.
(2) Gross margin (%); net margin (%); and condominium development revenue, gross margin and net margin attributable to Dream, direct and equity accounted investments are non-IFRS measures. Refer to page 39 of this MD&A for further details.
(3) In normal course, there is a 3 - 6 month delay between the occupancy of a condominium unit (the point at which revenue is recognized) and its closing date. The delay typically occurs as the project completes the final municipal approvals required for condominium registration and unit closings.
(4) Gross margin for condominium operations includes interest expense, which is capitalized during the development period and expensed through cost of sales as units are occupied.

Selected Operating Metrics

(in thousands of dollars, except average selling price and units)	For the three months ended March 31, 2017		2016	
ASSET MANAGEMENT AND MANAGEMENT SERVICES				
Fee-earning assets under management – publicly listed funds[1]	**$**	**5,197,000**	$	5,155,000
Fees earned on publicly listed funds	**$**	**6,927**	$	5,938
Development and other asset management fees		**4,331**		1,184
Total asset management revenue	**$**	**11,258**	$	7,122
Net margin	**$**	**9,348**	$	4,896
Net margin (%)[1]		**83.0%**		68.7%
INVESTMENT INCOME EARNED ON INVESTMENTS IN PUBLICLY LISTED FUNDS[2]				
Investment income earned – recognized in statement of earnings:				
Distributions from Dream Office REIT	**$**	**2,932**	$	2,624
Other distributions from publicly listed funds		**663**		511
Interest and other income		**793**		788
Total	**$**	**4,388**	$	3,923
INVESTMENT AND RECREATIONAL PROPERTIES				
Attributable to Dream, direct investments:				
Revenue	**$**	**18,143**	$	16,506
Net operating income – investment properties, Ontario		**1,297**		1,147
Net operating income – development properties, Western Canada		**738**		382
Net operating income – recreational properties		**6,468**		5,918
Total net operating income		**8,503**		7,447
Total net margin[3]	**$**	**6,176**	$	5,497
Total net margin (%)[1]		**34.0%**		33.3%

[1] Net margin (%) and fee-earning assets under management are non-IFRS measures. Refer to page 39 of this MD&A for details.
[2] Distributions earned from publicly listed funds relate to the portion allocated as investment income and are not total cash distributions received. See "Investment and Other Income" on page 22 of this MD&A for further details.
[3] Net margin for investment and recreational properties includes depreciation expense.

Segmented Financial Position

The Company’s segmented financial position is as follows:

						March 31, 2017
	Land development	Housing development	Condominium development	Asset management and advisory services	Investment and recreational properties	Total
Inventory	$ 585,988	$ 57,451	$ 61,525	$ —	$ —	$ 704,964
Properties	—	—	—	—	295,689	295,689
Total real estate assets[1]	$ 585,988	$ 57,451	$ 61,525	$ —	$ 295,689	$ 1,000,653
Intangible asset	—	—	—	43,000	—	43,000
Non-segmented assets[2]						595,792
Total assets						$ 1,639,445
Provision for real estate development costs	$ 35,240	$ 1,405	$ 4,439	$ —	$ —	$ 41,084
Customer deposits	4,894	5,581	18,490	—	1,830	30,795
Construction loans	—	35,765	22,219	—	45,711	103,695
Mortgages and term debt	1,961	—	10,450	—	96,063	108,474
Total segmented liabilities	$ 42,095	$ 42,751	$ 55,598	$ —	$ 143,604	$ 284,048
Non-segmented liabilities[1]						514,729
Total liabilities						$ 798,777

						December 31, 2016
	Land development	Housing development	Condominium development	Asset management and advisory services	Investment and recreational properties	Total
Inventory	$ 604,487	$ 50,662	$ 55,634	$ —	$ —	$ 710,783
Properties	—	—	—	—	270,854	270,854
Total real estate assets[1]	$ 604,487	$ 50,662	$ 55,634	$ —	$ 270,854	$ 981,637
Intangible asset	—	—	—	43,000	—	43,000
Non-segmented assets[2]						587,677
Total assets						$ 1,612,314
Provision for real estate development costs	$ 35,858	$ 1,307	$ 4,633	$ —	$ —	$ 41,798
Customer deposits	4,188	5,760	18,299	—	1,409	29,656
Construction loans	4,825	31,598	20,044	—	33,892	90,359
Mortgages and term debt	3,141	—	10,450	—	99,066	112,657
Total segmented liabilities	$ 48,012	$ 38,665	$ 53,426	$ —	$ 134,367	$ 274,470
Non-segmented liabilities[3]						506,333
Total liabilities						$ 780,803

[1] Real estate assets exclude investments in jointly controlled entities.
[2] Included in non-segmented assets are cash and cash equivalents, accounts receivable, other financial assets, equity accounted investments and capital and other operating assets, which include balances not directly attributable to a specific operating segment. The Company's investment of $218.7 million in Dream Office REIT and Dream Global REIT units (December 31, 2016 – $219.8 million) and $38.0 million in Dream Alternatives (December 31, 2016 – $30.2 million) are also included within non-segmented assets.
[3] Included in non-segmented liabilities are certain amounts of accounts payable and other liabilities, income and other taxes payable, operating line, Preference shares, series 1, and deferred income taxes, which are not directly attributable to a specific operating segment.

Segmented Results of Operations

The Company's segmented results of operations are as follows:

For the three months ended March 31, 2017

	Land development[1]	Housing development[1]	Condominium development	Asset management and advisory services	Investment and recreational properties	Eliminations[1]	Total
Revenues	**$ 13,140**	**$ 11,288**	**$ 351**	**$ 11,258**	**$ 18,143**	**$ (2,532)**	**$ 51,648**
Direct operating costs	**(8,353)**	**(8,811)**	**(170)**	**—**	**(9,640)**	**1,567**	**(25,407)**
Asset management and advisory services expenses	**—**	**—**	**—**	**(1,910)**	**—**	**—**	**(1,910)**
Gross margin	**4,787**	**2,477**	**181**	**9,348**	**8,503**	**(965)**	**24,331**
Selling, marketing and other operating costs	**(3,272)**	**(2,769)**	**(1,054)**	**—**	**(2,327)**	**—**	**(9,422)**
Net margin	**$ 1,515**	**$ (292)**	**$ (873)**	**$ 9,348**	**$ 6,176**	**$ (965)**	**$ 14,909**
Net margin (%)	**11.5%**	**(2.6)%**	**n/a**	**83.0%**	**34.0%**	**38.1%**	**28.9%**
Fair value changes in investment properties	**—**	**—**	**—**	**—**	**6,662**	**—**	**6,662**
Investment and other income	**353**	**—**	**216**	**3,819**	**—**	**—**	**4,388**
Earnings (losses) before the following:	**1,868**	**(292)**	**(657)**	**13,167**	**12,838**	**(965)**	**25,959**
General and administrative expenses							**(2,767)**
Share of losses from equity accounted investments[2]							**(1,327)**
Fair value change in derivative financial instruments							**74**
Interest expense							**(4,994)**
Income tax expense							**(5,507)**
Earnings for the period[3]							**$ 11,438**

For the three months ended March 31, 2016

	Land development[1]	Housing development[1]	Condominium development	Asset management and advisory services	Investment and recreational properties	Eliminations[1]	Total
Revenues	$ 44,058	$ 7,556	$ 27,547	$ 7,122	$ 16,506	$ (1,493)	$ 101,296
Direct operating costs	(17,824)	(6,212)	(23,350)	—	(9,059)	959	(55,486)
Asset management and advisory services expenses	—	—	—	(2,226)	—	—	(2,226)
Gross margin	26,234	1,344	4,197	4,896	7,447	(534)	43,584
Selling, marketing and other operating costs	(2,964)	(2,782)	(2,619)	—	(1,950)	—	(10,315)
Net margin	$ 23,270	$ (1,438)	$ 1,578	$ 4,896	$ 5,497	$ (534)	$ 33,269
Net margin (%)	52.8%	(19.0)%	5.7%	68.7%	33.3%	35.8%	32.8%
Fair value changes in investment properties	—	—	—	—	284	—	284
Investment and other income	400	—	67	3,456	—	—	3,923
Earnings (losses) before the following:	$ 23,670	$ (1,438)	$ 1,645	$ 8,352	$ 5,781	$ (534)	$ 37,476
General and administrative expenses							(3,717)
Share of losses from equity accounted investments[2]							(398)
Fair value loss on derivative financial instruments							(666)
Interest expense							(4,692)
Income tax expense							(9,028)
Earnings for the period[3]							$ 18,975

(1) Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation.
(2) Results from operations through equity accounted investments are excluded from gross and net margin and are included in share of earnings from equity accounted investments.
(3) Includes earnings attributable to non-controlling interest.

Land Development

Real estate assets include inventory of land held for development and land under development. Raw land is usually unentitled property without the regulatory approvals that would allow the construction of residential, industrial, commercial and mixed-use developments. Acquiring and developing raw land requires significant time and capital expenditures and has associated carrying costs related to the approval process. Typically, to be considered land under development, the properties have received preliminary approval, a building permit can generally be obtained within the next 12 months and substantial development work is underway (such as grading; installation of water and sewer services; and/or provision of roads, power and landscaping). Where our land discussion includes references to acres, this is a gross acre measure, which includes both developable and non-developable land. Examples of non-developable land include roads, parks, and municipal and environmental reserves, which may not be identified until after the land is purchased and subsequently approved during the planning process.

As at March 31, 2017, our land portfolio, including land held for development and land under development, consisted of 9,311 acres and 1,210 lots in various stages of development. This represents 9,497 acre equivalents. Dream also has commitments to purchase an additional 461 acres, for a total of 9,958 acres.

(in thousands of dollars, except lots and acres)									**March 31, 2017**
	Land held for development			**Land under development**					
	Cost	**Acres**	**Cost per acre**	**Cost**	**Acres**	**Lots**	**Cost per acre equivalent**		**Total**
Saskatoon	$ 78,054	3,049	$ 26	$ 63,034	67	520	$ 405	$	141,088
Regina	143,218	2,775	52	52,084	131	350	299		195,302
Calgary	150,503	2,322	65	29,964	56	160	339		180,467
Edmonton	40,970	883	46	25,883	14	180	721		66,853
Other[1]	708	—	n/a	1,570	14	—	112		2,278
Total inventory	**$ 413,453**	**9,029**	**$ 46**	**$ 172,535**	**282**	**1,210**	**$ 368**	**$**	**585,988**
Land under commitment	**$ 9,605**	**461**	**$ 21**					**$**	**9,605**

[1] Other land held for development relates to a single lot held in the U.S.

A summary of the changes in land inventory during the three months ended March 31, 2017 is included below:

(in thousands of dollars)	**Land held for development**	**Land under development**	**Total**
Balance, December 31, 2016	$ 413,485	$ 191,002	$ 604,487
Development	215	6,763	6,978
Lot and acre sales	—	(8,299)	(8,299)
Transfers	(247)	247	—
Transfers to housing inventory	—	(3,515)	(3,515)
Transfers to investment properties	—	(13,663)	(13,663)
Balance, March 31, 2017	**$ 413,453**	**$ 172,535**	**$ 585,988**

The carrying value of our land portfolio decreased by $18.5 million from $604.5 million as at December 31, 2016 to $586.0 million as at March 31, 2017, primarily due to lot sales and transfers of land to the Company's other operating segments. Refer to page 23 of this MD&A for further details.

Breakdown of Land under Commitment

Dream has entered into various agreements to purchase land, as outlined below. Until the final payment is made, this land does not form part of our land held for development inventory.

					Remaining commitments				
(in thousands of dollars, except for acres)	Total commitment	Acquisition deposits	Remaining commitment	Acres[1]	2017	2018	2019	2020	Total
Land purchase deposits and future commitments	$ 9,605	$ 5,898	$ 3,707	461	$ 2,575	$ 566	$ 566	$ —	$ 3,707

[1] Acres under commitment are located in Saskatoon and Regina, and are adjacent to lands already owned by the Company.

A summary of the changes in land under commitment is presented below.

	Total commitments	Acquisition deposits	Acres
Opening balance, December 31, 2016	$ 9,605	$ 5,332	461
Deposits made	—	566	—
Closing balance, March 31, 2017	**$ 9,605**	**$ 5,898**	**461**

Selected Operating Metrics – Land

A summary of selected operating metrics for the land divisions is below:

(in thousands of dollars, except for average selling prices and acre/lot statistics)	For the three months ended March 31, 2017	2016
Land revenue[1]		
Saskatoon	**$ 3,450**	$ 1,290
Regina	**1,872**	871
Calgary	**993**	40,544
Edmonton	**6,825**	1,353
Total	**$ 13,140**	$ 44,058
Land net margin[1]		
Saskatoon	**$ 558**	$ (175)
Regina	**(281)**	(688)
Calgary	**(604)**	24,301
Edmonton	**1,842**	(157)
Other	**—**	(11)
Total	**$ 1,515**	$ 23,270
Net margin (%)[1]		
Saskatoon	**16.2%**	(13.6%)
Regina	**(15.0%)**	(79.0%)
Calgary	**(60.8%)**	59.9 %
Edmonton	**27.0%**	(11.6%)
Total	**11.5%**	52.8%
Lots sold[1]		
Saskatoon	**26**	8
Regina	**15**	7
Calgary	**8**	11
Edmonton	**48**	13
Total	**97**	39
Lot revenue[1]		
Saskatoon	**$ 3,450**	$ 1,290
Regina	**1,872**	871
Calgary	**993**	1,590
Edmonton	**6,825**	1,353
Total	**$ 13,140**	$ 5,104
Average lot selling price[1]		
Saskatoon	**$ 133,000**	$ 161,000
Regina	**125,000**	124,000
Calgary	**124,000**	145,000
Edmonton	**142,000**	104,000
Total	**$ 135,000**	$ 131,000
Acres sold		
Saskatoon	**—**	—
Regina	**—**	—
Calgary	**—**	172
Edmonton	**—**	—
Total	**—**	172
Acre revenue[1]		
Saskatoon	**$ —**	$ —
Regina	**—**	—
Calgary	**—**	38,954
Edmonton	**—**	—
Total	**$ —**	$ 38,954
Average acre selling price		
Saskatoon	**$ —**	$ —
Regina	**—**	—
Calgary	**—**	226
Edmonton	**—**	—
Total	**$ —**	$ 226

[1] Results include land revenues and net margin on internal lot sales to our housing division, as the homes have been sold to external customers by the housing division during the period. The revenue and net margin recognized in both the land and housing divisions have been eliminated on consolidation. For more details, please refer to page 12 of this MD&A.

Results of Operations – Land

The results of operations for our land development divisions in Saskatoon, Regina, Calgary and Edmonton are as follows:

(in thousands of dollars, except for average selling prices and acre/lot statistics)	For the three months ended March 31, 2017	2016
Lot revenue	**$ 13,140**	$ 5,104
Acre revenue	**$ —**	$ 38,954
Total revenue	**$ 13,140**	$ 44,058
Gross margin	**$ 4,787**	$ 26,234
Gross margin (%)	**36.4%**	59.5%
Net margin	**$ 1,515**	$ 23,270
Net margin (%)	**11.5%**	52.8%
Lots sold	**97**	39
Average selling price – lots	**$ 135,000**	$ 131,000
Undeveloped acres sold	**—**	172
Average selling price – undeveloped acres	**$ —**	$ 226,000

In the three months ended March 31, 2017, we achieved 97 lot sales compared to 39 lot sales in the comparative period. Most of our development activity in Western Canada takes place between April and October and our lowest sales volume is traditionally seen during the first quarter of any fiscal year.

In the three months ended March 31, 2016, 172 acres of undeveloped land were sold in Providence to the Province of Alberta to construct parts of the Southwest Calgary Ring Road, a major infrastructure project that will transform Southwest Calgary. Excluding this sale, total revenue and gross margin for lot sales were $8.0 million and $3.1 million higher in the three months ended March 31, 2017, relative to the comparative period.

In 2017, Dream expects to achieve approximately 950 lot sales and 35 acre sales. Of these, at May 5, 2017, 610 lots and 19 acres were either sold or subject to future sales commitments. We continue to focus on executing on our strategy to participate in more of the market share within our new communities by developing more single family homes, retail and commercial properties ourselves. As we build out and sell, lease or rent these properties, we intend to capture the development profit on both the land and building components and add to our recurring income sources by holding any income properties developed. We are focusing on building out our existing communities and strategically evaluating when servicing should commence in new communities.

A breakdown and discussion of each of our four major regions is below.

Saskatoon, Saskatchewan

(in thousands of dollars, except for average selling prices and acre/lot statistics)	For the three months ended March 31, 2017	2016
Lot revenue	**$ 3,450**	$ 1,290
Acre revenue	**$ —**	$ —
Total revenue	**$ 3,450**	$ 1,290
Gross margin	**$ 1,377**	$ 525
Gross margin (%)	**39.9%**	40.7%
Net margin	**$ 558**	$ (175)
Net margin (%)	**16.2%**	(13.6%)
Lots sold	**26**	8
Average selling price – lots	**$ 133,000**	$ 161,000

In the three months ended March 31, 2017, lot revenue and net margin were generated primarily by sales within three developments in Saskatoon: Brighton (Holmwood), Stonebridge and Blairmore (Kensington). We have continued to wind down our remaining inventory in Stonebridge, which has been an active development since 2005. Our newer development, Brighton, is a 550-acre community within Holmwood that, upon completion, will include more than 2,200 lots, 2,500 multi-family units and over 250,000 sf of retail, which is being developed by Dream Centres, our retail division.

In the three months ended March 31, 2017, revenue and net margin increased by $2.2 million and $0.7 million, respectively, from the prior year, primarily due to a higher volume of lot sales. The average selling price of lots sold in the three months ended March 31, 2017 decreased relative to the comparative period, due to the specific lot mix sold.

Regina, Saskatchewan

(in thousands of dollars, except for average selling prices and acre/lot statistics)	For the three months ended March 31, **2017**	2016
Lot revenue	**$ 1,872**	$ 871
Acre revenue	**$ —**	$ —
Total revenue	**$ 1,872**	$ 871
Gross margin	**$ 723**	$ 258
Gross margin (%)	**38.6%**	29.6%
Net margin	**$ (281)**	$ (688)
Net margin (%)	**(15.0%)**	(79.0%)
Lots sold	**15**	7
Average selling price – lots	**$ 125,000**	$ 124,000

In the three months ended March 31, 2017 and in the comparative period, lot revenue and net margin were generated primarily within our Harbour Landing community, which has been an active development since 2008. We anticipate all remaining external lot inventory within Harbour Landing to be sold by the end of 2017. In addition, we anticipate a higher volume of lot sales within Eastbrook, our newest development in Regina, to be realized in the second half of 2017. Eastbrook is a 319-acre community that we expect to service through to 2025, and will include more than 2,100 lots, 1,500 multi-family units and 17 acres of commercial development upon completion.

In the three months ended March 31, 2017, revenue and net margin increased by $1.0 million and $0.4 million, respectively, from the prior year, primarily due to a higher volume of lot sales. Negative net margin of $0.3 million was incurred in the three months ended March 31, 2017 due to the low volume of lots sold in the period relative to our fixed operating costs.

Calgary, Alberta

(in thousands of dollars, except for average selling prices and acre/lot statistics)	For the three months ended March 31, **2017**	2016
Lot revenue	**$ 993**	$ 1,590
Acre revenue	**$ —**	$ 38,954
Total revenue	**$ 993**	$ 40,544
Gross margin	**$ 235**	$ 25,053
Gross margin (%)	**23.7%**	61.8%
Net margin	**$ (604)**	$ 24,301
Net margin (%)	**(60.8%)**	59.9%
Lots sold	**8**	11
Average selling price – lots	**$ 124,000**	$ 145,000
Undeveloped acres sold	**—**	172
Average selling price – undeveloped acres	**$ —**	$ 226,000

In the three months ended March 31, 2017, revenue and net margin were generated from lot sales within our High River, Evansridge and Crossfield (Vista Crossing) developments. Vista Crossing is a 155-acre community north of Airdrie which we expect to service for the next five years. Consistent with prior periods, we do not expect significant lot sales to occur within Calgary in 2017, as we have minimal lot inventory available for sale.

Comparative period results include the sale of 172 acres of raw land in Providence to the Province of Alberta. Excluding the sale of these undeveloped acres, total revenue and net margin would have been $1.6 million and negative $0.2 million, respectively, for the three months ended March 31, 2016.

In the three months ended March 31, 2017, lot revenue decreased from the prior year by $0.6 million due to fewer sales and a lower average selling price. Negative net margin of $0.6 million was incurred as a result of fixed overhead incurred that could not be absorbed by the sales volumes in the current period.

Edmonton, Alberta

(in thousands of dollars, except for average selling prices and acre/lot statistics)	For the three months ended March 31, 2017	2016
Lot revenue	**$ 6,825**	$ 1,353
Acre revenue	**$ —**	$ —
Total revenue	**$ 6,825**	$ 1,353
Gross margin	**$ 2,452**	$ 398
Gross margin (%)	**35.9%**	29.4%
Net margin	**$ 1,842**	$ (157)
Net margin (%)	**27.0%**	(11.6%)
Lots sold	**48**	13
Average selling price – lots	**$ 142,000**	$ 104,000
Developed acres sold	**—**	—
Average selling price – developed acres	**$ —**	$ —

The Meadows is our active development in Edmonton with 195 acre equivalents remaining in inventory as at March 31, 2017, which we expect to remain involved in through 2022. This includes our Laurel, Maple Crest and Tamarack communities.

In the three months ended March 31, 2017, total revenue increased by $5.5 million from the prior year due to higher lot sales and an increased average selling price in the current period. Lots sold in the three months ended March 31, 2017 were located in more mature phases of the Meadows development and were larger in size relative to the comparative period, driving the increase in average selling price. Net margin for the three months ended March 31, 2017 was $2.0 million higher than the comparative period due to the aforementioned reasons.

Housing Development

As at March 31, 2017, our housing inventory consisted of 487 units under various stages of construction and lots held for future development, in Saskatchewan and Alberta. The carrying value of our housing inventory increased to $57.5 million as at March 31, 2017 from $50.7 million as at December 31, 2016, primarily due to development costs incurred and land transferred internally from our land division to develop future housing lots.

	Saskatoon		Regina		Calgary		Total	
(in thousands of dollars, except units)	**No. of units**	**Cost**	**No. of units**	**Cost**	**No. of units**	**Cost**	**No. of units**	**Cost**
Balance of inventory, December 31, 2016	95	$ 12,402	319	$ 28,630	26	$ 9,630	440	$ 50,662
Acquisitions	—	—	21	1,908	—	—	21	1,908
Transfers from land development	38	2,239	5	358	14	918	57	3,515
Development	—	2,989	—	5,420	—	201	—	8,610
Housing units occupied	(11)	(2,381)	(15)	(3,813)	(5)	(1,050)	(31)	(7,244)
Balance of inventory, March 31, 2017	**122**	**$ 15,249**	**330**	**$ 32,503**	**35**	**$ 9,699**	**487**	**$ 57,451**

Breakdown of Housing under Construction

The total housing units under construction is summarized in the following table:

(number of units)	**March 31, 2017**	December 31, 2016
Total units under construction	**303**	232
Total units held for future construction	**184**	208
Total units in inventory	**487**	440

Results of Operations – Housing

(in thousands of dollars, except units)	For the three months ended March 31, 2017	2016
Housing units occupied	**31**	20
Revenue[1]	**$ 11,288**	$ 7,556
Gross margin[1]	**$ 2,477**	$ 1,344
Gross margin (%)	**21.9%**	17.8%
Net margin[1]	**$ (292)**	$ (1,438)
Net margin (%)	**(2.6%)**	(19.0%)
Average selling price – housing units	**$ 364,000**	$ 378,000
Average square foot of housing units occupied	**1,372**	1,324
Average selling price per square foot for occupied units	**$ 265**	$ 285

(1) Results include land revenues and net margin on internal lot sales to our housing division, as the homes have been sold to external customers by the housing division during the period. The revenue and net margin recognized in both the land and housing divisions have been eliminated on consolidation. For more details, please refer to page 12 of this MD&A.

In the three months ended March 31, 2017, the Company achieved 31 unit occupancies (11 units in Saskatoon, 15 units in Regina and 5 units in Calgary), up from 20 unit occupancies (7 units in Saskatoon and 13 units in Regina) in the prior year. Revenue increased by $3.7 million in the three months ended March 31, 2017 relative to prior year as a result of a higher volume of homes that were occupied, partially offset by a lower average selling price relative to the prior year. Net margin increased by $1.1 million in the three months ended March 31, 2017, due to the higher sales volumes in the current period.

Our homebuilding division continues to make significant progress towards a competitive housing platform. We expect to see these efforts result in the division's profitability in 2017 and 2018 as new inventory is developed and sold in line with our revised operating model. Although negative net margin was incurred in the three months ended March 31, 2017, as a result of fixed overhead costs that could not be absorbed by our occupancy levels in the period, we expect the division to yield positive results by the end of 2017.

A breakdown and discussion of our results for the three active housing regions with sales activity is below.

Saskatoon, Saskatchewan

(in thousands of dollars, except units)	For the three months ended March 31, 2017	2016
Housing units occupied	**11**	7
Revenue[1]	**$ 4,253**	$ 2,692
Gross margin[1]	**$ 1,073**	$ 500
Gross margin (%)	**25.2%**	18.6%
Net margin[1]	**$ (18)**	$ (808)
Net margin (%)	**(0.4%)**	(30.0%)
Average selling price – housing units	**$ 387,000**	$ 385,000
Average square foot of housing units occupied	**1,384**	1,356
Average selling price per square foot for occupied units	**$ 279**	$ 284

(1) Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation. For more details please refer to page 12 of this MD&A.

Housing units occupied during the three months ended March 31, 2017 were sold primarily from our Stonebridge community.

In the three months ended March 31, 2017, revenue and net margin increased by $1.6 million and $0.8 million, respectively, due to a slight increase in occupancies relative to the prior year and a higher proportion of units sold from newer inventory, designed in line with the Company's revised operating model.

Regina, Saskatchewan

(in thousands of dollars, except units)	For the three months ended March 31, 2017	2016
Housing units occupied	**15**	13
Revenue[1]	**$ 5,098**	$ 4,864
Gross margin[1]	**$ 937**	$ 844
Gross margin (%)	**18.4%**	17.4%
Net margin[1]	**$ (300)**	$ (376)
Net margin (%)	**(5.9%)**	(7.7%)
Average selling price – housing units	**$ 340,000**	$ 374,000
Average square foot of housing units occupied	**1,231**	1,308
Average selling price per square foot for occupied units	**$ 276**	$ 286

(1) Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation. For more details, please refer to page 12 of this MD&A.

Housing units occupied during the three months ended March 31, 2017 occurred in Harbour Landing, a Dream community, and Greens on Gardiner, Hawkstone and the Creeks.

In the three months ended March 31, 2017, revenue increased by $0.2 million due to a slight increase in occupancies in the current period. The average selling price per unit occupied decreased from the comparative period due to the particular product mix sold in each period. Negative net margin of $0.3 million in the three months ended March 31, 2017 was relatively consistent with the prior year.

Calgary, Alberta

In the three months ended March 31, 2017, there were five housing occupancies within our Vista Crossing and Evansridge communities, generating revenue of $1.9 million, with no comparable activity in the first quarter of 2016. In the three months ended March 31, 2017, our operations in Calgary broke even as there were sufficient occupancies to absorb fixed costs in the period. The results in Calgary are consistent with management's expectations given the low availability of inventory during the period.

Condominium Development

As at March 31, 2017, our condominium inventory consisted of 1,292 units in projects under and/or in pre-construction, with 964 units held through direct ownership (350 units at Dream's share) and 328 units held through equity accounted investments (164 units at Dream's share).

The changes in condominium inventory at Dream's share within direct ownership and equity accounted projects are summarized below.

(in thousands of dollars, except units)	Direct ownership	Equity accounted investments	Total
Balance of inventory, December 31, 2016	$ 55,634	$ 62,668	$ 118,302
Acquisitions	—	16,591	16,591
Development	6,061	1,546	7,607
Condominium units occupied	(170)	(126)	(296)
Balance of inventory, March 31, 2017	**$ 61,525**	**$ 80,679**	**$ 142,204**

In the three months ended March 31, 2017, Dream incurred $6.1 million in development costs related to directly owned projects, primarily relating to our Riverside Square and Southwood developments.

Included within equity accounted investments as at March 31, 2017 is $16.7 million of inventory related to the Company's investment in the Port Credit development. Refer to page 30 of this MD&A for details on Port Credit which was acquired in the three months ended March 31, 2017.

Results of Operations – Condominiums

A summary of the results of operations for the condominium division is presented below.

	For the three months ended March 31, 2017			For the three months ended March 31, 2016		
Attributable to Dream	Directly owned	Equity accounted investments	Total	Directly owned	Equity accounted investments	Total
Revenue	$ 351	$ 208	$ 559	$ 27,547	$ 3,262	$ 30,809
Gross margin[1]	$ 181	$ 83	$ 264	$ 4,197	$ 509	$ 4,706
Gross margin (%)	51.6%	39.9%	47.2%	15.2%	15.6%	15.3%
Selling, marketing and other indirect costs	(1,054)	(493)	(1,547)	(2,619)	(1,398)	(4,017)
Net margin	$ (873)	$ (410)	$ (1,283)	$ 1,578	$ (889)	$ 689
Net margin (%)	n/a	n/a	n/a	5.7%	(27.3%)	2.2%
Condominium occupancy units (project level)	1	1	2	158	46	204
Condominium occupancy units (Dream's share)	1	1	2	79	8	87
Per unit[2]	$ 251,000	$ 375,000	$ 325,000	$ 344,000	$ 371,000	$ 353,000
Per square foot	$ 300	$ 525	$ 435	$ 480	$ 480	$ 480

(1) Gross margin for condominium operations includes interest expense, which is capitalized during the development period and expensed through cost of sales as units are occupied.
(2) Average selling price per unit is based on prices excluding non-unit sources of ancillary revenue, such as recoveries and upgrades.

Condominium results are not comparable to the prior period as there were minimal occupancies within the three months ended March 31, 2017. Condominium occupancies are anticipated to be minimal until the third quarter of 2017, when The Southwood is expected to be in occupancy — refer to pre-sales table below.

In the three months ended March 31, 2016, revenue within both directly owned and equity accounted investments was generated from The Taylor, Twenty and The Carnaby, which were fully sold and closed by the end of 2016.

In the three months ended March 31, 2017, selling, marketing and other indirect costs decreased by $2.5 million from prior year due to the timing of sales commissions and marketing costs incurred relating to future projects. Negative net margin of $1.3 million was incurred as fixed costs during the period were not able to be absorbed by the low level of occupancies that took place during the first quarter of 2017.

Owned Condominiums and Results of Pre-Sale Activity for Condominiums

The results of our sales or pre-sales activity for condominium projects, which are in the marketing, development or construction phases is summarized below. We currently have 1,292 units in inventory, including equity accounted investments as at March 31, 2017 (514 at Dream's share), which have achieved a market launch.

Project	Ownership	Status	Dream ownership %	Development	# Units (at project level)	Units in inventory as at March 31, 2017	% Units sold or pre-sold as at May 5, 2017	Expected closing
The Southwood	Direct	Under Construction	50%	Toronto Condo	108	108	94%	2017
Riverside Square – Phases 1 and 2	Direct	Under Construction	32.5%	Toronto Condo	830	830	98%	2018-2020
Canary District – Block 16	Equity Accounted	Pre-Construction	50%	Toronto Condo	187	187	100%	2019
Sub-total – Toronto Projects					1,125	1,125	98%	
Other projects	Direct/Equity Accounted	Various	50-100%	Various	177	167	46%	2017-2019
					1,302	**1,292**	**91%**	

Asset Management, Management Services and Equity Ownership

We provide asset management and/or management services to four publicly listed funds, our renewable power business, various institutional partners, and development projects and partnerships. As at March 31, 2017, Dream managed assets with a value of approximately $14.0 billion (December 31, 2016 – $14.0 billion). For additional details, refer to Note 34 of the condensed consolidated financial statements of the Company for the three months ended March 31, 2017.

Breakdown of Fees Earned

The following table summarizes the types of fees included in asset management and management services revenue, including those further described in Note 34 of the Company's condensed consolidated financial statements for the three months ended March 31, 2017:

	For the three months ended March 31,	
	2017	2016
Fee-earning assets under management – publicly listed funds[1]	**$ 5,197,000**	$ 5,155,000
Fees earned from publicly listed funds		
Base asset management fees – cash	**$ 5,879**	$ 5,020
Base asset management fees – deferred units[2]	**—**	309
Acquisition fees and other	**1,048**	609
Total fees earned from asset management agreements with publicly listed funds	**6,927**	5,938
Development and other asset management fees from third-party arrangements	**4,331**	1,184
	$ 11,258	$ 7,122

[1] Refer to page 39 for the definition of the Non-IFRS measure fee-earning assets under management.

[2] The consideration received for a portion of the asset management services provided to Dream Global REIT prior to August 2016 was received in deferred trust units of Dream Global REIT. The deferred trust units carry a five-year vesting condition from the date of grant. As a result, the deferred trust units are recorded, when earned, at a discount to the publicly traded price. This discount fluctuates each period based on observable inputs and, as a result, the amount of revenue recognized by Dream will fluctuate year-over-year based on the changes in the discount rate applied. The inputs used to determine the discount applied to the deferred trust units is outlined in Note 30 of the condensed consolidated financial statements for the three months ended March 31, 2017.

In the three months ended March 31, 2017, base asset management fees earned from publicly listed funds increased by $0.9 million compared to the prior year. This increase was partially attributable to the Company receiving cash in lieu of receiving deferred units as consideration for a portion of asset management services provided to Dream Global REIT, upon reaching its five year anniversary on August 3, 2016, which is consistent with the terms of the agreement.

In the three months ended March 31, 2017, development and other asset management fees increased by $3.1 million compared to the prior year primarily due to fees earned for the completion of milestones related to urban development projects. Fees earned from development arrangements may fluctuate period over period and are dependent on the varying terms of each arrangement and timing of successful achievement of development, leasing and/or financing milestones.

Breakdown of Asset Management and Management Services Expenses Incurred to Generate Net Margin

The types of asset management and management services expenses are detailed in the following table:

	For the three months ended March 31,	
	2017	2016
Salary and other compensation	**$ 1,560**	$ 1,818
Corporate, service and professional fees	**328**	398
General office and other operating costs	**22**	10
	$ 1,910	$ 2,226

In the three months ended March 31, 2017, asset management expenses incurred in the three months ended March 31, 2017 were relatively in line with prior year.

Results of Operations – Asset Management and Management Services

	For the three months ended March 31,	
	2017	2016
Revenue	**$ 11,258**	$ 7,122
Net margin	**$ 9,348**	$ 4,896
Net margin (%)	**83.0%**	68.7%

In the three months ended March 31, 2017, net margin increased by $4.5 million, primarily due to base asset management fees received in cash in lieu of discounted units from Dream Global REIT and increased fees earned from development arrangements. Net margin as a percentage of revenue increased from 68.7% to 83.0%, due to the aforementioned reasons.

Investment and Other Income

A summary of the components of investment and other income are presented below.

	For the three months ended March 31,	
	2017	2016
Distributions from Dream Office REIT	**$ 2,932**	$ 2,624
Other distributions from publicly listed funds	**663**	511
Interest and other income	**793**	788
	$ 4,388	$ 3,923

Investments in Publicly Listed Funds (Dream Office REIT, Dream Global REIT and Dream Alternatives)

The Company holds units in Dream Office REIT and Dream Global REIT, which are presented within other financial assets on the Company's statement of financial position. Any changes in the fair value of the investments are recognized through other comprehensive income. Distribution income earned on these units is recognized in investment income, net of the portion considered to be a return of capital. The Company's investment in Dream Alternatives is included in equity accounted investments. Refer to page 29 of this MD&A for further details.

Details of the Company's investments in publicly listed funds are presented below.

(in thousands of dollars, except unit and per unit amounts)	**Annual distribution per unit**	**Current annual pre-tax cash flow distributions[1]**	**Distributions received in the three months ended March 31, 2017**	**Investment income recognized in period ended March 31, 2017**	**Units held**	**Market price as at March 31, 2017**	**Fair value**
							March 31, 2017
Included within Other Financial Assets							
Dream Office REIT	**$ 1.50**	**$ 5,787**	**$ 1,447**	**$ 1,244**	**3,858,153**	**$ 19.24**	**$ 74,231**
Dream Office REIT LP B	**$ 1.50**	**$ 7,851**	**$ 1,963**	**$ 1,688**	**5,233,823**	**$ 19.24**	**$ 100,699**
Dream Global REIT	**$ 0.80**	**$ 2,424**	**$ 560**	**$ 330**	**3,030,020**	**$ 9.62**	**$ 29,149**
Dream Global REIT, deferred trust units	**n/a**	**n/a**	**n/a**	**$ 333**	**1,949,243**	**n/a**	**$ 14,580**
Included within Equity Accounted Investments							
Dream Alternatives	**$ 0.40**	**$ 3,019**	**$ 669**	**n/a**	**7,547,954**	**$ 6.30**	**$ 47,552**
		$ 19,081	**$ 4,639**	**$ 3,595**			**266,211**

[1] Annualized pre-tax cash flows are based on annual distributions and units held as at March 31, 2017.

(in thousands of dollars, except unit and per unit amounts)	Annual distribution per unit	Current annual pre-tax cash flow distributions	Distributions received in the period ended March 31, 2016	Investment income recognized in period ended March 31, 2016	Units held	Market price as at March 31, 2016	Fair value
							March 31, 2016
Included within Other Financial Assets							
Dream Office REIT	$ 1.50	$ 1,161	$ 338	$ 338	773,939	$ 20.75	$ 16,059
Dream Office REIT LP B	$ 1.50	$ 7,851	$ 2,286	$ 2,286	5,233,823	$ 20.75	$ 108,602
Dream Global REIT	$ 0.80	$ 2,240	$ 560	$ 330	2,800,000	$ 8.71	$ 24,388
Dream Global REIT, deferred trust units	$ n/a	$ n/a	$ n/a	$ 181	1,911,715	$ n/a	$ 12,442
Included within Equity Accounted Investments							
Dream Alternatives	$ 0.40	$ 1,650	$ 295	$ n/a	4,125,400	$ 5.33	$ 21,988
		$ 12,902	$ 3,479	$ 3,135			$ 183,479

Refer to Note 30 of the Company's condensed consolidated financial statements for the three months ended March 31, 2017 for details on the fair value measurement approach and the vesting schedule for the Dream Global REIT deferred trust units. In the three months ended March 31, 2017, the vesting of 230,020 DTUs was accelerated in accordance with an agreement between the Company and Dream Global REIT.

In the three months ended March 31, 2017, investment income earned on distributions from the Company's investments in publicly listed funds increased by $0.5 million, relative to the comparative period, primarily due to an increase in the number of units held. This was partially offset by an increase in the proportion of distributions considered to be a return of capital. The Company recognizes investment income from distributions on financial assets, after adjusting for the portion considered to be a return of capital.

Dream Office REIT is an unincorporated real estate investment trust and operates high-quality, affordable business premises in key markets across Canada. It is focused on owning, acquiring, leasing and managing urban and suburban office properties in Canada. Dream Global REIT is an unincorporated, open-ended real estate investment trust that provides investors with the opportunity to invest in commercial real estate exclusively outside of Canada. Dream Alternatives is a mutual fund trust focused on hard asset alternative investments, including real estate, real estate lending, and infrastructure and renewable power.

Investment and Recreational Properties

Our investment properties include interests in commercial and retail properties both under development and fully income producing, including the Distillery District, Western Canada retail developments and a 73-acre commercial/industrial property in Etobicoke, Ontario. Our recreational properties include a ski area in Colorado and a 50% interest in the Broadview Hotel in a neighbourhood just east of downtown Toronto.

Summary of Combined Results

The following table shows a continuity of the carrying value of real estate assets and the operating results for the investment properties and recreational properties division held by Dream through direct ownership:

(in thousands of Canadian dollars)	Investment properties – Ontario	Development properties – Western Canada[1]	Recreational properties	Total
Balance, December 31, 2016	$ 158,176	$ 79,806	$ 32,872	$ 270,854
Additions	618	2,796	1,623	5,037
Transfer from land inventory	—	13,663	—	13,663
Fair value adjustments	(443)	7,105	—	6,662
Amortization and other	57	31	(615)	(527)
Balance, March 31, 2017	**$ 158,408**	**$ 103,401**	**$ 33,880**	**$ 295,689**

	For the three months ended March 31,	
	2017	2016
Revenue	**18,143**	$ 16,506
Net operating income[1]	**8,503**	7,447
Net margin	**6,176**	$ 5,497
Net margin (%)	**34.0%**	33.3%

[1] Net operating income is a Non-IFRS measure as defined and reconciled on page 39 of this MD&A.

Development Properties—Western Canada

In the three months ended March 31, 2017, $13.7 million of land inventory (held at cost) was transferred to investment properties (held at fair value) upon achieving first tenant occupancy at the Shops of South Kensington in Saskatoon. The 6.5 acre retail site with 72,300 sf of GLA includes tenants such as: Save-On-Foods, Scotiabank and Shoppers Drug Mart. As at March 31, 2017, Dream had secured leases for approximately 86.2% of the site with a weighted average lease term of 16.8 years. Refer to Note 3 of the audited consolidated financial statements for the year ended December 31, 2016 for the Company's policy on transfers from inventory to development investment properties. As a result of occupancies achieved, Dream transferred the carrying value of the Shops of South Kensington to Development Properties – Western Canada and recognized a fair value gain of $6.2 million in the current quarter.

As at March 31, 2017, Dream had committed leases for Tamarack (North, North East and South East), for approximately 78.1% of the aggregate GLA with a weighted average lease term of 11.1 years. Management expects that the properties, comprising 178,600 sf upon completion, will be fully leased by their expected completion dates in 2018 and 2019.

Subsequent to March 31, 2017, $60.3 million of construction financing ($30.2 million at Dream's share) was obtained for Brighton Marketplace, the Company's 21.5-acre site located in Saskatoon. As of March 31, 2017, Dream had committed and conditional leases of 62.0% with a weighted average lease term of 16.2 years. The retail centre will comprise of 231,000 sf of GLA and will include tenants such as: Save-On-Foods, Magic Lantern Theatres and Motion Fitness.

Highlights of Dream's active retail development projects as at March 31, 2017 are shown in the table below. Including the active projects below, Dream Centres, our internal retail development division, is actively developing approximately 150 net acres in Western Canada that are at various stages of approvals. Further details on active developments are below.

Active Retail Projects under Construction

	Balance sheet classification as at March 31, 2017	Dream ownership	Measurement for accounting purposes	Net estimated acres to develop	Estimated GLA at completion	Committed leases[1]	Committed leases %	Weighted average lease term[2]	Estimated stabilized NOI at completion[3]	Development yield on cost[3]	Estimated completion date
Saskatoon											
Shops of South Kensington	Investment properties	100%	Fair value	**6.5**	**72,300**	**62,300**	**86.2%**	**16.8**			**2018**
Brighton Marketplace	Equity accounted investment	50%	Fair value	**21.5**	**231,000**	**128,200**	**55.5%**	**16.9**			**2020**
Edmonton											
Tamarack North East	Investment properties	100%	Fair value	**5.6**	**57,800**	**28,800**	**49.8%**	**12.5**			**2019**
Tamarack North	Investment properties	100%	Fair value	**3.2**	**24,900**	**21,100**	**84.7%**	**15.1**			**2018**
Tamarack South East	Investment properties	100%	Fair value	**9.1**	**95,900**	**89,700**	**93.5%**	**9.7**			**2018**
Total retail development (100%)				**45.9**	**481,900**	**330,100**	**68.5%**	**14.4**	**12,200**	**7.6%**	

(in thousands of dollars, except per square foot)	Major tenants	Estimated cost of development including land[3]	Costs incurred to date	Estimated costs to complete[3]	Estimated value upon completion[3]	Estimated cost per square foot	Estimated value per square foot upon completion
Saskatoon							
Shops of South Kensington	Shoppers Drug Mart, Save-On-Foods	$ **20,500**	$ **14,400**	$ **6,100**	$ **29,400**	$ **283**	$ **407**
Brighton Marketplace	Save-On-Foods, Magic Lantern Theatres, Motion Fitness	**80,200**	$ **14,900**	$ **65,300**	$ **97,400**	$ **347**	$ **422**
Edmonton							
Tamarack North East	GoodLife Fitness	**18,600**	**11,300**	**7,300**	**22,700**	**322**	**393**
Tamarack North	Petro Canada, McDonald's	**8,100**	**7,200**	**900**	**11,500**	**326**	**462**
Tamarack South East	Michaels, Sport Chek, Shoppers Drug Mart, Tim Hortons, Liquor Depot	**34,000**	**29,800**	**4,200**	**41,400**	**355**	**431**
Total retail developments (100%)		$ **161,400**	$ **77,600**	$ **83,800**	$ **202,400**	$ **335**	$ **420**
Total retail developments (Dream's share)		$ **121,300**	$ **70,100**	$ **51,200**	$ **153,700**	$ **331**	$ **420**
Fair value of active retail developments as at March 31, 2017 (100%)					$ **98,771**		
Fair value of active retail developments as at March 31, 2017 (Dream's share)					$ **90,197**		

(1) Committed leases represent the GLA under an agreement to lease between a tenant and the Company as at March 31, 2017.

(2) The weighted average lease term is from the commencement date of the committed lease and excludes renewal options.

(3) Refer to page 39 of this MD&A for definitions of Non-IFRS measures for the Estimated Cost of Development, Estimated Costs to Complete, Estimated Value Upon Completion, Development Yield and Estimated Stabilized NOI. At March 31, 2017, Dream's active retail projects under construction were recorded on the balance sheet at $90.2 million (inclusive of $21.6 million in cumulative fair value gains already recognized to date) with management's estimated value upon their respective completion dates in 2018-2020 expected to be $153.7 million, using market capitalization rates in the range of 6.25%-6.5%.

Investment Properties—Direct Ownership

The fair value of investment properties held through Dream's direct ownership is summarized below.

	Nature of business	Location	Direct ownership %		March 31, 2017	December 31, 2016
Distillery District[1]	Retal/mixed-use	Toronto	50%	**$**	**111,049**	$ 111,049
Thornhill Woods	Retail	Toronto	32%		**2,160**	2,160
Investment properties – other	Retail/commercial	Toronto/ Kingston	100%		**45,199**	44,967
Total investment properties – Ontario				**$**	**158,408**	$ 158,176
Total related debt				**$**	**(73,497)**	$ (73,773)

[1] Includes retail space in our condominium developments and parking space.

	Nature of business	Location	Direct ownership %		March 31, 2017	December 31, 2016
Tamarack	Retail development	Edmonton	100%	**$**	**61,056**	$ 58,550
Kensington	Multi-family rental	Saskatoon	100%		**8,900**	8,400
Shops of South Kensington	Retail development	Saskatoon	100%		**20,568**	—
Development properties – other	Retail	Edmonton	100%		**12,877**	12,856
Total development properties – Western Canada				**$**	**103,401**	$ 79,806
Total related debt				**$**	**(49,983)**	$ (40,534)

The fair value of our income producing properties held through direct ownership increased by $23.8 million from the prior year, primarily due to the transfer of the Shops of South Kensington from land inventory to investment properties, and the related fair value gain of $6.2 million upon change in use of the property. Refer to Note 9 of the condensed consolidated financial statements for the three months ended March 31, 2017 for details on our valuation methodology of investment properties.

Investment Properties—Equity Accounted Investments

The fair value of investment properties held through Dream's equity accounted investments is summarized below.

	Nature of business	Location	Equity accounted investment %		March 31, 2017	December 31, 2016
Canary District Retail	Retail/mixed-use	Toronto	50%	**$**	**7,251**	$ 7,250
Toronto Retail and Mixed-Use Properties	Retail/mixed-use	Toronto	50%		**12,809**	10,703
Brighton Marketplace	Retail development	Saskatoon	50%		**8,573**	7,094
Total investment properties – equity accounted investments				**$**	**28,633**	$ 25,047
Total related debt				**$**	**(7,792)**	$ (7,869)

	March 31, 2017	December 31, 2016
Number of commercial properties[1]	**27**	24
Total commercial area (sf)[1],[2]	**1,198,000**	1,148,000
Total parking stalls	**622**	484
Range for terminal capitalization rate	**5.25% – 6.50%**	5.25% – 6.50%

[1] The above includes 481,900 sf of GLA related to the Company's active retail projects under construction in Western Canada (at 100%). See page 24 of this MD&A for further details.
[2] The above excludes GLA for any of the Company's investment properties utilized for parking. These income producing parking stalls have been included in the number of parking stalls statistics.

The aggregated operating results of directly owned investment properties are summarized below.

		For the three months ended March 31,		
	Investment properties - Ontario	Development properties - Western Canada	2017	2016
Revenue	$ 2,708	$ 1,214	$ 3,922	$ 2,837
Distillery District	1,132	—	1,132	1,133
Other properties	165	738	903	396
Total net operating income	1,297	738	2,035	1,529
Net operating income %	47.9%	60.8%	51.9%	53.9%
Total net margin	$ 746	$ (201)	$ 545	$ 228
Net margin (%)	27.5%	(16.6%)	13.9%	8.0%
Fair value changes in investment properties	$ (443)	$ 7,105	$ 6,662	$ 284
Net segment earnings	$ 303	$ 6,904	$ 7,207	$ 512

In the three months ended March 31, 2017, revenue and net operating income increased by $1.1 million and $0.5 million, respectively, from the comparative period primarily due to rental income generated from our retail properties in Western Canada and income earned on our recently acquired 73-acre commercial site in Etobicoke, Ontario. The majority of our retail properties in Western Canada are under development and will not be fully income producing until their estimated completion dates in 2018 – 2020. For further details, see the tables on page 24 of this MD&A.

Net margin in the three months ended March 31, 2017 increased from the prior year primarily due to the aforementioned increase in net rental income.

In the three months ended March 31, 2017, net segment earnings increased by $6.7 million relative to the comparative period due to the fair value gain on our Shops of South Kensington retail site, which was transfered from inventory (held at cost) to investment properties (held at fair value) in the current period. Refer to Note 3 of the audited consolidated financial statements for the year ended December 31, 2016 for the Company's policy on transfers from inventory to development investment properties.

Recreational Properties

The carrying value of recreational properties is summarized below.

	Direct ownership %	March 31, 2017	December 31, 2016
Operational recreational properties:			
Arapahoe Basin ski hill (Colorado)	100%	$ 19,822	$ 20,068
Willows Golf Course (Saskatchewan)	100%	2,473	2,522
Recreational properties under development:			
Broadview Hotel (Ontario)	50%	11,585	10,282
Total recreational properties		$ 33,880	$ 32,872
Total related debt		$ (18,295)	$ (18,651)

The carrying value of recreational properties increased by $1.0 million from December 31, 2016 to March 31, 2017, mainly due to additions to at the Broadview Hotel.

	Ownership interest	Current status[1]	Last season opening date	Last season closing date
Willows Golf Course (Saskatchewan)	100%	Open	13-Apr-17	23-Oct-16
Arapahoe Basin ski hill (Colorado)	100%	Open	21-Oct-16	12-Jun-16
Broadview Hotel (Ontario)	50%	Under development	n/a	n/a

[1] As of May 5, 2017.

The operating results of recreational properties are summarized below.

	For the three months ended March 31,	
	2017	2016
Revenue	**14,221**	$ 13,669
Net operating income	**6,468**	5,918
Net margin	**5,631**	$ 5,269
Net margin (%)	**39.6%**	38.5%

In the three months ended March 31, 2017, revenue and net operating income increased from the prior year by $0.6 million due to favourable ski conditions at Arapahoe Basin and increased skier visits. Arapahoe Basin continues to expand and represents a growing source of recurring income for the Company.

Equity Accounted Investments

The Company has entered into certain arrangements in the form of jointly controlled entities, primarily for the development of condominium and investment properties and for renewable energy investments. These entities include restrictions on the ability to access assets without the consent of all partners and include distribution conditions outlined in partnership agreements. These arrangements are accounted for under the equity method. The equity method of accounting is also applicable to investments in common stock in which Dream is deemed to be able to exercise significant influence over the investee company. Our share of earnings from equity accounted investments is included in earnings for each period. Earnings from each of the equity accounted investments may fluctuate significantly due to the nature of their operations and may depend on market forces or other operating conditions that may not necessarily be under our direct control.

In the three months ended March 31, 2017, the Company acquired a 7.75% equity ownership interest in Port Credit West Village Partners Limited Partnership (the "Port Credit" development) for $8.9 million, which owns 72 acres of waterfront property for development in Mississauga's Port Credit area. The acquisition was partially funded through a $105.0 million non-revolving credit facility ($8.1 million at Dream's share) with a term of 3 years. Dream Alternatives also owns a 23.25% ownership interest in Port Credit and the residual third-party partners/co-developers include Kilmer Van Nostrand, Diamond Corp., and FRAM + Slokker. The site is expected to be redeveloped into a large master-planned residential/mixed-use community. Port Credit is included in "other development investments" as at March 31, 2017.

For the three months ended March 31, 2017

Development investments	**Brighton Marketplace**	**Dundee Kilmer Developments LP**	**Zibi**	**Dream CMCC Funds I and II**	**Other**	**Total**
Dream's ownership interest	**50%**	**50%**	**50%**	**9%–40%**	**7.75%–50%**	
Attributable to Dream:						
Revenues	**$ —**	**$ 363**	**$ (2)**	**$ 1,319**	**$ 4**	**$ 1,684**
Earnings (losses)	**—**	**(82)**	**(360)**	**1,269**	**(21)**	**806**
Earnings (losses) before depreciation	**—**	**(82)**	**(360)**	**1,269**	**(21)**	**806**
Income producing investments	**Dream Alternatives[(1)]**	**Firelight Infrastructure Partners LP**	**Distillery Restaurants LP**	**Toronto Condominiums and Mixed-Use Properties**	**Other**	**Total**
Dream's ownership interest	**10%**	**20%**	**50%**	**50%**	**17%–78%**	
Attributable to Dream:						
Revenues	**$ 2,121**	**$ 5,293**	**$ 2,033**	**$ 232**	**$ 243**	**$ 9,922**
Earnings (losses)	**(1,738)**	**39**	**(491)**	**(67)**	**124**	**(2,133)**
Earnings (losses) before depreciation	**(377)**	**2,157**	**(343)**	**(67)**	**127**	**1,497**
Total revenues						**$ 11,606**
Total losses						**$ (1,327)**
Total earnings before depreciation						**$ 2,303**

(1) The ownership interest in Dream Alternatives increased throughout the period and was approximately 10% as at March 31, 2017.

Development investments		Dundee Kilmer Developments LP	Zibi	Dream CMCC Funds I and II	Other	Total
						For the three months ended March 31, 2016
Dream's ownership interest		50%	50%	9%–40%	25%–50%	
Attributable to Dream:						
Revenues		$ 18	$ —	$ 3,423	$ —	$ 3,441
Earnings (losses)		880	(1,025)	499	(18)	336
Earnings (losses) before depreciation		880	(1,025)	499	(18)	336

Income producing investments	Dream Alternatives[(1)]	Firelight Infrastructure Partners LP	Distillery Restaurants LP	Toronto Condominiums and Mixed-Use Properties	Other	Total
Dream's ownership interest	6%	20%	50%	50%	17%–78%	
Attributable to Dream:						
Revenues	$ 930	$ 5,281	$ 2,359	$ 203	$ 264	$ 9,037
Earnings (losses)	(377)	(46)	(418)	(42)	149	(734)
Earnings (losses) before depreciation	357	2,067	(199)	(42)	151	2,334
Total revenues						$ 12,478
Total losses						$ (398)
Total earnings before depreciation						$ 2,670

(1) The ownership interest in Dream Alternatives increased throughout the period and was approximately 6% as at March 31, 2016.

The Company's equity accounted investments were $173.3 million as of March 31, 2017, a net increase of $14.2 million from December 31, 2016. The net increase was largely driven by Dream's investment in Port Credit and additional units invested in Dream Alternatives, partially offset by distributions in the period.

The following tables summarize the Company's proportionate share of assets and liabilities in equity accounted investments as at March 31, 2017 and December 31, 2016.

Development investments	**Brighton Marketplace**	**Dundee Kilmer Developments LP**	**Zibi**	**Dream CMCC Funds I and II**	**Other**	**Total**
						March 31, 2017
Dream's ownership interest	**50%**	**50%**	**50%**	**9%–40%**	**7.75%–50%**	
Assets	**$ 9,463**	**$ 38,223**	**$ 33,696**	**$ 7,066**	**$ 28,233**	**$ 116,681**
Liabilities	**(1,190)**	**(8,441)**	**(10,774)**	**(541)**	**(15,657)**	**(36,603)**
Net assets	**$ 8,273**	**$ 29,782**	**$ 22,922**	**$ 6,525**	**$ 12,576**	**$ 80,078**
Excess of net assets over deemed cost of investment[(2)]	**(2,285)**	**—**	**—**	**—**	**—**	**(2,285)**
Total development investments	**$ 5,988**	**$ 29,782**	**$ 22,922**	**$ 6,525**	**$ 12,576**	**$ 77,793**

Income producing investments	**Dream Alternatives[(1)]**	**Firelight Infrastructure Partners LP**	**Distillery Restaurants LP**	**Toronto Condominiums and Mixed-Use Properties**	**Other**	**Total**
Dream's ownership interest	**10%**	**20%**	**50%**	**50%**	**17%–78%**	
Assets	**$ 106,038**	**$ 206,688**	**$ 5,242**	**$ 18,226**	**$ 4,863**	**$ 341,057**
Liabilities	**(41,195)**	**(167,048)**	**(2,529)**	**(7,753)**	**(167)**	**(218,692)**
Net assets	**$ 64,843**	**$ 39,640**	**$ 2,713**	**$ 10,473**	**$ 4,696**	**$ 122,365**
Excess of net assets over deemed cost of investment[(2)]	**(26,874)**	**—**	**—**	**—**	**—**	**(26,874)**
Total income producing investments	**$ 37,969**	**$ 39,640**	**$ 2,713**	**$ 10,473**	**$ 4,696**	**$ 95,491**
Total						**$ 173,284**

December 31, 2016

Development investments		Brighton Marketplace		Dundee Kilmer Developments LP		Zibi		Dream CMCC Funds I and II		Other		Total
Dream's ownership interest		50%		50%		50%		9%–40%		12.5%–50%		
Assets	$	8,393	$	52,343	$	31,735	$	6,872	$	8,878	$	108,221
Liabilities		(120)		(15,688)		(10,953)		(732)		(5,294)		(32,787)
Net assets	$	8,273	$	36,655	$	20,782	$	6,140	$	3,584	$	75,434
Excess of net assets over deemed cost of investment[2]		(2,285)		—		—		—		—		(2,285)
Total development investments	$	5,988	$	36,655	$	20,782	$	6,140	$	3,584	$	73,149

Income producing investments		Dream Alternatives[1]		Firelight Infrastructure Partners LP		Distillery Restaurants LP		Toronto Condominiums and Mixed-Use Properties		Other		Total
Dream's ownership interest		8%		20%		50%		50%		17%–78%		
Assets	$	81,683	$	199,506	$	5,675	$	16,067	$	4,769	$	307,700
Liabilities		(28,521)		(159,904)		(2,471)		(7,710)		(207)		(198,813)
Net assets	$	53,162	$	39,602	$	3,204	$	8,357	$	4,562	$	108,887
Excess of net assets over deemed cost of investment[2]		(22,991)		—		—		—		—		(22,991)
Total income producing investments	$	30,171	$	39,602	$	3,204	$	8,357	$	4,562	$	85,896
Total											$	159,045

(1) The ownership interest in Dream Alternatives increased throughout the period and was approximately 10% as at March 31, 2017 (December 31, 2016 - 8%).
(2) The excess of net assets over the deemed cost of investment is due to Dream's proportionate share of the joint venture's share of net assets having a higher fair value than the Company's cost of the investment at March 31, 2017 and December 31, 2016.

Firelight Infrastructure Partners LP

Dream has an investment in Firelight, which has funded $284.3 million, net of return of capital, for renewable energy projects (of which Dream's portion is $56.9 million, including letters of credit of $8.1 million), as at March 31, 2017. A complete list of projects is provided below:

Project	Energy source	Province	Status	Completion	MW
Dalhousie Mountain	Wind	NS	Operational	Q1 2010	51.0
Amherst	Wind	NS	Operational	Q2 2012	15.4
Erie Ridge	Ground-mount solar	ON	Operational	Q3 2011	4.3
Sandhurst	Ground-mount solar	ON	Operational	Q2 2012	10.0
Norfolk Bloomsburg	Ground-mount solar	ON	Operational	Q1 2013	10.0
Rutley	Ground-mount solar	ON	Operational	Q1 2012	10.0
Firelight Solar	Rooftop solar	ON	Operational	2011–2014	17.8
Hwy 2	Ground-mount solar	ON	Operational	Q4 2013	10.0
Odessa	Ground-mount solar	ON	Operational	Q4 2013	10.0
Alfred	Ground-mount solar	ON	Operational	Q4 2013	10.0
Unity	Ground-mount solar	ON	Operational	Q1 2014	10.0
Welland	Ground-mount solar	ON	Operational	Q3 2014	10.0
Ray	Ground-mount solar	ON	Operational	Q4 2014	10.0
Newboro 4	Ground-mount solar	ON	Operational	Q4 2014	10.0
South Stormont	Ground-mount solar	ON	Operational	Q1 2015	10.0
Nova Scotia Wind	Wind	NS	Operational	Q4 2014	15.4
Total					**213.9**

Earnings reported in the three months ended March 31, 2017 were in line compared to the same reporting period in 2016. For the three months ended March 31, 2017, Firelight generated $0.04 million of earnings (three months ended March 31, 2016 – $0.05 million of equity losses). Typically the first quarter of a fiscal year has limited earnings due to the seasonal nature of wind and solar renewable power assets.

Dream Alternatives

As at March 31, 2017, Dream held approximately 7.5 million units in Dream Alternatives (approximately 10% of units outstanding of Dream Alternatives). The increase in net assets of Dream Alternatives from $30.2 million at December 31, 2016 to $38.0 million at March 31, 2017 was primarily due to the acquisition of an additional 1.6 million units in the period.

In the three months ended March 31, 2017, $1.7 million of losses (at Dream's share) were incurred by Dream Alternatives primarily as a result of fair value losses on income properties of $28.1 million ($2.9 million at Dream's share). The majority of the fair value loss is a result of Dream Alternatives entering into agreements of purchase and sale on certain co-owned office assets, in line with their disposition strategy for those income properties that do not fit the longer term objectives or targeted returns of the Trust.

The Company considers the fair value of its investment in Dream Alternatives and the distributions earned on its investment to be relevant information to stakeholders and accordingly maintains this disclosure on page 22 of this MD&A.

Dundee Kilmer Developments LP

Dream has a 50% interest in Dundee Kilmer, which is a partnership between Dream and Kilmer Van Nostrand Co. Limited for the purpose of developing the Canary District and the Toronto 2015 Pan/Parapan American Games Athletes' Village.

The decrease in net assets of Dundee Kilmer (at Dream's share) from $36.7 million at December 31, 2016 to $29.8 million as at March 31, 2017 was primarily due to distributions made to partners with proceeds from condominium unit closings.

Lakeshore East

Dream has a 12.5% ownership interest in GulfDream Limited Partnership (the "Lakeshore East" development), included in "other development investments". Dream Alternatives owns a 37.5% equity interest in the development partnership and the residual third-party partner/co-developer, Great Gulf Residential, is an award winning builder and developer of new homes and condominiums in the GTA, with 40 years of experience. As at March 31, 2017, the Company's share of the net assets of Lakeshore East was $3.9 million (December 31, 2016 – $3.8 million).

Port Credit

In the three months ended March 31, 2017, the Company acquired a 7.75% equity ownership interest in Port Credit for $8.9 million, which owns 72 acres of waterfront property for development in Mississauga's Port Credit area. The acquisition was partially funded through a $105.0 million non-revolving credit facility ($8.1 million at Dream's share) with a term of 3 years. Dream Alternatives also owns a 23.25% ownership interest in Port Credit and the residual third-party partners/co-developers include Kilmer Van Nostrand, Diamond Corp., and FRAM + Slokker. The site is expected to be redeveloped into a large master-planned residential/mixed-use community.

Zibi

In 2015, Zibi (previously referred to as "Dream Windmill"), a partnership between Dream and Windmill Development Group Ltd., acquired 22 acres on the former Domtar lands along the Ottawa River in Gatineau, Québec for the purpose of developing a mixed-use master-planned community to be marketed under the name "Zibi". Zibi has an additional 15 acres of adjacent land under contract, which it expects to acquire in 2017, pending certain approvals. The project concept plan, inclusive of all 37 acres, includes over 3 million sf of density that consists of over 2,000 residential units and over 1 million sf of commercial space.

In the three months ended March 31, 2017, $0.4 million of losses were incurred by Zibi primarily relating to selling and marketing costs. Equity contributions of $2.5 million were made to the project in the three months ended March 31, 2017 to fund pre-development activities.

Dream CMCC Capital Funds

Dream CMCC Capital Funds I and II (the "Funds") are investment vehicles formed through the collaboration of Dream and its partner, CMCC, to provide an opportunity for investors to invest with partners who are market leaders in developing, managing and financing real estate development projects. Dream CMCC Capital Fund I was established in June 2011 with $25.0 million of capital raised from high net worth investors; and Dream CMCC Capital Fund II was formed in September 2014 with $65.0 million of capital raised through the same channel. Dream has approximately $6.5 million of net assets in both Funds as at March 31, 2017.

In the three months ended March 31, 2017, $1.3 million in distributions were received from the Funds, due to the proceeds received from the underlying real estate development projects within the Funds during the period. In the three months ended March 31, 2017, net earnings were $1.3 million, due to condominium unit occupancies in the underlying projects during the period.

Other Items

Other Financial Assets

Refer to the Investment and Other Income section of the MD&A for further information on investments in Dream Office REIT and Dream Global REIT.

Accounts Receivable

As at March 31, 2017, the carrying value of accounts receivable was $139.7 million compared to $140.4 million as at December 31, 2016. Approximately 77% (December 31, 2016 – 82%) of accounts receivable represents amounts receivable under contracted sales of land under development or under housing and condominium sales contracts. Accounts receivable may fluctuate from period to period, reflecting the cyclical nature of the completion and closing of large-scale real estate projects. The decrease in accounts receivable from the prior period is primarily due to timing of payments and land sales, and receipt of year-end asset management and advisory services fees.

General and Administrative Expenses

In the three months ended March 31, 2017, general and administrative expenses were $2.8 million. The decrease of $1.0 million was largely due to fewer transactional costs incurred in the current quarter and a reduction in headcount relative to the comparative period, pursuant to the operational enhancement program implemented by the Company in the fourth quarter of 2016.

Interest Expense

In the three months ended March 31, 2017, interest expense was $5.0 million, compared to $4.7 million in the prior year period; a reconciliation of the year-over-year variance is shown in the following table.

	For the three months ended March 31,	
	2017	2016
Project-specific and general debt interest	**$ 3,763**	$ 3,991
Interest on operating line	**1,184**	946
Dividends on Preference shares, series 1	**502**	648
Amortization of deferred financing costs	**296**	365
Project-specific interest capitalized to real estate development projects	**(757)**	(1,266)
Accretion of effective interest	**6**	8
Interest expense	**$ 4,994**	$ 4,692
Add (deduct):		
Interest capitalized	**757**	1,266
Amortization of deferred financing costs	**(296)**	(365)
Accretion expense	**(6)**	(8)
Accrued interest	**311**	(46)
Cash interest paid	**$ 5,760**	$ 5,539

Income Tax Expense

The effective income tax rate was 32.5% for the three months ended March 31, 2017 (three months ended March 31, 2016 – 32.2%). The effective income tax rate for 2017 is higher than the statutory combined federal and provincial tax rate of 26.6% mainly due to non-deductible expenses and future tax impact on U.S. operations related to foreign exchange and the difference between Canadian and U.S. tax rates.

We are subject to income taxes both federally and provincially in Canada and the United States. Significant judgments and estimates are required in the determination of the Company's tax balances. Our income tax expense and deferred tax liabilities reflect management's best estimate of current and future taxes to be paid. The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the interpretation and application of tax laws taken by the Company in its tax filings.

Debt and Preference Shares

As at March 31, 2017, total debt was $529.8 million (December 31, 2016 – $512.7 million), which included $28.6 million of Preference shares, series 1 (December 31, 2016 – $28.6 million). A breakdown of interest bearing debt and Preference shares, series 1, is detailed in the table below.

(in thousands of Canadian dollars)	Operating line[1]	Non-revolving term facility[2]	Construction loans	Mortgages and term debt	Preference shares, series 1	Total
Balance, December 31, 2016	$ 106,000	$ 175,000	$ 90,359	$ 112,657	$ 28,643	$ 512,659
Borrowings	18,000	—	19,211	434	—	37,645
Repayments	(10,000)	—	(5,875)	(4,304)	—	(20,179)
Other	—	—	—	(313)	6	(307)
Balance, March 31, 2017	**$ 114,000**	**$ 175,000**	**$ 103,695**	**$ 108,474**	**$ 28,649**	**$ 529,818**
Weighted average interest rates	**3.39%**	**3.65%**	**3.28%**	**4.41%**	**7.00%**	**3.86%**

(1) Excludes unamortized financing costs offset against the balance of $1.3 million as at March 31, 2017 (December 31, 2016 – $1.5 million).
(2) Excludes unamortized financing costs offset against the balance of $0.5 million as at March 31, 2017 (December 31, 2016 – $0.6 million).

Operating Line

The Company has established a revolving term credit facility (the "operating line") available up to a formula-based maximum not to exceed $290.0 million with a syndicate of Canadian financial institutions. As at March 31, 2017, funds available under this facility were $290.0 million, as determined by the formula-based maximum calculation, with $77.3 million of letters of credit issued against the facility. The operating line bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.25% or at the bank's then prevailing bankers' acceptance rate plus 2.50%. The operating line is secured by a general security agreement and a first charge against various real estate assets in Western Canada. Interest expense relating to the operating line for the three months ended March 31, 2017 was $1.2 million (three months ended March 31, 2016 – $0.9 million).

At March 31, 2017, $114.0 million was drawn under the Company's operating line. The Company had $77.3 million of outstanding letters of credit, leaving an undrawn credit capacity of up to $98.7 million.

Development and Construction Loan Facilities
As at March 31, 2017, $66.1 million (December 31, 2016 – $69.8 million) of aggregate development, construction loans and term debt (excluding unamortized financing costs on the operating line and non-revolving term facility) were subject to a fixed, weighted average interest rate of 4.87% (December 31, 2016 – 4.82%) and will mature between 2017 and 2025. A further $435.1 million (December 31, 2016 – $412.1 million) of real estate debt was subject to a weighted average variable interest rate of 3.50% (December 31, 2016 – 3.51%) and matures between 2017 and 2023. Included within the real estate debt is $184.8 million of variable debt that the Company has hedged through fixed interest rate swaps.

Debt Covenants of the Operating Line and Non-Revolving Term Facility of DAM
The following are related to covenants between DAM and its lenders in relation to DAM's operating line and the non-revolving term facility, with the exception of the adjusted asset coverage ratio, which is only applicable to the non-revolving term facility.

Adjusted net worth, as defined per the credit agreement	Covenant minimum	$	**500,000**
Adjusted net worth to debt ratio, as defined per the credit agreement	Covenant maximum		**1.50**
Ratio of total interest expense to EBITDA of DAM, as defined per the credit agreement	Covenant minimum		**3.00**
Adjusted asset coverage ratio, as defined per the credit agreement	Covenant minimum	$	**875,000**

As at March 31, 2017, DAM was in compliance with the above covenants.

Preference Shares, Series 1
The Preference shares, series 1, may be redeemed, at the option of Dream, at any time on or after December 31, 2015, at a price of $7.16 per share.

The Preference shares, series 1, are redeemable by the holders at any time on or after March 31, 2017 at $7.16 per share.

(number of shares)	**March 31, 2017**	December 31, 2016
Issued and outstanding, beginning of period	**4,005,729**	4,868,419
Redeemed by holders for cash	**—**	(862,690)
Issued and outstanding, end of period	**4,005,729**	4,005,729

As at May 5, 2017, there were 4,005,729 Preference shares, series 1, issued and outstanding.

Shareholders' Equity

Dream is authorized to issue an unlimited number of Dream Class A subordinate voting shares (the "Subordinate Voting Shares") and an unlimited number of Dream Class B common shares ("Class B Shares"). The total number of shares outstanding as at March 31, 2017 and December 31, 2016 is as follows:

	March 31, 2017			December 31, 2016		
	Number of shares		**Amount**	Number of shares		Amount
Issued and outstanding, beginning of period	**77,803,711**	**$**	**971,051**	75,270,150	$	951,251
Class B Shares converted into Subordinate Voting Shares	**75**		**1**	48		1
Subordinate Voting Shares issued under Exchange Agreement	**—**		**—**	2,670,813		20,752
Subordinate Voting Shares repurchased	**(146,492)**		**(980)**	(137,300)		(953)
Issued and outstanding, end of period	**77,657,294**	**$**	**970,072**	77,803,711	$	971,051

The following table summarizes the changes in the Dream Class B Shares issued during the period ended March 31, 2017.

	March 31, 2017			December 31, 2016		
	Number of shares		**Amount**	Number of shares		Amount
Issued and outstanding, beginning of period	**3,115,464**	**$**	**38,787**	3,115,512	$	38,788
Class B Shares converted into Subordinate Voting Shares	**(75)**		**(1)**	(48)		(1)
Issued and outstanding, end of period	**3,115,389**	**$**	**38,786**	3,115,464	$	38,787

Equity Transaction with Non-Controlling Interest
On August 15, 2016, the Company received an exchange notice from SDC pursuant to the Exchange Agreement, exercising SDC's right to receive 2,670,813 newly issued Subordinate Voting Shares of the Company on August 18, 2016 in consideration for the transfer to the Company of 22.15 non-voting common shares and Class C voting preference shares of DAM. Upon completion of the exchange on August 18, 2016, the Company owned 691.21 non-voting common shares of DAM, representing approximately 72.6% of the outstanding equity. SDC continues to own 261.52 non-voting common shares, representing 27.4% of the outstanding equity of DAM. SDC continues to be entitled to receive 31,533,682 Subordinate Voting Shares at any time by exercising its right to exchange its non-voting common shares and Class C voting preference shares of DAM for Subordinate Voting Shares of Dream under the Exchange Agreement. Dream and SDC had previously entered into an agreement (the "Permitted Sales Agreement") that provided for "put rights" in favour of each of them upon the

occurrence of certain triggering events. The Permitted Sales Agreement was terminated in accordance with its terms following the acquisition of control of the Company by the President and CRO in the year ended December 31, 2016.

Normal Course Issuer Bid

Dream renewed its normal course issuer bid (the "Bid"), which commenced on September 20, 2016 and will remain in effect until the earlier of September 19, 2017 or the date on which Dream has purchased the maximum number of Subordinate Voting Shares permitted under the Bid. Under the Bid, Dream will have the ability to purchase for cancellation up to a maximum of 3,245,397 of its Subordinate Voting Shares through the facilities of the TSX at prevailing market prices and in accordance with the rules and policies of the TSX. The actual number of Subordinate Voting Shares that may be purchased and the timing of any such purchases will be determined by Dream, subject to a maximum daily purchase limitation of 8,194 shares except where purchases are made in accordance with block purchase exemptions under applicable TSX rules. In the three months ended March 31, 2017, 146,492 Subordinate Voting Shares were purchased for cancellation by the Company at an average price of $6.69 (year ended December 31, 2016 – 137,300 Subordinate Voting Shares at an average price of $6.94). As at May 5, 2017, there were 77,521,296 Subordinate Voting Shares and 3,115,389 Class B Shares issued and outstanding.

Share-Based Compensation

Dream has a stock option plan under which key officers and employees are granted options to purchase Subordinate Voting Shares. Each option granted can be exercised for one Subordinate Voting Share. As at March 31, 2017, 1,819,050 options were outstanding under the stock option plan, collectively. In the three months ended March 31, 2017, compensation expense of $0.2 million (three months ended March 31, 2016 - $0.3 million) related to the stock option plan was primarily recognized in general and administrative expense.

Grant date	October 2013	February 2015	December 2015	May 2016	March 2017
Number of options granted and outstanding as at March 31, 2017	150,000	705,000	705,000	114,500	144,550
Weighted average exercise price	$ 13.88	$ 8.96	$ 7.25	$ 7.76	$ 6.60
Vesting period	5 years	5 years	5 years	3 years	5 years
Fair value of stock options granted at grant date	$ 5.08	$ 2.05	$ 2.06	$ 1.57	$ 1.91
Number of options vested as at March 31, 2017	90,000	282,000	141,000	—	—

In addition, Dream has a deferred share unit incentive plan pursuant to which deferred share and income deferred share units ("DSUs") may be granted to eligible directors, senior management and certain service providers. As at March 31, 2017 there were 151,173 units outstanding (December 31, 2016 – 142,949 units outstanding). During the three months ended March 31, 2017, compensation expense of $0.1 million (three months ended March 31, 2016 – $0.3 million) related to this plan was recognized.

The Company's Board of Directors approved a Performance Share Unit ("PSU") Plan in the three months ended March 31, 2017, subject to shareholder approval. PSUs may be granted to current employees, and are subject to either time vesting only, or time and performance vesting. PSUs subject to performance vesting provide the holder with a minimum of 0 and a maximum of 1.5 Subordinate Voting Shares based on the achievement of predetermined Company performance goals. In lieu of receiving Subordinate Voting Shares upon vesting, PSU holders have the right to receive a cash payment equal to the five-day trailing weighted average share price of the Company's Subordinate Voting Shares.

In the three months ended March 31, 2017, the Board of Directors of DAM declared dividends of $3.4 million to Dream and the non-controlling interest of DAM on its non-voting common shares (three months ended March 31, 2016 – $6.5 million). Dividends attributable to the Company are eliminated in the condensed consolidated statements of Dream.

Liquidity and Capital Resources

Our capital consists of construction loans, an operating line, a non-revolving term facility, mortgages and term debt, preference shares and shareholders' equity. Our objective in managing capital is to ensure adequate operating funds are available to fund land, housing and condominium development costs; to cover leasing costs, overhead and capital expenditures for investment and recreational properties; to provide for resources needed to acquire new properties and invest in new ventures at reasonable interest costs; and to generate a target rate of return on investments. No material changes have occurred in future contractual obligations since March 31, 2017.

A summary of the classification of the Company's balance sheet is included below.

				March 31, 2017
	Less than 12 months	Greater than 12 months	Non-determinable	Total
Assets				
Cash and cash equivalents	$ 19,210	$ —	$ —	$ 19,210
Accounts receivable	112,988	26,666	—	139,654
Other financial assets	2,213	236,560	—	238,773
Housing inventory	—	—	57,451	57,451
Condominium inventory	—	—	61,525	61,525
Land inventory	—	—	585,988	585,988
Investment properties	—	261,809	—	261,809
Recreational properties	—	33,880	—	33,880
Equity accounted investments	—	—	173,284	173,284
Capital and other operating assets	5,085	19,786	—	24,871
Intangible asset	—	43,000	—	43,000
Total assets	**$ 139,496**	**$ 621,701**	**$ 878,248**	**$ 1,639,445**
Liabilities				
Accounts payable and accrued liabilities	$ 58,908	$ 34,447	$ —	$ 93,355
Income and other taxes payable	64,603	—	—	64,603
Provision for real estate development costs	41,084	—	—	41,084
Customer deposits	—	—	30,795	30,795
Construction loans(1)	92,811	10,884	—	103,695
Operating line(1)	—	112,687	—	112,687
Non-revolving term facility	—	174,502	—	174,502
Mortgages and term debt	16,578	91,896	—	108,474
Preference shares, series 1	28,649	—	—	28,649
Deferred income taxes	—	40,933	—	40,933
Total liabilities	**$ 302,633**	**$ 465,349**	**$ 30,795**	**$ 798,777**

(1) The amounts presented are consistent with the contractual terms of repayment, which may be due on demand.

				December 31, 2016
	Less than 12 months	Greater than 12 months	Non-determinable	Total
Assets				
Cash and cash equivalents	$ 23,432	$ —	$ —	$ 23,432
Accounts receivable	114,409	25,985	—	140,394
Other financial assets	—	238,898	—	238,898
Housing inventory	—	—	50,662	50,662
Condominium inventory	—	—	55,634	55,634
Land inventory	—	—	604,487	604,487
Investment properties	—	237,982	—	237,982
Recreational properties	—	32,872	—	32,872
Equity accounted investments	—	—	159,045	159,045
Capital and other operating assets	4,867	21,041	—	25,908
Intangible asset	—	43,000	—	43,000
Total assets	$ 142,708	$ 599,778	$ 869,828	$ 1,612,314
Liabilities				
Accounts payable and accrued liabilities	$ 69,072	$ 27,036	$ —	$ 96,108
Income and other taxes payable	47,123	—	—	47,123
Provision for real estate development costs	41,798	—	—	41,798
Customer deposits	—	—	29,656	29,656
Construction loans(1)	47,759	42,600	—	90,359
Operating line(1)	—	104,526	—	104,526
Non-revolving term facility	—	174,403	—	174,403
Mortgages and term debt	16,422	96,235	—	112,657
Preference shares, series 1	28,643	—	—	28,643
Deferred income taxes	—	55,530	—	55,530
Total liabilities	$ 250,817	$ 500,330	$ 29,656	$ 780,803

1) The amounts presented are consistent with the contractual terms of repayment, which may be due on demand.

As at March 31, 2017, there are adequate resources to address the Company's short-term liquidity requirements. Certain financial instruments that are callable or due on demand are presented as due within 12 months, which is inconsistent with the repayment timing expected by management. Due to the nature of our development business, the Company expects to fund a portion of our current liabilities through sales of housing, condominium and land inventory, which are all classified as 'non-determinable'. In addition, at March 31, 2017, $114.0 million was drawn under the Company's operating line. The Company had $77.3 million of outstanding letters of credit, leaving an undrawn credit capacity of up to $98.7 million.

Significant Sources and Uses of Cash

	For the three months ended March 31,	
	2017	2016
Net cash flows provided by operating activities	**$ 12,042**	$ 43,589
Net cash flows used in investing activities	**(18,409)**	(34,641)
Net cash flows provided by (used in) financing activities	**2,145**	(13,799)
Change in cash and cash equivalents	**$ (4,222)**	$ (4,851)

In the three months ended March 31, 2017, the Company had cash inflows from operating activities of $12.0 million primarily due to positive net earnings for the period and advances on construction loans in excess of repayments, partially offset by the fair value changes in investment properties and deferred income taxes. In the three months ended March 31, 2016, the Company had cash inflows from operating activities of $43.6 million primarily attributable to condominium occupancies which were in excess of development spending, the sale of 172 acres of raw land in Providence to the Province of Alberta, and advances on construction loans in excess of repayments.

In the three months ended March 31, 2017, there were cash outflows from investing activities of $18.4 million mainly related to the acquisition of Dream Alternatives units on the open market and the acquisition of the Port Credit development. In the three months ended March 31, 2016, there were cash outflows from investing activities of $34.6 million, used primarily for acquisitions and additions to investment and recreational properties, and the purchase of Dream Alternatives units on the open market.

For the three months ended March 31, 2017, the Company had cash inflows from financing activities of $2.1 million primarily due to net operating line advances, partially offset by repayments on mortgage and term debt facilities. In the three months ended March 31, 2016, there were cash outflows on financing activities for $13.8 million related to net repayments on the operating line and redemptions of Preference shares, series 1, partially offset by borrowings on the mortgage and term debt facilities.

For more information, refer to the statement of cash flows in the condensed consolidated financial statements for the three months ended March 31, 2017.

Cash Requirements

The nature of the real estate business is such that we require capital to fund non-discretionary expenditures with respect to existing assets, as well as to fund growth through acquisitions and developments. As at March 31, 2017, we had $19.2 million (December 31, 2016 – $23.4 million) in cash and cash equivalents. Our intention is to meet short-term liquidity requirements through cash from operating activities, working capital reserves and operating debt facilities. In addition, we anticipate that cash from operations will continue to provide the cash necessary to fund operating expenses and debt service requirements.

Off Balance Sheet Arrangements

We conduct our real estate activities from time to time through joint arrangements with third-party partners. As at March 31, 2017, we were contingently liable for the obligations of the other owners of the unincorporated joint operations in the amount of $nil (December 31, 2016 – $nil). The Company was contingently liable for the obligations of the other owners of the unincorporated joint ventures of $10.4 million as at March 31, 2017 (December 31, 2016 – $12.4 million). We have available to us other venturers' shares of assets to satisfy the obligations, if any, that may arise, such as cost overruns.

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

Commitments and Contingencies

As part of our various agreements to purchase land and housing, we have remaining commitments totalling $8.0 million as at March 31, 2017 (December 31, 2016 – $8.6 million), which will become payable in future periods upon the satisfaction of certain conditions pursuant to such agreements. For further details, refer to page 13 of this MD&A.

Levies relating to signed municipal agreements received by Dream as at March 31, 2017 may result in future obligations totalling $2.1 million (December 31, 2016 – $2.3 million).

The Company is contingently liable for letters of credit and surety bonds that have been provided to support land developments and other activities in the amount of $78.1 million (December 31, 2016 – $79.3 million). In addition, letters of credit in the amount of $20.8 million were outstanding as at March 31, 2017 (December 31, 2016 – $10.1 million) relating to various equity accounted investments.

Management is aware of a legal matter relating to a development project and intends to vigorously defend the matter. A statement of claim was originally filed by the plaintiff against the Company and others in 2013 and the Company and the other defendants successfully brought a motion to strike the claim in December 2014. In April 2016, the Company was served with an amended statement of claim. Management continues to believe that this amended claim is without merit and that this action will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company. A reasonable estimate of the possible loss or range of loss cannot be made at this time. We are contingently liable with respect to other litigation and claims that may arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on our condensed consolidated financial statements.

Transactions with Related Parties

The Company has agreements for asset management and management services, shared services and cost sharing administrative services with related parties. The Company also has other transactions conducted with related parties, which are outlined in Note 34 of our condensed consolidated financial statements for the three months ended March 31, 2017.

Supplemental Segmented Information

Revenue by Geographic Region

The Company's revenue segmented by geographic region, net of eliminations, is as follows:

	For the three months ended March 31,			
	2017		2016	
Saskatchewan				
Saskatoon	**$ 6,630**	**12.8%**	$ 3,293	3.3%
Regina	**6,478**	**12.5%**	5,159	5.1%
	13,108	**25.3%**	8,452	8.4%
Alberta				
Edmonton	**8,039**	**15.6%**	2,022	2.0%
Calgary	**2,274**	**4.5%**	40,544	40.0%
	10,313	**20.1%**	42,566	42.0%
Ontario				
Toronto	**2,807**	**5.3%**	29,776	29.4%
Canada	**26,228**	**50.7%**	80,794	79.8%
United States	**14,162**	**27.4%**	13,380	13.2%
Non-segmented (asset management)	**11,258**	**21.9%**	7,122	7.0%
Total	**$ 51,648**	**100.0%**	$ 101,296	100.0%

Net Margin by Geographic Region

The Company's net margin segmented by geographic region is as follows:

	For the three months ended March 31,			
	2017		2016	
Saskatchewan				
Saskatoon	**$ (1,463)**	**(9.8%)**	$ (2,008)	(6.0%)
Regina	**(724)**	**(4.9%)**	(1,242)	(3.8%)
	(2,187)	**(14.7%)**	(3,250)	(9.8%)
Alberta				
Edmonton	**1,641**	**11.0%**	(337)	(1.0%)
Calgary	**(815)**	**(5.5%)**	24,047	72.3%
	826	**5.5 %**	23,710	71.3%
Ontario				
Toronto	**782**	**5.2%**	1,921	5.8%
Canada	**(579)**	**(4.0%)**	22,381	67.3%
United States	**6,140**	**41.3%**	5,992	18.0%
Non-segmented (asset management)	**9,348**	**62.7%**	4,896	14.7%
Total	**$ 14,909**	**100.0%**	$ 33,269	100.0%

Critical Accounting Estimates

The preparation of the condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. We evaluate our estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that we believe are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A detailed summary of the significant judgment and estimates made by management in the preparation and analysis of our financial results is included in Note 3 of our condensed consolidated financial statements for the three months ended March 31, 2017.

Internal Control over Financial Reporting

At March 31, 2017, the President and Chief Responsible Officer ("CRO") and Chief Financial Officer ("CFO"), along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Dream is made known to the CRO and CFO in a timely manner and information required to be disclosed by Dream is recorded, processed, summarized and reported within the time periods specified in securities legislation, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the condensed consolidated financial statements in accordance with IFRS.

There were no changes in the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's DC&P and IFCR.

Accounting Standards Adopted during the Period

The Company has adopted the following new or revised standards, including any consequential amendments thereto, for the period effective January 1, 2017. Changes in accounting policies adopted by the Company were made in accordance with the applicable transitional provisions as provided in those standards and amendments. As required by IAS 34 and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the nature and the effect of these changes are disclosed below:

IAS 7, "Disclosures" ("IAS 7")

IAS 7 requires entities to provide disclosures in their financial statements about changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

IAS 12, "Income taxes – Deferred Tax" ("IAS 12")

IAS 12 clarifies the recognition of deferred tax assets for unrealized losses. It was amended to specify (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base; and (iii) certain other aspects of accounting for deferred tax assets. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

Financial Instruments

A detailed discussion of our strategy and risk management in respect of financial instruments is provided in Note 30 of our condensed consolidated financial statements for the three months ended March 31, 2017.

Risk Factors

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. Shareholders should consider those risks and uncertainties when assessing our outlook in terms of investment potential. For a discussion of the risks and uncertainties identified by the Company, please refer to our 2016 Annual Report and our most recent Annual Information Form filed on SEDAR (www.sedar.com).

Forward-Looking Information

Certain information in this MD&A may constitute "forward-looking information" within the meaning of applicable securities legislation, including but not limited to statements relating to our objectives, strategies to achieve those objectives, our beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, acquisitions or divestitures, tenant base, future maintenance and development plans and costs, capital investments, financing, the availability of financing sources, income taxes, vacancy and leasing assumptions, litigation and the real estate industry in general, including specifically statements in respect of our development plans and proposals for future retail and condominium and mixed-use projects and future stages of current retail and condominium and mixed-use projects, including projected sizes, density, uses and tenants; development timelines and anticipated returns or yields on current and future retail and condominium and mixed-use projects, including leasing timelines and timing of condominium occupancies and closings; our estimated performance metrics for our retail projects (including anticipated development yield, estimated acres to develop, estimated GLA at completion, estimated stabilized NOI at completion, estimated completion date, estimated cost of development including land, estimated cost to complete, estimated value upon completion, estimated cost per square foot, estimated value per square foot upon completion); future land acquisitions and financings and the timing thereof; development plans and timelines of current and future land and housing projects, including projected sizes, density and uses; anticipated current and future lot and acre sales and housing occupancies; projected population and density in our housing developments; our ability to increase development on our owned lands and the anticipated returns therefrom; timing of opening of the Broadview Hotel; our expansion plans for recreational properties and the anticipated effect on revenue; future performance of the land development, housing development, condominium and mixed-use development and retail and commercial developments divisions; and our overall financial performance, profitability and liquidity for future years. 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 is not comprised of historical fact. Forward-looking information is predictive in nature and depends upon or refers to future events or conditions; as such, this MD&A uses words such as "may", "would", "could", "should", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", “forecast”, “project”, “estimate” and similar expressions suggesting future outcomes or events to identify forward-looking information. In addition to other Sections, forward-looking information is disclosed in this MD&A as part of the sections “Summary of Achievements - First Quarter of 2017” and “Strategy and Business Focus”.

Any such forward-looking information is based on information currently available to us, and is based on assumptions 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, including but not limited to: that no unforeseen changes in the legislative and operating framework for the respective businesses will occur; that we will meet our future objectives and priorities; that we will have access to adequate capital to fund our future projects and plans; that our future projects and plans will proceed as anticipated; 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: adverse changes in general economic and market conditions; our inability to raise additional capital; our inability to execute strategic plans and meet financial obligations; and risks associated with our anticipated real estate operations and investment holdings in general, including environmental risks, market risks, and risks associated with inflation, changes in interest rates and other financial exposures. For a further description of these and other factors that could cause actual results to differ materially from the forward-looking information contained, or incorporated by reference, see Risk Factors on page 38 of this MD&A.

In evaluating any forward-looking information contained, or incorporated by reference, 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 on which it was made. 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, or incorporated by reference, in this MD&A to reflect subsequent information, events, results, circumstances or otherwise, except as required by law.

Non-IFRS Measures

In addition to using performance measures determined in accordance with IFRS, we believe that important measures of operating performance include certain performance measures that are not defined under IFRS and, as such, may not be comparable to similar performance measures used by other companies. Throughout this MD&A, there are references to certain performance measures, including those described below, which management believes are relevant in assessing the economics of the business of Dream. While these performance measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other companies, we believe that they are informative and provide further insight as supplementary measures of earnings for the period and cash flows.

"Assets under management (“AUM”)" is the respective carrying value of total assets managed by the Company on behalf of its clients, investors or partners under asset management agreements and/or management services agreements. Assets under management is a measure of success against the competition and consists of growth or decline due to asset appreciation, changes in fair market value, acquisitions and dispositions, operations gains and losses, and inflows and outflows of capital.

“Committed leases” represent the GLA under an agreement to lease between a tenant and the Company as at March 31, 2017.

“Development yield” is calculated using the Estimated Stabilized NOI at completion and the total estimated cost of development, including land and excluding rental revenue earned during development.

"Earnings for the period, excluding income from undeveloped land sale" and "basic earnings per share, excluding income from undeveloped land sale" represents earnings and basic EPS adjusted for the net margin relating from the sale of 172 acres of undeveloped land to the Province of Alberta to construct parts of the Calgary Ring Road in the three months ended March 31, 2016 and are calculated as follows:

(in thousands of dollars, except per share and weighted average share amounts)	For the three months ended March 31,	
	2017	2016
Earnings for the period	**$ 11,438**	$ 18,975
Income from undeveloped land sale	**—**	24,536
Tax impact	**—**	(6,527)
Income from undeveloped land sale, net of tax	**—**	18,009
Earnings for the period, excluding income from undeveloped land sale	**$ 11,438**	$ 966
Earnings for the period, excluding income from undeveloped land sale attributable to:		
Shareholders	**$ 8,178**	$ 636
Non-controlling interest	**3,260**	330
	$ 11,438	$ 966
Total basic weighted average number of shares	**80,900,902**	78,267,627
Basic earnings per share, as reported	**$ 0.10**	$ 0.17
Basic earnings per share impact of income from undeveloped land sale	**—**	(0.16)
Basic earnings per share, excluding impact of income from undeveloped land sale	**$ 0.10**	$ 0.01

"Estimated cost of development" represents the total estimated costs to develop each retail site specified to the point where the space is completed and leasable to retail tenants and includes the cost of land, building, interest and other carrying costs. Estimated cost of development is forward-looking information and the actual cost of development may differ materially from the estimates used herein.

"Estimated costs to complete" represents the estimated costs yet to be incurred by the Company in order to complete the development of the real estate asset, including land, building, interest and other carrying costs. The estimated costs to complete are forward-looking information and the actual costs of completion may differ materially from the estimates used herein.

"Estimated Stabilized NOI" represents expected income for the property at completion that reflects relatively stable operations. The estimated stabilized NOI is forward-looking information and the actual NOI may differ materially from the estimates used herein.

"Estimated value upon completion" represents the estimated value of a real estate asset upon completion of the development of such asset. The estimated value upon completion is forward-looking information and actual value upon completion may differ materially from the estimates used herein.

"Fee earning assets under management" represents assets under management that are managed under contractual arrangements that entitle the Company to earn asset management revenues.

"Gross margin %" is an important measure of operating earnings in each business segment of Dream and represents gross margin as a percentage of revenue.

"Internal rate of return" or "IRR" is an important measure of average annual returns delivered over a period of time, calculated based on Dream's market capitalization (including non-controlling interests) as at March 31, 2017. The internal rate of return for the Dream CMCC Capital Funds is calculated based on the estimated returns and completion date of the investments within the Fund, net of fund expenses and management fees. The internal rate of return for condominium development projects is calculated based on the estimated net cash flow expected to be generated from each project considering real estate development revenues, expenditures, construction timelines and sale dates.

"Net margin %" is an important measure of operating earnings in each business segment of Dream and represents net margin as a percentage of revenue.

"Net Operating Income" or "NOI" represents revenue less direct operating costs, asset management and management services expenses, and selling marketing and other operating costs. NOI less general, administrative, and overhead expenses, and amortization, is equal to net margin as per Note 36 of the condensed consolidated statement of earnings. NOI for the investment and recreational properties segment for the three months ended March 31, 2017 and 2016 is calculated as follows:

							For the three months ended March 31, 2017
		Investment properties – Ontario		Development properties – Western Canada		Recreational properties	Total
Revenue	$	2,708	$	1,214	$	14,221	$ 18,143
Direct operating costs		1,411		476		7,753	9,640
Selling, marketing and other indirect costs		551		939		837	2,327
Net margin	$	746	$	(201)	$	5,631	$ 6,176
Depreciation		—		—		723	723
General and administrative expenses		551		939		114	1,604
Net operating income	$	1,297	$	738	$	6,468	$ 8,503

							For the three months ended March 31, 2016
		Investment properties – Ontario		Development properties – Western Canada		Recreational properties	Total
Revenue	$	2,168	$	669	$	13,669	$ 16,506
Direct operating costs		1,021		287		7,751	9,059
Selling, marketing and other indirect costs		739		562		649	1,950
Net margin	$	408	$	(180)	$	5,269	$ 5,497
Depreciation		—		—		621	621
General and administrative expenses		739		562		28	1,329
Net operating income	$	1,147	$	382	$	5,918	$ 7,447

"Revenue, gross margin and net margin of the Condominium Development Segment attributable to Dream, including direct and equity accounted investments" includes condominium developments held through both direct ownership and projects held through equity accounted investments. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", revenue, gross margin and net margin of the Condominium Development Segment attributable to Dream, including direct and equity accounted investments have been reconciled to revenue, gross margin and net margin of the Condominium Development Segment attributable to Dream, including direct and equity accounted investments under the heading "Results of Operations – Condominiums".

Additional Information

Additional information relating to Dream is available on SEDAR at www.sedar.com. The Subordinate Voting Shares trade on the TSX under the symbol **"DRM"** and Dream Preference shares, series 1, trade under the symbol **"DRM.PR.A"**.

Condensed Consolidated Statements of Financial Position

(unaudited)

(in thousands of Canadian dollars)	Note	**March 31, 2017**	December 31, 2016
Assets			
Cash and cash equivalents	35	**$ 19,210**	$ 23,432
Accounts receivable	4	**139,654**	140,394
Other financial assets	5	**238,773**	238,898
Housing inventory	6	**57,451**	50,662
Condominium inventory	7	**61,525**	55,634
Land inventory	8	**585,988**	604,487
Investment properties	9	**261,809**	237,982
Recreational properties	10	**33,880**	32,872
Equity accounted investments	11	**173,284**	159,045
Capital and other operating assets	12	**24,871**	25,908
Intangible asset		**43,000**	43,000
Total assets		**$ 1,639,445**	$ 1,612,314
Liabilities			
Accounts payable and other liabilities	13	**$ 93,355**	$ 96,108
Income and other taxes payable	20	**64,603**	47,123
Provision for real estate development costs	14	**41,084**	41,798
Customer deposits		**30,795**	29,656
Construction loans	15	**103,695**	90,359
Operating line	16	**112,687**	104,526
Non-revolving term facility	17	**174,502**	174,403
Mortgages and term debt	18	**108,474**	112,657
Preference shares, series 1	19	**28,649**	28,643
Deferred income taxes	20	**40,933**	55,530
Total liabilities		**$ 798,777**	$ 780,803
Shareholders' equity			
Share capital	21	**1,008,858**	1,009,838
Reorganization adjustment	21	**(944,577)**	(944,577)
Contributed surplus	31	**3,959**	3,719
Retained earnings		**559,021**	550,843
Accumulated other comprehensive loss	22	**(1,739)**	(1,350)
Total shareholders' equity		**625,522**	618,473
Non-controlling interest	23	**215,146**	213,038
Total equity		**840,668**	831,511
Total liabilities and equity		**$ 1,639,445**	$ 1,612,314

See accompanying notes to the condensed consolidated financial statements.

Commitments and contingencies (Note 33)

On behalf of the Board of Directors of Dream Unlimited Corp.:

Michael J. Cooper
Director

Joanne Ferstman
Director

Condensed Consolidated Statements of Earnings
(unaudited)

(in thousands of Canadian dollars, except for per share amounts)	Note		Three months ended March 31, 2017		2016
Revenues		$	**51,648**	$	101,296
Direct operating costs	24		**(25,407)**		(55,486)
Asset management and advisory services expenses	25		**(1,910)**		(2,226)
Gross margin			**24,331**		43,584
Selling, marketing and other operating costs	26		**(9,422)**		(10,315)
Net margin			**14,909**		33,269
Other income (expenses):					
General and administrative expenses	27		**(2,767)**		(3,717)
Fair value changes in investment properties	9		**6,662**		284
Share of losses from equity accounted investments	11		**(1,327)**		(398)
Investment and other income	28		**4,388**		3,923
Interest expense	29		**(4,994)**		(4,692)
Fair value changes in derivative financial instruments	30		**74**		(666)
Earnings before income taxes			**16,945**		28,003
Income tax expense	20		**(5,507)**		(9,028)
Earnings for the period		$	**11,438**	$	18,975
Total earnings for the period attributable to:					
Shareholders		$	**8,178**	$	13,284
Non-controlling interest	23		**3,260**		5,691
Earnings for the period		$	**11,438**	$	18,975
Basic earnings per share	32	$	**0.10**	$	0.17
Diluted earnings per share	32	$	**0.10**	$	0.17

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income
(unaudited)

(in thousands of Canadian dollars)	Note	Three months ended March 31, 2017	2016
Earnings for the period		**$ 11,438**	$ 18,975
Other comprehensive income (loss)			
Unrealized gain (loss) on financial assets designated as available for sale, net of tax	22	**(517)**	19,384
Unrealized gain (loss) from foreign currency translation (reclassified to earnings on partial or full disposal of foreign operation)		**70**	(562)
Unrealized loss on interest rate hedge		**(87)**	(92)
Share of other comprehensive losses from equity accounted investments	22	**(2)**	(82)
Total other comprehensive income (loss)		**(536)**	18,648
Other comprehensive income		**$ 10,902**	$ 37,623
Total comprehensive income for the year attributable to:			
Shareholders		**$ 7,789**	$ 26,367
Non-controlling interest	23	**3,113**	11,256
Comprehensive income		**$ 10,902**	$ 37,623

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity
(unaudited)

(in thousands of Canadian dollars)	Dream share capital (Note 21)	Contributed surplus	Reorganization adjustment (Note 21)	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2017	**$ 1,009,838**	**$ 3,719**	**$ (944,577)**	**$ 550,843**	**$ (1,350)**	**$ 618,473**	**$ 213,038**	**$ 831,511**
Earnings for the period	**—**	**—**	**—**	**8,178**	**—**	**8,178**	**3,260**	**11,438**
Other comprehensive losses for the period (Note 22)	**—**	**—**	**—**	**—**	**(389)**	**(389)**	**(147)**	**(536)**
Dividends declared (Note 21)	**—**	**—**	**—**	**—**	**—**	**—**	**(1,005)**	**(1,005)**
Share repurchase under normal course issuer bid (Note 21)	**(980)**	**—**	**—**	**—**	**—**	**(980)**	**—**	**(980)**
Share-based compensation (Note 31)	**—**	**240**	**—**	**—**	**—**	**240**	**—**	**240**
Balance, March 31, 2017	**$ 1,008,858**	**$ 3,959**	**$ (944,577)**	**$ 559,021**	**$ (1,739)**	**$ 625,522**	**$ 215,146**	**$ 840,668**

(in thousands of Canadian dollars)	Dream share capital (Note 21)	Contributed surplus	Reorganization adjustment (Note 21)	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance, January 1, 2016	$ 990,039	$ 1,599	$ (944,577)	$ 485,819	$ (14,997)	$ 517,883	$ 199,971	$ 717,854
Earnings for the period	—	—	—	13,284	—	13,284	5,691	18,975
Other comprehensive income for the period (Note 22)	—	—	—	—	13,096	13,096	5,552	18,648
Dividends declared (Note 21)	—	—	—	—	—	—	(1,935)	(1,935)
Share repurchase under normal course issuer bid (Note 21)	(953)	—	—	—	—	(953)	—	(953)
Share-based compensation (Note 31)	—	604	—	—	—	604	—	604
Balance, March 31, 2016	$ 989,086	$ 2,203	$ (944,577)	$ 499,103	$ (1,901)	$ 543,914	$ 209,279	$ 753,193

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in thousands of Canadian dollars)	Note	Three months ended March 31, 2017	2016
Operating activities			
Earnings for the period		**$ 11,438**	$ 18,975
Adjustments for non-cash items:			
Depreciation and amortization		**934**	852
Fair value changes in investment properties	9	**(6,662)**	(284)
Share of losses from equity accounted investments	11	**1,327**	398
Deferred income taxes	20	**(14,609)**	(4,551)
Other adjustments	35	**(2,761)**	404
Changes in non-cash working capital	35	**16,883**	(8,518)
Acquisition of housing inventory	6	**(1,908)**	(540)
Development of housing inventory, net of sales	6	**(1,366)**	681
Development of condominium inventory, net of sales	7	**(5,891)**	15,543
Advances for construction loan, net of repayments	15	**13,336**	5,216
Acquisition of land inventory	8	**—**	(191)
Development of land inventory, net of sales	8	**1,321**	15,604
Net cash flows provided by (used in) operating activities		**12,042**	43,589
Investing activities			
Acquisitions and additions to investment properties	9	**(3,414)**	(15,773)
Additions to recreational properties	10	**(1,623)**	(1,030)
Investments in equity accounted investments		**(10,202)**	(12,061)
Contributions to equity accounted investments		**(11,922)**	(8,871)
Distributions from equity accounted investments		**8,728**	3,024
Loans receivable advances		**(532)**	(148)
Acquisition of financial assets and other assets, net of distributions		**556**	218
Net cash flows used in investing activities		**(18,409)**	(34,641)
Financing activities			
Borrowings from mortgages and term debt facilities	18	**434**	27,043
Repayments of mortgages and term debt facilities	18	**(4,304)**	(8,191)
Advances (repayments) from operating line, net	16	**8,000**	(24,000)
Dividends paid to non-controlling interest	21	**(1,005)**	(1,935)
Redemption of Preference shares, series 1	19	**—**	(5,763)
Shares repurchased under normal course issuer bid	21	**(980)**	(953)
Net cash flows provided by (used in) financing activities		**2,145**	(13,799)
Change in cash and cash equivalents		**(4,222)**	(4,851)
Cash and cash equivalents, beginning of period		**23,432**	29,983
Cash and cash equivalents, end of period	35	**$ 19,210**	$ 25,132

See accompanying notes to the condensed consolidated financial statements.

1. Business and structure

Dream Unlimited Corp. ("Dream" or the "Company"), through its 72.6% owned subsidiary, Dream Asset Management Corporation ("DAM"), is one of Canada's leading real estate companies with assets under management in North America and Europe. The scope of the business includes residential land development, commercial development, housing development, condominium and mixed-use development, asset management and management services for four TSX-listed public vehicles and numerous partnerships, investments in and management of Canadian renewable energy infrastructure and commercial property ownership.

Sweet Dream Corp. ("SDC") has a 27.4% non-controlling interest in DAM and is wholly owned by Michael Cooper, President and Chief Responsible Officer of DAM and Dream. The President and Chief Responsible Officer of DAM and Dream is the ultimate controlling party of Dream with a voting interest of approximately 80.0%. Refer to Note 23 for a description of equity transactions with non-controlling interests during the year ended December 31, 2016.

A reorganization of the Company's share capital took place in 2013, which is summarized in Note 21.

The principal office and centre of administration of the Company is 30 Adelaide Street East, Suite 301, State Street Financial Centre, Toronto, Ontario, M5C 3H1. It is listed on the Toronto Stock Exchange and is domiciled in Canada.

2. Basis of preparation

The condensed consolidated financial statements are prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" ("IAS 34"), on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2016, except for new standards adopted during the three months ended March 31, 2017 as described in Note 3. Accordingly, certain information and footnote disclosures normally provided in annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed.

The condensed consolidated financial statements should be read in conjunction with the most recently issued Annual Report of the Company, which includes information necessary to understanding the Company's businesses and financial statement presentation.

All dollar amounts discussed herein are in thousands of Canadian dollars, unless otherwise stated.

The condensed consolidated financial statements for the three months ended March 31, 2017 were approved by the Board of Directors for issue on May 9, 2017, after which date they may be amended only with the Board of Directors' approval.

3. Summary of significant accounting policies

The condensed consolidated financial statements have been prepared using the same significant accounting policies and methods as those used in the Company's annual consolidated financial statements for the year ended December 31, 2016, except for new standards adopted during the three months ended March 31, 2017 as described below.

Accounting Standards Adopted During the Period

The Company has adopted the following new or revised standards, including any consequential amendments thereto, for the period effective January 1, 2017. Changes in accounting policies adopted by the Company were made in accordance with the applicable transitional provisions as provided in those standards and amendments. As required by IAS 34 and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the nature and the effect of these changes are disclosed below:

IAS 7, "Statement of Cash Flows" ("IAS 7")

IAS 7 requires entities to provide disclosures in their financial statements about changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

IAS 12, "Income taxes – Deferred Tax" ("IAS 12")

IAS 12 clarifies the recognition of deferred tax assets for unrealized losses. It was amended to specify (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base; and (iii) certain other aspects of accounting for deferred tax assets. The adoption of this amendment did not have a material impact on the Company's condensed consolidated financial statements.

Future Accounting Standards

IFRS 2, "Share-Based Payments" ("IFRS 2")

IFRS 2 clarifies how to account for certain types of share-based payment transactions. It was amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The amendments to IFRS 2 are effective for years beginning on or after January 1, 2018. The Company is in the process of performing its assessment of the impact of the adoption of the amendments to IFRS 2.

IFRS 7, "Financial Instruments – Disclosure" ("IFRS 7")

IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments and the nature and extent of risks arising from financial instruments to which an entity is exposed and how the entity manages those risks. It was amended to (i) add guidance on whether an arrangement to service a financial asset that has been transferred constitutes continuing involvement, and (ii) to clarify that the additional disclosure required by the amendments to IFRS 7 is not specifically required for interim periods, unless required by IAS 34. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2018. The Company is in the process of performing its assessment of the impact of the adoption of the amendments to IFRS 7.

IFRS 9, "Financial Instruments" ("IFRS 9")

IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities where the final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets (fair value through OCI); (ii) a single, forward-looking "expected loss" impairment model; (iii) a substantially reformed approach to hedge accounting; and (iv) a mandatory effective date of annual periods beginning on or after January 1, 2018. The Company is in the process of performing its assessment of the impact of the adoption of IFRS 9.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

IFRS 15 specifies how and when revenue should be recognized, in addition to requiring more informative and relevant disclosures. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. This standard supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and a number of revenue-related interpretations. IFRS 15 must be applied for periods beginning on or after January 1, 2018, with early application permitted. The Company will not be early adopting IFRS 15; however, the Company has elected to adopt IFRS 15 using the full retrospective method. The Company is in the process of performing its assessment of the impact of the adoption of IFRS 15 and expects to provide an update in future quarters of 2017.

IFRS 16, "Leases" ("IFRS 16")

IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The extent of the impact of the adoption of IFRS 16 has not yet been determined.

IAS 40, "Investment Property" ("IAS 40")

IAS 40 clarifies the principles for transfers into, or out of, investment property when there has been a change in use. The amendments to IAS 40 are effective prospectively for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is in the process of performing its assessment of the impact of the adoption of the amendments to IAS 40.

4. Accounts receivable

The details of accounts receivable are summarized in the following table:

	Note		**March 31, 2017**		December 31, 2016
Contracted sales of land under development and recoveries		**$**	**95,037**	$	103,712
Condominium sales			**10,220**		9,869
Housing sales			**2,047**		1,164
Receivables relating to investment and recreational properties			**4,659**		4,607
Asset management and advisory services fees	34		**13,353**		16,797
Other			**14,338**		4,245
		$	**139,654**	$	140,394

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

5. Other financial assets

Other financial assets consisted of the following:

	Note		March 31, 2017		December 31, 2016
Investment in Dream Office REIT		$	74,231	$	75,427
Investment in Dream Office REIT LP B units			100,699		102,321
Investment in Dream Global REIT			29,149		26,460
Investment in Dream Global REIT, deferred trust units			14,580		15,564
Loans receivable			10,659		9,855
Investments in equity securities not quoted in an active market			7,054		7,054
Redemption option on Preference shares, series 1			881		841
Interest rate swaps	17,18		277		330
Other investments in equity securities quoted in an active market			1,243		1,046
	30	$	238,773	$	238,898

Dream Office REIT

		March 31, 2017		March 31, 2016
Return of capital portion	$	478	$	—
Investment income portion		2,932		2,624
Distributions earned on investment	$	3,410	$	2,624

As at March 31, 2017, the Company held 3,858,153 Dream Office REIT units (December 31, 2016 – 3,858,153) and 5,233,823 Dream Office REIT LP B units (December 31, 2016 – 5,233,823).

Dream Global REIT

		March 31, 2017		March 31, 2016
Return of capital portion	$	230	$	230
Investment income portion		330		330
Distributions earned on investment	$	560	$	560

As at March 31, 2017, the Company held 3,030,020 Dream Global units (December 31, 2016 – 2,800,000 units). In addition, the Company held 1,949,243 deferred trust units ("DTUs") as at March 31, 2017 with a fair value of $14,580 (December 31, 2016 – 2,134,289 DTUs with a fair value of $15,564), which were received as compensation provided for services pursuant to an asset management and advisory services agreement between the Company and Dream Global REIT. In the three months ended March 31, 2017, 230,020 DTUs were vested pursuant to an agreement between the Company and Dream Global REIT. Refer to Note 30 for the valuation methodology used to determine the fair value of the DTUs.

6. Housing inventory

The movement in housing inventory is as follows:

		Total
Balance, January 1, 2016	$	48,167
Acquisitions		212
Transfers from land inventory		8,777
Development		26,548
Housing units occupied		(33,042)
Balance, December 31, 2016	$	50,662
Acquisitions		1,908
Transfers from land inventory		3,515
Development		8,610
Housing units occupied		(7,244)
Balance, March 31, 2017	**$**	**57,451**

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

7. Condominium inventory

The movement in condominium inventory is as follows:

		Total
Balance, January 1, 2016	$	91,323
Acquisitions		13,274
Development		24,981
Condominium units occupied		(62,425)
Transfers to investment properties		(9,529)
Transfers from land inventory		(1,990)
Balance, December 31, 2016	$	55,634
Development		6,061
Condominium units occupied		(170)
Balance, March 31, 2017	**$**	**61,525**

8. Land inventory

The movement in land inventory is as follows:

		Land held for development		Land under development		Total
Balance, January 1, 2016	$	442,558	$	150,843	$	593,401
Acquisitions		17,836		112		17,948
Development		4,220		51,650		55,870
Lot and acre sales		(15,933)		(40,012)		(55,945)
Transfers		(35,196)		35,196		—
Transfers to housing inventory		—		(8,777)		(8,777)
Transfers to condominium inventory		—		1,990		1,990
Balance, December 31, 2016	$	413,485	$	191,002	$	604,487
Development		215		6,763		6,978
Lot and acre sales		—		(8,299)		(8,299)
Transfers		(247)		247		—
Transfers to housing inventory		—		(3,515)		(3,515)
Transfers to investment properties		—		(13,663)		(13,663)
Balance, March 31, 2017	**$**	**413,453**	**$**	**172,535**	**$**	**585,988**

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

9. Investment properties

The movement in investment properties is as follows:

	Investment properties – Ontario	Development properties – Western Canada	Total
Balance, January 1, 2016	$ 93,051	$ 48,915	$ 141,966
Additions to investment properties:			
Acquisitions	44,777	12,684	57,461
Land and building additions	1,579	9,444	11,023
Transfers from land inventory	—	9,529	9,529
Gains (losses) included in earnings:			
Fair value changes of investment properties	18,802	(900)	17,902
Amortization of lease incentives	(46)	—	(46)
Change in straight-line rent	13	134	147
Balance, December 31, 2016	$ 158,176	$ 79,806	$ 237,982
Additions to investment properties:			
Land and building additions	618	2,796	3,414
Transfers from land inventory	—	13,663	13,663
Gains (losses) included in earnings:			
Fair value changes of investment properties	(443)	7,105	6,662
Amortization and other	(11)	—	(11)
Change in straight-line rent	68	31	99
Balance, March 31, 2017	**$ 158,408**	**$ 103,401**	**$ 261,809**

In the three months ended March 31, 2017, Dream achieved first tenant occupancies within its retail development site in Saskatoon, Saskatchewan within the Company's South Kensington master-planned community development. The achievement of first tenant occupancy demonstrated a change in use of the property, which resulted in a change in classification under IFRS from land under development (held at cost) to investment properties (held at fair value). As a result of occupancies achieved, Dream transferred the carrying value of the property of $13,663 to investment properties and recognized a non-cash gain of $6,178 within fair value changes in investment properties in the condensed consolidated statement of earnings.

Unrealized gains in net income for the three months ended March 31, 2017, for the investment properties were $6,662 (three months ended March 31, 2016 – $284).

Significant unobservable inputs were as follows for March 31, 2017 and December 31, 2016:

		March 31, 2017		December 31, 2016	
	Input	**Range**	**Weighted average**	Range	Weighted average
Ontario	Discount rate	5.75%–7.00%	5.8%	5.75%–7.00%	5.8%
	Terminal capitalization rate	5.25%–6.50%	5.3%	5.25%–6.50%	5.3%
Western Canada	Discount rate	7.0%	7.0%	7.0%	7.0%
	Terminal capitalization rate	5.75%–6.50%	6.2%	5.75%–6.50%	6.4%

Fair values of the Company's Ontario investment properties are most sensitive to changes in the terminal capitalization rates. An increase in the terminal capitalization rate will result in a decrease in the fair value of an investment property and vice versa. If the capitalization rate were to increase or decrease by 25 basis points ("bps"), the value of investment properties would decrease by $5,246 and increase by approximately $5,796, respectively, as at March 31, 2017 (December 31, 2016—approximately decrease by $5,579 and increase by $6,172).

Fair values of the Company's Western Canada investment properties are most sensitive to changes in the terminal capitalization rates. An increase in the terminal capitalization rate will result in a decrease in the fair value of an investment property and vice versa. If the terminal capitalization rate were to increase or decrease by 25 bps, the value of investment properties would decrease by $2,239 and increase by approximately $2,424, respectively, as at March 31, 2017 (December 31, 2016—approximately decrease by $1,437 and increase by $1,556).

Investment properties, including equity accounted investments, with a fair value of $138,365 as at March 31, 2017 (December 31, 2016— $138,445), are pledged as security for mortgages and term debt. Investment properties, including equity accounted investments, with a fair value of $81,624 as at March 31, 2017 (December 31, 2016—$58,550), are pledged as security for construction loans.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

10. Recreational properties

	March 31, 2017	December 31, 2016
Cost	$ 52,753	$ 46,469
Accumulated depreciation	(19,881)	(17,438)
Balance, beginning of period	32,872	29,031
Additions	1,623	7,527
Depreciation	(723)	(2,443)
Other	108	(1,243)
Balance, end of period	$ 33,880	$ 32,872
Cost	$ 54,484	$ 52,753
Accumulated depreciation	(20,604)	(19,881)
Balance, end of period	$ 33,880	$ 32,872

	March 31, 2017	December 31, 2016
Operational recreational properties:		
Arapahoe Basin ski hill (Colorado)	$ 19,822	$ 20,068
Willows Golf Course (Saskatchewan)	2,473	2,522
Recreational properties under development:		
Broadview Hotel (Ontario)	11,585	10,282
	$ 33,880	$ 32,872

11. Equity accounted investments

The Company has entered into certain arrangements in the form of jointly controlled entities, for various residential and investment property developments, as well as renewable energy investments. These arrangements include restrictions on the ability to access assets without the consent of all partners and include distribution conditions outlined in partnership agreements. These arrangements are accounted for under the equity method. The equity method of accounting is also applicable to investments in common stock in which the Company is deemed to be able to exercise significant influence over the investee company. As at March 31, 2017, the carrying value of these arrangements was $173,284 (December 31, 2016 – $159,045).

In the three months ended March 31, 2017, the Company acquired a 7.75% equity ownership interest in Port Credit West Village Partners LP (the "Port Credit" development) for $8,936. The remaining interests are held with a consortium of partners, which includes a 23.25% interest held by Dream Alternatives. Port Credit West Village Partners LP entered into a $105,000 non-revolving credit facility ($8,138 at Dream's share) to acquire 72 acres of waterfront property in Mississauga's Port Credit area. Port Credit is included in "other development investments" as at March 31, 2017.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The following tables summarize the Company's proportionate share of assets and liabilities in equity accounted investments (segregated between development and income producing investments) as at March 31, 2017 and December 31, 2016.

March 31, 2017

Development investments		Brighton Marketplace		Dundee Kilmer Developments LP		Zibi		Dream CMCC Funds I and II		Other		Total
Dream's ownership interest		50%		50%		50%		9%–40%		7.75%–50%		
Assets	$	9,463	$	38,223	$	33,696	$	7,066	$	28,233	$	116,681
Liabilities		(1,190)		(8,441)		(10,774)		(541)		(15,657)		(36,603)
Net assets	$	8,273	$	29,782	$	22,922	$	6,525	$	12,576	$	80,078
Excess of net assets over deemed cost of investment		(2,285)		—		—		—		—		(2,285)
Total development investments	$	5,988	$	29,782	$	22,922	$	6,525	$	12,576	$	77,793

Income producing investments		Dream Alternatives[(1)]		Firelight Infrastructure Partners LP		Distillery Restaurants LP		Toronto Condominiums and Mixed-Use Properties		Other		Total
Dream's ownership interest		10%		20%		50%		50%		17%–78%		
Assets	$	106,038	$	206,688	$	5,242	$	18,226	$	4,863	$	341,057
Liabilities		(41,195)		(167,048)		(2,529)		(7,753)		(167)		(218,692)
Net assets	$	64,843	$	39,640	$	2,713	$	10,473	$	4,696	$	122,365
Excess of net assets over deemed cost of investment		(26,874)		—		—		—		—		(26,874)
Total income producing investments	$	37,969	$	39,640	$	2,713	$	10,473	$	4,696	$	95,491
Total											$	173,284

December 31, 2016

Development investments		Brighton Marketplace		Dundee Kilmer Developments LP		Zibi		Dream CMCC Funds I and II		Other		Total
Dream's ownership interest		50%		50%		50%		9%–40%		12.5%–50%		
Assets	$	8,393	$	52,343	$	31,735	$	6,872	$	8,878	$	108,221
Liabilities		(120)		(15,688)		(10,953)		(732)		(5,294)		(32,787)
Net assets	$	8,273	$	36,655	$	20,782	$	6,140	$	3,584	$	75,434
Excess of net assets over deemed cost of investment		(2,285)		—		—		—		—		(2,285)
Total development investments	$	5,988	$	36,655	$	20,782	$	6,140	$	3,584	$	73,149

Income producing investments		Dream Alternatives[(1)]		Firelight Infrastructure Partners LP		Distillery Restaurants LP		Toronto Condominiums and Mixed-Use Properties		Other		Total
Dream's ownership interest		8%		20%		50%		50%		17%–78%		
Assets	$	81,683	$	199,506	$	5,675	$	16,067	$	4,769	$	307,700
Liabilities		(28,521)		(159,904)		(2,471)		(7,710)		(207)		(198,813)
Net assets	$	53,162	$	39,602	$	3,204	$	8,357	$	4,562	$	108,887
Excess of net assets over deemed cost of investment		(22,991)		—		—		—		—		(22,991)
Total income producing investments	$	30,171	$	39,602	$	3,204	$	8,357	$	4,562	$	85,896
Total											$	159,045

(1) The ownership interest in Dream Alternatives increased throughout the three months ended March 31, 2017 and was approximately 10% as at March 31, 2017 (December 31, 2016 – 8%).

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The following tables summarize the Company's proportionate share of revenues, earnings (losses) and earnings (losses) before depreciation in equity accounted investments for the three months ended March 31, 2017 and 2016.

For the three months ended March 31, 2017

Development investments		Brighton Marketplace		Dundee Kilmer Developments LP		Zibi		Dream CMCC Funds I and II		Other		Total
Dream's ownership interest		50%		50%		50%		9%–40%		7.75%–50%		
Attributable to Dream:												
Revenues	$	—	$	363	$	(2)	$	1,319	$	4	$	1,684
Earnings (losses)		—		(82)		(360)		1,269		(21)		806
Earnings (losses) before depreciation		—		(82)		(360)		1,269		(21)		806

Income producing investments		Dream Alternatives[1]		Firelight Infrastructure Partners LP		Distillery Restaurants LP		Toronto Condominiums and Mixed-Use Properties		Other		Total
Dream's ownership interest		10%		20%		50%		50%		17%–78%		
Attributable to Dream:												
Revenues	$	2,121	$	5,293	$	2,033	$	232	$	243	$	9,922
Earnings (losses)		(1,738)		39		(491)		(67)		124		(2,133)
Earnings (losses) before depreciation		(377)		2,157		(343)		(67)		127		1,497
Total revenues											$	11,606
Total losses											$	(1,327)
Total earnings before depreciation											$	2,303

For the three months ended March 31, 2016

Development investments		Dundee Kilmer Developments LP		Zibi		Dream CMCC Funds I and II		Other		Total
Dream's ownership interest		50%		50%		9%–40%	$	25%–50%		
Attributable to Dream:										
Revenues	$	18	$	—	$	3,423	$	—	$	3,441
Earnings (losses)		880		(1,025)		499		(18)		336
Earnings (losses) before depreciation		880		(1,025)		499		(18)		336

Income producing investments		Dream Alternatives[1]		Firelight Infrastructure Partners LP		Distillery Restaurants LP		Toronto Condominiums and Mixed-Use Properties		Other		Total
Dream's ownership interest		6%		20%		50%		50%		17%–78%		
Attributable to Dream:												
Revenues	$	930	$	5,281	$	2,359	$	203	$	264	$	9,037
Earnings (losses)		(377)		(46)		(418)		(42)		149		(734)
Earnings (losses) before depreciation		357		2,067		(199)		(42)		151		2,334
Total revenues											$	12,478
Total losses											$	(398)
Total earnings before depreciation											$	2,670

[1] The ownership interest in Dream Alternatives increased throughout the period ended March 31, 2017 and was approximately 10% as at March 31, 2017 (March 31, 2016 – 6%).

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

12. Capital and other operating assets

Capital and other operating assets consisted of the following:

		March 31, 2017		December 31, 2016
Deposits	**$**	**6,148**	$	6,948
Restricted cash		**5,720**		5,918
Capital assets		**7,918**		8,175
Prepaid expenses		**4,158**		3,797
Inventory		**927**		1,070
Total capital and other operating assets	**$**	**24,871**	$	25,908

		March 31, 2017		December 31, 2016
Capital assets	**$**	**11,277**	$	11,323
Accumulated depreciation		**(3,359)**		(3,148)
Total capital assets	**$**	**7,918**	$	8,175

13. Accounts payable and other liabilities

The details of accounts payable and other liabilities are as follows:

		March 31, 2017		December 31, 2016
Trade payables[1]	**$**	**18,111**	$	19,271
Accrued liabilities		**73,416**		73,647
Deferred revenue		**1,828**		3,190
	$	**93,355**	$	96,108

[1] Included in trade payables were bank overdraft balances of $1,720 as at March 31, 2017 (December 31, 2016 - $1,744).

14. Provision for real estate development costs

The following table details the movement in the provision for real estate development costs:

		March 31, 2017		December 31, 2016
Balance, beginning of period	**$**	**41,798**	$	51,597
Additional provisions		**2,199**		31,383
Utilized during the period		**(2,913)**		(41,182)
Balance, end of period	**$**	**41,084**	$	41,798

The provision for real estate development costs includes accrued costs based on the estimated costs to complete land, housing and condominium development projects for which revenue has been recognized. These amounts have not been discounted, as the majority are expected to be substantially utilized within one year.

15. Construction loans

		March 31, 2017						December 31, 2016				
		Western Canada		**Toronto**		**Total**		Western Canada		Toronto		Total
Balance, beginning of period	**$**	**81,651**	**$**	**8,708**	**$**	**90,359**	$	67,368	$	56,368	$	123,736
Advances		**17,035**		**2,176**		**19,211**		47,187		17,449		64,636
Repayments		**(5,875)**		**—**		**(5,875)**		(32,904)		(65,109)		(98,013)
Balance, end of period	**$**	**92,811**	**$**	**10,884**	**$**	**103,695**	$	81,651	$	8,708	$	90,359

Western Canada construction loans relate to housing and retail projects under development and are all due on demand with recourse provisions. The majority of Toronto construction loans relate to project-specific financing for condominiums under development and hold security against the underlying asset. Further details on the weighted average interest rates related to construction loans are included in Note 30.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

16. Operating line

The Company has established a revolving term credit facility ("the operating line") available up to a formula-based maximum not to exceed $290,000, with a syndicate of Canadian financial institutions. As at March 31, 2017, funds available under this facility were $290,000, as determined by the formula-based maximum calculation, with $77,305 of letters of credit issued against the facility. The operating line bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.25% or at the bank's then prevailing bankers' acceptance rate plus 2.50%. The operating line is secured by a general security agreement and a first charge against various real estate assets in Western Canada.

	March 31, 2017	December 31, 2016
Principal outstanding, beginning of period	$ 106,000	$ 92,500
Advances from operating line	18,000	154,500
Repayments to operating line	(10,000)	(141,000)
Principal outstanding, end of period	$ 114,000	$ 106,000
Unamortized financing costs	(1,313)	(1,474)
Carrying balance, end of period	$ 112,687	$ 104,526

As at March 31, 2017, the Company had issued letters of credit of $77,305 (December 31, 2016 – $66,828), which reduce the undrawn credit available under the operating line. Total unamortized financing costs of $1,313 (December 31, 2016 – $1,474) have been netted against the carrying value of the operating line as at March 31, 2017 and are amortized over the remaining term of the facility.

Interest expense relating to the facility for the three months ended March 31, 2017 was $1,184 (three months ended March 31, 2016 – $946).

17. Non-revolving term facility

The Company has established a three-year non-revolving term facility amounting to $175,000 with a syndicate of Canadian financial institutions. The non-revolving term facility bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.50% or at the bank's then prevailing bankers' acceptance rate plus 2.75%. The non-revolving term facility expires on June 30, 2018 and is secured by a general security agreement and a first charge against various real estate assets and other financial assets of the Company.

As at March 31, 2017, the non-revolving term facility had a carrying value of $174,502 (December 31, 2016 – $174,403), net of unamortized financing costs of $498 (December 31, 2016 – $597). Interest expense relating to the non-revolving term credit facility for the year ended March 31, 2017 was $1,576 (three months ended March 31, 2016 – $1,576).

Interest rate swap

The Company has entered into an interest rate swap to effectively exchange the variable interest rate on the non-revolving term facility for a fixed rate of 3.65% per annum through the use of forward-purchase contracts that mature on June 30, 2018 to coincide with the maturity of the non-revolving term facility. The Company has applied hedge accounting to this relationship, whereby the change in fair value of the effective portion of the hedging derivative is recognized in AOCI. Settlement of both the fixed and variable portions of the interest rate swap occurs on a monthly basis. The full amount of the hedge was determined to be effective as at March 31, 2017.

The following table summarizes the details of the interest rate swap, which has been classified as a hedging instrument, outstanding at March 31, 2017:

Maturity date	Notional amount hedged	Fixed interest rate	Financial instrument classification	Fair value of hedging instrument[1]
June 30, 2018	$ 175,000	3.65%	Cash flow hedge	$ 188

[1] Included in other financial assets as at March 31, 2017.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

18. Mortgages and term debt

		Total
Balance, January 1, 2016	$	68,375
Borrowings		61,597
Repayments		(17,602)
Interest and other		287
Balance, December 31, 2016	$	112,657
Borrowings		434
Repayments		(4,304)
Interest and other		(313)
Balance, March 31, 2017	**$**	**108,474**

Mortgages and term debt are provided by a variety of lenders. The balance of interest and other includes accrued interest adjustments for payment-free periods. The weighted average interest rates for the fixed and variable components of mortgages and term debt, and their expected dates of maturity, are as follows:

			March 31, 2017			December 31, 2016	
	Maturity dates		**Balance outstanding**	**Weighted average interest rate**		Balance outstanding	Weighted average interest rate
Properties – fixed rate	2017–2025	**$**	**66,070**	**4.87%**	$	69,808	4.82%
Properties – variable rate	2018–2023	**$**	**42,404**	**3.69%**	$	42,849	3.69%
Total		**$**	**108,474**	**4.41%**	$	112,657	4.39%

Interest rate swap

In the year ended December 31, 2016, the Company closed a US$9,500, seven-year, fully amortizing loan secured by Arapahoe Basin, which generated $13,153 of gross proceeds in Canadian dollars on the date of closing with a variable interest rate of the one-month LIBOR plus 2.26%. In order to manage the interest rate risk on the variable interest rate, the Company also entered into a seven-year interest rate swap agreement that fixed the interest rate on the term loan at 3.69%. At March 31, 2017, the aggregate value of the interest swap amounted to $89 and is presented in other financial assets. The Company did not apply hedge accounting to this relationship, and therefore the change in fair value of the swap is recognized in earnings within fair value changes in derivative financial instruments during the three months ended March 31, 2017.

The following table summarizes the details of the interest rate swap outstanding at March 31, 2017:

Maturity date		**Notional amount hedged**	**Fixed interest rate**	**Financial instrument classification**		**Fair value of hedging instrument**[1]
January 14, 2023	$	10,241	3.69%	Fair value through profit or loss	$	89

(1) Included in other financial assets as at March 31, 2017.

19. Preference shares, series 1

As part of the reorganization of the Company's share capital in 2013 (Note 21), the Company issued 6,000,000, 7% Cumulative Redeemable First Preference shares, series 1 (“Preference shares, series 1”), with a liquidation amount of $7.16 per share. The shares are classified and accounted for as a financial liability as they are retractable at the option of the holder, at or after a particular date, for a fixed amount per share. The shares are also retractable by the Company, at or after a particular date, for a fixed amount per share.

Each series of Preference shares, series 1, will be entitled to preference on the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Company over the Subordinate Voting Shares and Class B Shares (Note 21).

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The Preference shares, series 1, issued and outstanding are as follows:

	Number of shares		Par value		Carrying value
Balance, January 1, 2016	4,868,419	$	34,858	$	34,779
Redemption of shares	(862,690)		(6,177)		(6,163)
Accretion using the effective interest method	—		—		27
Balance, December 31, 2016	4,005,729	$	28,681	$	28,643
Redemption of shares	—		—		—
Accretion using the effective interest method	—		—		6
Balance, March 31, 2017	**4,005,729**	**$**	**28,681**	**$**	**28,649**

In the three months ended March 31, 2017, the Company declared and paid dividends on the Preference shares, series 1 of $502 (three months ended March 31, 2016 – $508).

20. Income taxes

During the three months ended March 31, 2017, the Company recognized an income tax expense amount of $5,507 (three months ended March 31, 2016 – $9,028), the major components of which include the following items:

	For the three months ended March 31,			
		2017		2016
Current income taxes:				
Current income taxes with respect to profits in the period	**$**	**19,520**	$	13,084
Current tax adjustments with respect to prior periods		**—**		(83)
Other items affecting current tax expense		**596**		578
Current income tax expense		**20,116**		13,579
Deferred income taxes:				
Origination and reversal of temporary differences		**(14,439)**		(4,493)
Impact of changes in income tax rates		**(170)**		(58)
Deferred income tax expense		**(14,609)**		(4,551)
Income tax expense	**$**	**5,507**	$	9,028

Due to non-coterminous tax years of the Company's partnership and trust interests, taxable income of approximately $3,155 for the three months ended March 31, 2017 (three months ended March 31, 2016 – $5,420) relating to such partnership interests will be included in computing the Company's taxable income for its 2018 and 2017 taxation years.

The income tax expense amount on pre-tax earnings differs from the income tax expense amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.6% (March 31, 2016 – 26.7%), as illustrated in the table below. Cash paid for income taxes for the three months ended March 31, 2017 was $2,636 (three months ended March 31, 2016 – $2,995).

	For the three months ended March 31,			
		2017		2016
Earnings before tax at statutory rate of 26.6% (2016 – 26.7%)	**$**	**4,507**	$	7,493
Effect on taxes of:				
Adjustment in expected future tax rates		**(170)**		(58)
Non-taxable portion of capital gains		**(684)**		(241)
Other items		**1,854**		1,834
Income tax expense	**$**	**5,507**	$	9,028

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The movement in the deferred income tax assets during the three months ended March 31, 2017 and the year ended December 31, 2016, and the net components of the Company's net deferred income tax liabilities, are illustrated in the following table:

Asset/(Liability)	Accounts receivable	Investment and recreational properties	Non-coterminous tax year	Financial assets/ equity accounted investments	Real estate inventory	Loss carry forwards	Equity issuance	Total
Balance, January 1, 2016	$ (10,330)	$ (21,331)	$ (4,865)	$ (14,563)	$ 9,973	$ 6,149	$ 447	$ (34,520)
(Charged) credited to:								
Earnings for the year	1,912	(7,866)	(11,926)	(39)	2,095	(1,852)	(149)	(17,825)
Other comprehensive income	—	(421)	—	(2,764)	—	—	—	(3,185)
Balance, December 31, 2016	$ (8,418)	$ (29,618)	$ (16,791)	$ (17,366)	$ 12,068	$ 4,297	$ 298	$ (55,530)
(Charged) credited to:								
Earnings for the period	**1,520**	**(1,100)**	**15,950**	**261**	**321**	**(2,307)**	**(36)**	**14,609**
Other comprehensive income	**—**	**(105)**	**—**	**93**	**—**	**—**	**—**	**(12)**
Balance, March 31, 2017	**$ (6,898)**	**$ (30,823)**	**$ (841)**	**$ (17,012)**	**$ 12,389**	**$ 1,990**	**$ 262**	**$ (40,933)**

As at March 31, 2017, the Company had tax losses of $10,749 (December 31, 2016 – $9,728) that expire between 2025 and 2037. The Company also has capital losses of $14 (December 31, 2016 – $14) that can be carried forward indefinitely and U.S. capital losses of $1,122 (US$848) (December 31, 2016 – $1,131, US$848) that expire in 2019. Deferred income tax assets have not been recognized in respect of these losses, as it is not probable that the Company will be able to utilize all of the losses against taxable profits in the future.

21. Share capital

The Company is authorized to issue an unlimited number of Subordinate Voting Shares and an unlimited number of Class B Shares. Holders of Subordinate Voting Shares and Class B Shares are entitled to one vote and 100 votes, respectively, for each share held. The Class B Shares are convertible into Subordinate Voting Shares on a one-for-one basis at any time. Holders of Subordinate Voting Shares and Class B Shares are entitled to receive and participate equally as to dividends, share for share, as and when declared by the directors of the Company. In the event of a liquidation, dissolution or winding up of the Company, holders of Subordinate Voting Shares and Class B Shares will, after payment to the holders of Preference shares, series 1, be entitled to the remaining property and assets of the Company.

	March 31, 2017		December 31, 2016	
Issued and outstanding	**Number of shares**	**Amount**	Number of shares	Amount
Dream Subordinate Voting Shares	**77,657,294**	**$ 970,072**	77,803,711	$ 971,051
Dream Class B Shares	**3,115,389**	**38,786**	3,115,464	38,787
	80,772,683	**$ 1,008,858**	80,919,175	$ 1,009,838

The following table summarizes the changes in the Dream Subordinate Voting shares issued:

	March 31, 2017		December 31, 2016	
	Number of shares	**Amount**	Number of shares	Amount
Issued and outstanding, beginning of period	**77,803,711**	**$ 971,051**	75,270,150	**$** 951,251
Class B Shares converted into Subordinate Voting Shares	**75**	**1**	48	1
Subordinate Voting Shares issued under Exchange Agreement (Note 23)	**—**	**—**	2,670,813	20,752
Subordinate Voting Shares repurchased	**(146,492)**	**(980)**	(137,300)	(953)
Issued and outstanding, end of period	**77,657,294**	**$ 970,072**	77,803,711	$ 971,051

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The following table summarizes the changes in the Dream Class B Shares issued during the three months ended March 31, 2017.

	March 31, 2017		December 31, 2016	
	Number of shares	**Amount**	Number of shares	Amount
Issued and outstanding, beginning of period	**3,115,464 $**	**38,787**	3,115,512 $	38,788
Class B Shares converted into Subordinate Voting Shares	**(75)**	**(1)**	(48)	(1)
Issued and outstanding, end of period	**3,115,389 $**	**38,786**	3,115,464 $	38,787

Dividends

In the three months ended March 31, 2017, the Board of Directors of DAM declared dividends of $2,400 and $1,005 to the Company and the non-controlling interest of DAM, respectively, on its non-voting common shares (three months ended March 31, 2016 – $4,565 and $1,935, respectively). Dividends attributable to the Company are eliminated in the condensed consolidated statements of Dream.

Reorganization adjustment

On May 16, 2013, shareholders of Dundee Corporation unanimously voted in favour of a corporate restructuring, through a tax-efficient Plan of Arrangement, which resulted in Dundee Corporation transferring its 70.05% interest in DAM, formerly Dundee Realty Corporation, including DAM common shares and DAM Class C shares, to the Company, in exchange for shares of Dream (the "Arrangement").

As a result of the Arrangement, on May 30, 2013, Dundee Corporation effectively distributed to all of its shareholders certain shares of Dream, such that the shareholders of Dundee Corporation would hold a 71.43% interest in Dream (which represented an indirect 50.00% interest in DAM). The balance of the shares, which represented a 28.57% interest in Dream, are held directly by Dundee Corporation, which represented a 20.00% indirect interest in DAM. Holders of Dundee Corporation Preference shares, series 1 received Dream Preference shares, series 1, following the Arrangement.

The Arrangement was accounted for as a corporate reorganization and the Company recognized the identifiable assets and liabilities of DAM transferred to Dream pursuant to the Arrangement at DAM's historical carrying values, with no fair value adjustments.

Normal Course Issuer Bid

Dream renewed its normal course issuer bid (the "Bid"), which commenced on September 20, 2016 and will remain in effect until the earlier of September 19, 2017 or the date on which Dream has purchased the maximum number of Subordinate Voting Shares permitted under the Bid. Under the Bid, Dream will have the ability to purchase for cancellation up to a maximum of 3,245,397 of its Subordinate Voting Shares through the facilities of the TSX at prevailing market prices and in accordance with the rules and policies of the TSX. The actual number of Subordinate Voting Shares that may be purchased and the timing of any such purchases will be determined by Dream, subject to a maximum daily purchase limitation of 8,194 shares except where purchases are made in accordance with block purchase exemptions under applicable TSX rules. In the three months ended March 31, 2017, 146,492 Subordinate Voting Shares were purchased for cancellation by the Company at an average price of $6.69 (year ended December 31, 2016 – 137,300 Subordinate Voting Shares at an average price of $6.94).

22. Accumulated other comprehensive income

The following table details the movement in AOCI:

		Interest rate hedge	Foreign currency translation	Available-for-sale securities/Equity accounted investments	Less: amounts attributable to non-controlling interest	Total
Balance, January 1, 2016	$	(216) $	9,488 $	(26,426) $	2,157 $	(14,997)
Other comprehensive income (loss) during the year		491	(930)	19,500	(5,385)	13,676
Change in interest in subsidiary		—	—	—	(29)	(29)
Balance, December 31, 2016	$	275 $	8,558 $	(6,926) $	(3,257) $	(1,350)
Other comprehensive income (loss) during the period		(87)	70	(519)	147	(389)
Balance, March 31, 2017	**$**	**188 $**	**8,628 $**	**(7,445) $**	**(3,110) $**	**(1,739)**

23. Non-controlling interest

The non-controlling interest represents the 27.4% equity interest in DAM owned by SDC, an entity wholly owned by the President and Chief Responsible Officer of DAM and Dream, located in Toronto. SDC is entitled to receive 31,533,682 Subordinate Voting Shares of Dream at any time by exercising its right to exchange its DAM shares for a fixed number of Subordinate Voting Shares of Dream, pursuant to the Exchange Agreement between Dream, SDC and DAM. On a diluted basis, including Subordinate Voting Shares of Dream and Class B Shares held or controlled directly or indirectly by the President and Chief Responsible Officer, this represents an approximate 31% economic interest in the Company as at March 31, 2017.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

On August 15, 2016, the Company received an exchange notice from SDC pursuant to the Exchange Agreement dated May 30, 2013 among Dream, DAM and SDC, exercising SDC's right to receive 2,670,813 newly issued Subordinate Voting Shares of the Company, in consideration for the transfer to the Company of 22.15 non-voting common shares and Class C voting preference shares of DAM. Upon completion of the exchange on August 18, 2016, the Company owned 691.21 non-voting common shares of DAM, representing approximately 72.6% of the outstanding equity. SDC continues to own 261.52 non-voting common shares, representing 27.4% of the outstanding equity of DAM. SDC continues to be entitled to receive 31,533,682 Subordinate Voting Shares at any time by exercising its right to exchange its non-voting common shares and Class C voting preference shares of DAM for Subordinate Voting Shares of Dream under the Exchange Agreement. Dream and SDC had previously entered into an agreement (the "Permitted Sales Agreement") that provided for "put rights" in favour of each of them upon the occurrence of certain triggering events. The Permitted Sales Agreement was terminated in accordance with its terms following the acquisition of control of the Company by the President and Chief Responsible Officer in the year ended December 31, 2016.

24. Direct operating costs

Direct operating costs consisted of the following:

	For the three months ended March 31, 2017	2016
Direct costs of real estate inventory	$ **15,767**	$ 46,427
Direct costs of operating investment, recreational properties and other	**5,323**	4,837
Salary and other compensation	**4,317**	4,222
	$ **25,407**	$ 55,486

The Company has disaggregated total operating costs into direct operating costs; asset management and advisory services expenses; selling, marketing and other operating costs; and general and administrative expenses.

25. Asset management and advisory services expenses

Asset management and advisory services expenses consisted of the following:

	For the three months ended March 31, 2017	2016
Salary and other compensation	$ **1,560**	$ 1,818
Corporate, service and professional fees	**328**	398
General office and other	**22**	10
	$ **1,910**	$ 2,226

26. Selling, marketing and other operating costs

Selling, marketing and other operating costs consisted of the following:

	For the three months ended March 31, 2017	2016
Selling and marketing costs	$ **1,269**	$ 2,803
Salary and other compensation	**4,865**	4,680
General office and other	**3,288**	2,832
	$ **9,422**	$ 10,315

27. General and administrative expenses

General and administrative expenses consisted of the following:

	For the three months ended March 31, 2017	2016
Salary and other compensation	$ **1,663**	$ 2,350
Corporate, service and professional fees	**889**	935
General office and other	**215**	432
	$ **2,767**	$ 3,717

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

28. Investment and other income

Investment and other income consisted of the following:

	For the three months ended March 31,	
	2017	2016
Distributions from Dream Office REIT	**$ 2,932**	$ 2,624
Other distributions from publicly listed funds	**663**	511
Interest and other income	**793**	788
	$ 4,388	$ 3,923

Investment income on publicly listed funds includes the income portion of distributions earned on the Company's investment in Dream Office REIT and Dream Global REIT. For details on the recognition of investment income on publicly listed funds, refer to Note 5.

29. Interest expense

Interest expenses consisted of the following:

	For the three months ended March 31,	
	2017	2016
Project-specific and general debt interest	**$ 3,763**	$ 3,991
Interest on operating line	**1,184**	946
Dividends on Preference shares, series 1	**502**	648
Amortization of deferred financing costs	**296**	365
Project-specific interest capitalized to real estate development projects	**(757)**	(1,266)
Accretion of effective interest	**6**	8
Interest expense	**$ 4,994**	$ 4,692
Add (deduct):		
Interest capitalized	**757**	1,266
Amortization of deferred financing costs	**(296)**	(365)
Accretion expense	**(6)**	(8)
Accrued interest	**311**	(46)
Cash interest paid	**$ 5,760**	$ 5,539

30. Financial instruments fair value and risk management

Fair Value of Financial Instruments

The following table categorizes financial assets or liabilities measured or disclosed at fair value by level according to the significance of inputs used in making measurements. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company 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.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

	Fair value hierarchy	March 31, 2017 Carrying value	March 31, 2017 Fair value	December 31, 2016 Carrying value	December 31, 2016 Fair value
Recurring measurement					
Financial assets					
Investment in Dream Office REIT	Level 1	**$ 74,231**	**$ 74,231**	$ 75,427	$ 75,427
Investment in Dream Office REIT, LP Class B Units	Level 2	**100,699**	**100,699**	102,321	102,321
Investment in Dream Global REIT	Level 1	**29,149**	**29,149**	26,460	26,460
Investment in Dream Global REIT – deferred trust units	Level 3	**14,580**	**14,580**	15,564	15,564
Investment in equity securities not quoted in an active market	n/a	**7,054**	**n/a**	7,054	n/a
Redemption option on Preference shares, series 1	Level 3	**881**	**881**	841	841
Interest rate swaps	Level 3	**277**	**277**	330	330
Other investments in equity securities quoted in an active market	Level 1	**1,243**	**1,243**	1,046	1,046
Fair values disclosed					
Construction loans	Level 3	**103,695**	**103,695**	90,359	90,359
Operating line	Level 3	**112,687**	**114,000**	104,526	106,000
Non-revolving term facility	Level 3	**174,502**	**175,000**	174,403	175,000
Mortgages and term debt	Level 3	**108,474**	**106,822**	112,657	110,262
Preference shares, series 1 (excluding redemption and retraction options)	Level 1	**28,649**	**29,042**	28,643	29,042

The fair values of cash and cash equivalents, accounts receivable, deposits, restricted cash, loans receivable, certain financial instruments included in accounts payable and other liabilities, and customer deposits approximate their carrying values due to their short-term nature.

The fair value of the Preference shares, series 1, is based on the listed market price on the TSX as at March 31, 2017 of $7.25 per share for the 4,005,729 issued and outstanding Preference shares, series 1.

Level 3 Fair Value Measurements

The Company used the following techniques to determine the fair value measurements categorized in Level 3:

Dream Global REIT Deferred Trust Units

The fair value of Dream Global REIT deferred trust units is based on the market price of Dream Global REIT units and applying an appropriate discount rate to reflect the vesting period. The significant unobservable inputs used in determining the discount rate include the following:

	March 31, 2017
Risk-free rate	**0.9%—1.3%**
Expected volatility	**17.6%—20.1%**

The volatility of the Dream Global REIT units is estimated based on comparable companies in both the German and Canadian real estate markets. The discount rate used to value the deferred trust units is calculated by weighting a put-and-call model calculated using the Black-Scholes model. A higher volatility or risk-free rate will decrease the value of the deferred trust units and vice versa.

	Total deferred units granted	Vesting period	Fair value as at March 31, 2017
Units as at March 31, 2017 closing price of $9.62 per unit			**$ 18,752**
Discount rate of 18% per unit for units issued in 2012	**460,362**	2018–2022	**(799)**
Discount rate of 20% per unit for units issued in 2013	**478,277**	2019–2023	**(920)**
Discount rate of 23% per unit for units issued in 2014	**457,883**	2020–2024	**(1,013)**
Discount rate of 26% per unit for units issued in 2015	**350,419**	2021–2025	**(876)**
Discount rate of 29% per unit for units issued in 2016	**202,302**	2022–2026	**(564)**
Total	**1,949,243**		**$ 14,580**

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Redemption and Retraction Options on Preference Shares, Series 1

The fair value of the Preference shares, series 1, redemption and retraction options is calculated using an interest rate option pricing method. The significant unobservable inputs used in the fair value measurement of the redemption and retraction options on the Preference shares, series 1, include the following:

	March 31, 2017
Credit spread	**3.5%**
Reversion parameter	**87.6%**
Expected volatility	**48.7%**

A higher volatility will increase the value of the redemption and retraction options. A lower credit spread will decrease the value of the redemption and retraction options.

Interest Rate Swaps

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

Non-revolving Term Facility and Operating Line

The fair value measurement of the non-revolving term facility and operating line approximates the carrying value excluding unamortized financing costs. The non-revolving term facility bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.50% or at the bank's then prevailing bankers' acceptance rate plus 2.75%. The non-revolving term facility is hedged against the interest rate swap to effectively exchange the variable interest rate for a fixed rate of 3.65%. The operating line bears interest, at the Company's option, at a rate per annum equal to either the bank's prime lending rate plus 1.25% or at the bank's then prevailing bankers' acceptance rate plus 2.50%.

Construction Loans and Mortgages and Term Debt

The fair value of the construction loans and mortgages and term debt has been calculated by discounting the expected cash flows of each loan using a discount rate specific to each individual loan. The discount rate is determined using the bond yield for similar instruments of similar maturity adjusted for each individual project's specific credit risk. In determining the adjustment for credit risk, the Company considers current market conditions and other indicators of the Company's creditworthiness.

Investments in Equity Securities Not Quoted in an Active Market

Investments in equity securities not quoted in an active market are neither measured nor disclosed at fair value since their fair value cannot be determined reliably. As at March 31, 2017, the Company's only investments in equity securities not quoted in an active market were investments in jointly owned real estate assets with entities affiliated with Dream Global REIT.

Valuation Process

The Company's finance department is responsible for performing the valuation of fair value measurements or reviewing the fair value measurements provided by third-party appraisers. The Company has determined that third-party appraisers will be utilized for recurring measurements of derivatives instruments, such as the redemption and retraction options on the Preference shares, series 1, on a quarterly basis. On a quarterly basis, management will review the valuation policies, procedures and analysis of changes in fair value measurements.

The Company recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. In the three months ended March 31, 2017, $2,213 related to vested Global REIT DTUs was transferred from Level 3 to Level 1. There were no transfers between levels in the year ended December 31, 2016.

	Investment in Dream Global REIT - deferred trust units	Redemption option on Preference shares, series 1	Arapahoe Basin – interest rate swap	Non-revolving term facilty – interest rate swap	Retraction option on Preference shares, series 1
Balance, December 31, 2016	$ 15,564	$ 841	$ 55	$ 275	**$** —
Issued or received during the period:					
Deferred trust units	333	—	—	—	—
Deferred trust units vested during the period	(2,213)				
Total gains or losses for the year included in net earnings:					
Change in fair value of redemption and retraction options[(1)]	—	40	—	—	—
Change in fair value of interest rate swap	—	—	34	—	—
Included in other comprehensive income:					
Change in fair value of deferred trust units	896	—	—	—	—
Change in fair value of interest rate swap	—	—	—	(87)	—
Balance, March 31, 2017	**$ 14,580**	**$ 881**	**$ 89**	**$ 188**	**$ —**

(1) The change in fair value of redemption and retraction options of $40 was included in the condensed consolidated statement of earnings as fair value changes in derivative financial instruments.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Risk Management

The Company is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Company's overall risk management strategy seeks to minimize potential adverse effects on the Company's financial performance.

Market Risk

Market risk is the risk that a material loss may arise from fluctuations in the fair value of a financial instrument. For purposes of this disclosure, the Company segregates market risk into two categories: fair value risk and interest rate risk in its non-revolving term facility.

Fair Value Risk

Fair value risk is the risk of a potential loss from adverse movements in the values of assets and liabilities, excluding movements relating to changes in interest rates and foreign exchange currency rates, because of changes in market prices. The Company's investments in Dream Office REIT and Dream Global REIT are listed on the Toronto Stock Exchange. A 10% absolute change in the market price of the units in Dream Office REIT and Dream Global REIT would increase (decrease) the carrying amount of the investments by $21,990, before associated taxes, with a corresponding increase (decrease) in OCI.

Interest Rate Risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its variable rate debt obligations. As at March 31, 2017, excluding the demand facility and Preference shares, series 1, variable rate debt represented 83% (December 31, 2016 – 82%) of total debt obligations. Interest rate risk is mitigated, in part, by borrowing long-term fixed rate mortgages with relatively consistent interest expense. The Company entered into interest rate swaps to further mitigate interest rate risk. See Notes 17 and 18 for further details.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Credit risk arises from the possibility that builders or other third-party purchasers of the Company's real estate inventory, or other entities to which the Company may have advanced funds, may not fulfill their contractual obligations to repay amounts due to the Company. The Company mitigates its credit risk by requiring graduated deposits from buyers and withholding real estate titles until final payments are received. The Company also mitigates credit risk by dealing only with builders and other third-party buyers that the Company considers to have secure financial standing and by diversifying the mix of builders and markets.

Credit risk also arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Company mitigates this credit risk by attracting tenants of sound financial standing and diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the maturity of financial liabilities. The Company manages its liquidity risk primarily through the management of its financial leverage. The Company uses various debt and equity ratios to monitor its capital adequacy and debt requirements, including interest coverage, minimum net worth, average term to debt maturity and the ratio of variable rate debt to aggregate debt. These ratios assist the Company in assessing the debt level maintained by the Company in order to ensure adequate cash flows for real estate development. The Company manages maturities of outstanding debt by matching them to project closing dates and monitoring the repayment dates to ensure sufficient capital will be available to cover obligations. Management also monitors the Company's availability under the operating line.

A summary of the Company's contractual obligations as at March 31, 2017 is as follows:

	Western Canada construction loans	Toronto construction loans	Operating line	Mortgages and term debt	Non-revolving term facility	Preference shares, series 1	Total	Weighted average interest rate (face)
2017	$ 56,007	$ —	$ —	$ 19,126	$ —	$ 28,681	$ 103,814	4.93%
2018	36,804	—	—	17,511	175,000	—	229,315	3.59%
2019	—	10,884	114,000	27,353	—	—	152,237	3.54%
2020	—	—	—	3,089	—	—	3,089	3.77%
2021 and thereafter	—	—	—	41,789	—	—	41,789	3.86%
	92,811	10,884	114,000	108,868	175,000	28,681	530,244	3.86%
Discount/unamortized financing costs	—	—	(1,313)	(394)	(498)	(32)	(2,237)	
	$ 92,811	$ 10,884	$ 112,687	$ 108,474	$ 174,502	$ 28,649	$ 528,007	
Weighted average interest rate (face)	3.13%	4.60%	3.39%	4.41%	3.65%	7.00%	3.86%	

The contractual payments above include the principal repayments owing in future periods. The amounts presented above are shown consistent with their contractual repayments. Certain facilities may be due on demand.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

31. Share-based compensation

Stock Option Plan

The Company has a stock option plan under which key officers and employees are granted options to purchase Subordinate Voting Shares. Each option granted can be exercised for one Subordinate Voting Share.

	Options		Weighted average exercise price
Options outstanding, January 1, 2016	1,560,000	$	8.66
Granted	140,000		7.76
Forfeited	(21,500)		7.76
Options outstanding, December 31, 2016	1,678,500	$	8.60
Granted	144,550		6.60
Forfeited	(4,000)		7.76
Options outstanding, March 31, 2017	**1,819,050**	**$**	**8.44**
Options exercisable, March 31, 2017	**513,000**	**$**	**9.35**

As at March 31, 2017, 1,819,050 options were outstanding under the stock option plan, collectively. Grants that are outstanding in the period ended March 31, 2017 are as follows:

Grant date		October 2013		February 2015		December 2015		May 2016		March 2017
Number of options granted and outstanding as at March 31, 2017		150,000		705,000		705,000		114,500		144,550
Weighted average exercise price	$	13.88	$	8.96	$	7.25	$	7.76	$	6.60
Vesting period		5 years		5 years		5 years		3 years		5 years
Fair value of stock options granted at grant date	$	5.08	$	2.05	$	2.06	$	1.57	$	1.91
Number of options vested as at March 31, 2017		90,000		282,000		141,000		—		—

The fair value of the stock options granted during the period ended and outstanding as at March 31, 2017 was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.73%
Estimated volatility(1)	24.60%
Expected life	6.5 years
Contractual life	10 years
Expected dividend yield	—%

(1) Estimated volatility is based on a blended rate of market comparables and the Company's historical volatility.

In the three months ended March 31, 2017, the Company recognized $185 (three months ended March 31, 2016 – $290) of share-based compensation expense related to stock options, offset by a nominal recovery from forfeited shares (three months ended March 31, 2016 – $nil) primarily recognized in general and administrative expense.

Performance Share Unit Plan

The Company's Board of Directors approved a Performance Share Unit ("PSU") Plan in the three months ended March 31, 2017, subject to shareholder approval. PSUs may be granted to current employees and are subject to either time vesting only, or time and performance vesting. PSUs subject to performance vesting provide the holder with a minimum of 0 and a maximum of 1.5 Subordinate Voting Shares based on the achievement of predetermined Company performance goals. In lieu of receiving Subordinate Voting Shares upon vesting, PSU holders have the right to receive a cash payment equal to the five-day trailing weighted average share price of the Company's Subordinate Voting Shares.

Deferred Share Unit Plan

The Company has a deferred share unit incentive plan pursuant to which deferred share and income deferred share units ("DSUs") may be granted to eligible directors, senior management and certain service providers. As at March 31, 2017, there were 151,173 units outstanding (December 31, 2016 – 142,949 units outstanding). In the three months ended March 31, 2017, compensation expense of $55 (three months ended March 31, 2016 – $314) related to this plan was recognized as general and administrative expense.

	March 31, 2017	December 31, 2016
Units outstanding, beginning of period	**142,949**	66,329
Granted under deferred share unit plan	**8,224**	76,620
Units outstanding, end of period	**151,173**	142,949

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The net changes in contributed surplus relating to share-based compensation for both the stock option plan and deferred share unit plan were as follows:

		Total
Balance, January 1, 2016	$	1,599
Granted, net of forfeitures		2,120
Balance, December 31, 2016	$	3,719
Granted, net of forfeitures		240
Balance, March 31, 2017	**$**	**3,959**

32. Earnings per share

Basic earnings per share is calculated by dividing the Company's earnings attributable to outside shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the Company's earnings attributable to the outside shareholders of the Company by the weighted average number of shares outstanding after the dilutive effect of the Preference shares, series 1, stock options and deferred share units. The exercise rights provided to SDC entitles an exchange of DAM shares for Subordinate Voting Shares of Dream. The diluted weighted average number of shares used in the diluted earnings per share calculation is determined by assuming that the total proceeds received for the conversion of such units is used to repurchase Subordinate Voting Shares at the average selling price of such publicly traded units over the term of the calculation.

The following table summarizes the basic and diluted earnings per share and the weighted average number of shares outstanding:

	For the three months ended March 31,			
		2017		2016
Earnings attributable to the outside shareholders of the Company	**$**	**8,178**	$	13,284
Diluted earnings per share adjustments for Preference shares, series 1		—		340
Earnings for diluted earnings per share	**$**	**8,178**	$	13,624
Weighted average number of shares outstanding as at period end:				
Dream Subordinate Voting Shares		**77,785,498**		75,152,115
Dream Class B Shares		**3,115,404**		3,115,512
Total weighted average number of shares		**80,900,902**		78,267,627
Effect of dilutive securities on weighted average number of shares outstanding at period end:				
Share-based compensation(1)		**142,949**		66,329
Preference shares, series 1		—		4,094,998
Total weighted average number of shares outstanding after dilution		**81,043,851**		82,428,954
Basic earnings per share	**$**	**0.10**	$	0.17
Diluted earnings per share	**$**	**0.10**	$	0.17

(1) For the three months ended March 31, 2017, 1,819,050 stock options and 4,520,897 Preference shares, series 1 were considered anti-dilutive (March 31, 2016 – 1,560,000 stock options).

33. Commitments and contingencies

Land and Other Purchase Agreements

As at March 31, 2017, the Company had remaining commitments under land and housing purchase agreements totalling $8,014 (December 31, 2016 – $8,580), which will become payable in future periods upon the satisfaction of certain conditions pursuant to these arrangements. These amounts exclude future repayments of debt relating to land, which has been included in mortgages and term debt as at March 31, 2017.

Letters of Credit and Surety Bonds

The Company is contingently liable for letters of credit and surety bonds that have been provided to support land developments and other activities in the amount of $78,076 (December 31, 2016 – $79,260). In addition, letters of credit in the amount of $20,796 were outstanding as at March 31, 2017 (December 31, 2016 – $10,051) relating to various equity accounted investments.

The Company is committed to pay levies in the future of up to $2,112 (December 31, 2016 – $2,346) relating to signed municipal agreements upon the commencement of development of certain real estate assets. Additional development costs may also be required to satisfy the requirements of these municipal agreements.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Joint Operations and Co-Ownerships

The Company may conduct its real estate activities from time to time through joint operations with third-party partners. The Company was contingently liable for the obligations of the other owners of the unincorporated joint operations in the amount of $nil as at March 31, 2017 (December 31, 2016 – $nil). The Company would have available to it the other venturers' share of assets to satisfy any obligations that may arise.

Joint Ventures and Associates

The Company may conduct its real estate activities from time to time through joint ventures with third-party partners. The Company was contingently liable for the obligations of the other owners of the unincorporated joint ventures of $10,355 as at March 31, 2017 (December 31, 2016 – $12,384). The Company would have available to it the other venturers' share of assets to satisfy any obligations that may arise.

Legal Contingencies

The Company and its operating subsidiaries may become liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the condensed consolidated financial statements of the Company.

Management is aware of a legal matter relating to a development project and intends to vigorously defend the matter. A statement of claim was originally filed by the plaintiff against the Company and others in 2013, and the Company and the other defendants successfully brought a motion to strike the claim in December 2014. In April 2016, the Company was served with an amended statement of claim. Management continues to believe that this amended claim is without merit and that this action will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company. A reasonable estimate of the possible loss or range of loss cannot be made at this time. The Company is contingently liable with respect to other litigation and claims that may arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the condensed consolidated financial statements.

34. Asset management and management services agreements and related party transactions

In the three months ended March 31, 2017 and 2016, the Company earned the following amounts pursuant to its asset management and advisory services agreements.

	For the three months ended March 31,	
	2017	2016
Base asset management fees	**$ 5,879**	$ 5,329
Acquisition fees	**901**	441
Expense recoveries relating to financing arrangements and other	**230**	168
	$ 7,010	$ 5,938

In the case of Dream Global REIT, the Company had irrevocably elected to receive the first $3,500 of the annual fees payable to it pursuant to these arrangements in DTUs of Dream Global REIT for the first five years until August 2016. The DTUs will vest to the Company in five equal annual installments, beginning in the sixth year following the grant of such DTUs. In the three months ended March 31, 2017, 230,020 DTUs were vested, in accordance with a separate agreement between the Company and Dream Global REIT (refer to Note 5 for further details).

Cost Recovery from Dream Office REIT

The Company and Dream Office REIT entered into a Management Services Agreement effective April 2, 2015, pursuant to which the Company will continue to provide certain management services, including services of a Chief Executive Officer to Dream Office REIT, as requested. The Company will be reimbursed for out-of-pocket costs and expenses incurred in connection with performance of the management services and costs incurred. This agreement will continue until it is terminated by either party in accordance with the termination provisions of the agreement.

	For the three months ended March 31,	
	2017	2016
Costs recovered under Management Services Agreement	**$ 793**	$ 885

Costs recovered from Dream Office REIT in the three months ended March 31, 2017 under the management services agreement related to treasury, legal and taxation services and compensation for services provided by a Chief Executive Officer.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

The Company continues to be entitled to receive an incentive fee subject to the termination provisions of the Management Services Agreement. The incentive fee is determined in accordance with a formula based on 15% of Dream Office REIT's aggregate adjusted funds from operations, including the net gain on the sale of any properties during the term of the agreement, and the deemed sale of the remaining portfolio upon termination in excess of $2.65 per Dream Office REIT unit. As at March 31, 2017, the Company has not accrued any incentive fees receivable from Dream Office REIT.

Administrative Services Agreement

In the three months ended March 31, 2017, the Company incurred expenses of $1,426 under the administrative services agreement (three months ended March 31, 2016 – $1,810).

Shared Services and Cost Sharing Agreements

DAM has entered into shared services and cost sharing agreements ("shared services agreements") with each of Dream Office REIT, Dream Industrial REIT, and Dream Global REIT. The agreements are for a one-year term and renew automatically for further one-year terms on the expiration date. Pursuant to the agreements, Dream Office REIT, Dream Industrial REIT and Dream Global REIT reimburse DAM for shared costs allocated in each calendar year on a cost recovery basis.

Effective January 1, 2016, a limited partnership agreement was created between DAM acting as general partner and a limited partner, Dream Office REIT, Dream Industrial REIT, Dream Global REIT, Dream Alternatives and Dream Technology Ventures LP ("DTV LP"). Each of the limited partners, including DAM, will fund DTV LP for costs incurred relating to technology personnel and technology-related platforms. The consolidated results of DTV LP have been included in the condensed consolidated financial statements of the Company for the three months ended March 31, 2017.

Costs recovered from Dream Office REIT, Dream Industrial REIT, Dream Global REIT and Dream Alternatives under the asset management agreements, as well as the shared services and cost sharing agreements are as follows:

	For the three months ended March 31, 2017	2016
Dream Office REIT	**$ 466**	$ 383
Dream Industrial REIT	**118**	277
Dream Global REIT	**227**	322
Dream Alternatives	**457**	417
	$ 1,268	$ 1,399

Included in accounts receivable and other are balances due from Dream Office REIT, Dream Industrial REIT, Dream Global REIT and Dream Alternatives as follows:

	March 31, 2017	December 31, 2016
Dream Office REIT	**$ 1,833**	$ 825
Dream Industrial REIT	**785**	659
Dream Global REIT	**3,223**	3,501
Dream Alternatives	**2,145**	1,280
	$ 7,986	$ 6,265

Included in accounts payable are balances due to Dream Office REIT, Dream Industrial REIT and Dream Global REIT as follows:

	March 31, 2017	December 31, 2016
Dream Office REIT	**$ 1,086**	$ 1,078
Dream Industrial REIT	**22**	—
Dream Global REIT	**7,720**	7,671
	$ 8,828	$ 8,749

Distributions Earned from Investments

The Company earned distributions from Dream Office REIT, Dream Global REIT and Dream Alternatives (Notes 5 and 11).

Other Transactions

Included in other financial assets as at March 31, 2017 is $6,974 (December 31, 2016 – $6,974) relating to an investment in properties acquired jointly with Dream Global REIT. The acquisitions were primarily funded through loans from Dream Global REIT amounting to $7,566 (December 31, 2016 – $7,391), which were included in other financial assets and accounts payable and other liabilities as at March 31, 2017.

Included in accounts receivable as at March 31, 2017 is $6,510 (December 31, 2016 – $nil) owing from Dream Alternatives relating to a letter of credit to a third party in relation to a co-owned development project.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

In the three months ended March 31, 2017, the Company entered into a project-level property management agreement with Dream Industrial REIT through which the Company received services at market terms for a nominal amount. As at March 31, 2017, the amount owing to Dream Industrial REIT was included in accounts payable and other liabilities.

In the three months ended March 31, 2017, the Company entered into a project-level development management agreement with project partially owned by Dream Alternatives through which the Company provided services at market terms in the amount of $0.1 million. As of March 31, 2017, $0.1 million was owing from the project relating to this agreement, which was included in accounts receivable.

35. Supplementary cash flow information

Components of other adjustments include:

	For the three months ended March 31,	
	2017	2016
Dream Global REIT deferred trust units	$ **(333)**	$ (1,833)
Accrued interest on loans receivables and other expenses	**(599)**	129
Share-based compensation expense	**240**	604
Loss (gain) on derivative financial instruments	**(95)**	(243)
Non-cash contribution to an equity accounted investment	**(2,170)**	—
Other	**196**	1,747
	$ **(2,761)**	$ 404

Components of changes in non-cash working capital include:

	For the three months ended March 31,	
	2017	2016
Accounts receivable	$ **740**	$ 4,003
Accounts payable and other liabilities	**(2,753)**	(19,927)
Income and other taxes payable	**17,480**	10,584
Provision for real estate development costs	**(714)**	(4,701)
Customer deposits	**1,139**	3,840
Deposits	**800**	(915)
Restricted cash	**198**	(1,188)
Inventory, prepaid and other assets	**(7)**	(214)
	$ **16,883**	$ (8,518)

The breakdown of cash and cash equivalents is as follows:

	March 31, 2017	December 31, 2016
Cash	$ **18,966**	$ 23,064
Money market funds, term deposits and GICs	**244**	368
	$ **19,210**	$ 23,432

36. Segmented information

Management has determined the operating segments based on the reports reviewed by the President and Chief Responsible Officer and senior management. Gross margin represents revenue, less direct operating costs and asset management and advisory services expenses, and excluding selling, marketing and other operating costs. Net margin represents gross margin, as defined above, including selling, marketing and other operating costs. Used as a percentage of revenue to evaluate operational efficiency, these margins are employed as fundamental business considerations in updating budgets, forecasts and strategic planning.

The allocation of other components of earnings would not assist management in the evaluation of the segments' contributions to earnings.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Segmented Revenues and Expenditures

Segmented revenues and expenditures for the three months ended March 31, 2017 and 2016 are as follows:

For the three months ended March 31, 2017

	Land development[1]	Housing development[1]	Condominium development	Asset management and advisory services	Investment and recreational properties	Eliminations[1]	Total
Revenues	$ 13,140	$ 11,288	$ 351	$ 11,258	$ 18,143	$ (2,532)	$ 51,648
Direct operating costs	(8,353)	(8,811)	(170)	—	(9,640)	1,567	(25,407)
Asset management and advisory services expenses	—	—	—	(1,910)	—	—	(1,910)
Gross margin	4,787	2,477	181	9,348	8,503	(965)	24,331
Selling, marketing and other operating costs	(3,272)	(2,769)	(1,054)	—	(2,327)	—	(9,422)
Net margin	$ 1,515	$ (292)	$ (873)	$ 9,348	$ 6,176	$ (965)	$ 14,909
Fair value changes in investment properties	—	—	—	—	6,662	—	6,662
Investment and other income	353	—	216	3,819	—	—	4,388
Earnings (losses) before the following:	$ 1,868	$ (292)	$ (657)	$ 13,167	$ 12,838	$ (965)	$ 25,959
General and administrative expenses							(2,767)
Share of losses from equity accounted investments[2]							(1,327)
Fair value change in derivative financial instruments							74
Interest expense							(4,994)
Income tax expense							(5,507)
Earnings for the period[3]							$ 11,438

For the three months ended March 31, 2016

	Land development[1]	Housing development[1]	Condominium development	Asset management and advisory services	Investment and recreational properties	Eliminations[1]	Total
Revenues	$ 44,058	$ 7,556	$ 27,547	$ 7,122	$ 16,506	$ (1,493)	$ 101,296
Direct operating costs	(17,824)	(6,212)	(23,350)	—	(9,059)	959	(55,486)
Asset management and advisory services expenses	—	—	—	(2,226)	—	—	(2,226)
Gross margin	26,234	1,344	4,197	4,896	7,447	(534)	43,584
Selling, marketing and other operating costs	(2,964)	(2,782)	(2,619)	—	(1,950)	—	(10,315)
Net margin	$ 23,270	$ (1,438)	$ 1,578	$ 4,896	$ 5,497	$ (534)	$ 33,269
Fair value changes in investment properties	—	—	—	—	284	—	284
Investment and other income	400	—	67	3,456	—	—	3,923
Earnings (losses) before the following:	$ 23,670	$ (1,438)	$ 1,645	$ 8,352	$ 5,781	$ (534)	$ 37,476
General and administrative expenses							(3,717)
Share of losses from equity accounted investments[2]							(398)
Fair value change in derivative financial instruments							(666)
Interest expense							(4,692)
Income tax expense							(9,028)
Earnings for the period[3]							$ 18,975

(1) Results include housing land sales to external customers, which are recognized in both the land and housing divisions and eliminated on consolidation.
(2) Results from operations through equity accounted investments are excluded from gross and net margin and are included in share of earnings from equity accounted investments.
(3) Includes earnings attributable to non-controlling interest.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

Segmented Assets and Liabilities

Segmented assets as at March 31, 2017 and December 31, 2016 were as follows:

March 31, 2017	**Land development**	**Housing development**	**Condominium development**	**Asset management and advisory services**	**Investment and recreational properties**	**Total**
Inventory	**$ 585,988**	**$ 57,451**	**$ 61,525**	**$ —**	**$ —**	**$ 704,964**
Properties	**—**	**—**	**—**	**—**	**295,689**	**295,689**
Total real estate assets[1]	**$ 585,988**	**$ 57,451**	**$ 61,525**	**$ —**	**$ 295,689**	**$ 1,000,653**
Intangible asset	**—**	**—**	**—**	**43,000**	**—**	**43,000**
Non-segmented assets[2]						**595,792**
Total assets						**$ 1,639,445**

December 31, 2016	Land development	Housing development	Condominium development	Asset management and advisory services	Investment and recreational properties	Total
Inventory	$ 604,487	$ 50,662	$ 55,634	$ —	$ —	$ 710,783
Properties	—	—	—	—	270,854	270,854
Total real estate assets[1]	$ 604,487	$ 50,662	$ 55,634	$ —	$ 270,854	$ 981,637
Intangible asset	—	—	—	43,000	—	43,000
Non-segmented assets[2]						587,677
Total assets						$ 1,612,314

(1) Real estate assets exclude investments in jointly controlled entities.
(2) Included in non-segmented assets are cash and cash equivalents, accounts receivable, other financial assets, equity accounted investments and capital and other operating assets, which include balances not directly attributable to a specific operating segment. The Company's investment of $218,659 in Dream Office REIT and Dream Global REIT units (December 31, 2016 – $219,772) and $37,969 in Dream Alternatives (December 31, 2016 – $30,171) are also included within non-segmented assets.

Segmented liabilities as at March 31, 2017 and December 31, 2016 were as follows:

March 31, 2017	**Land development**	**Housing development**	**Condominium development**	**Asset management and advisory services**	**Investment and recreational properties**	**Total**
Provision for real estate development costs	**$ 35,240**	**$ 1,405**	**$ 4,439**	**$ —**	**$ —**	**$ 41,084**
Customer deposits	**4,894**	**5,581**	**18,490**	**—**	**1,830**	**30,795**
Construction loans	**—**	**35,765**	**22,219**	**—**	**45,711**	**103,695**
Mortgages and term debt	**1,961**	**—**	**10,450**	**—**	**96,063**	**108,474**
Total segmented liabilities	**$ 42,095**	**$ 42,751**	**$ 55,598**	**$ —**	**$ 143,604**	**$ 284,048**
Non-segmented liabilities[1]						**514,729**
Total liabilities						**$ 798,777**

December 31, 2016	Land development	Housing development	Condominium development	Asset management and advisory services	Investment and recreational properties	Total
Provision for real estate development costs	$ 35,858	$ 1,307	$ 4,633	$ —	$ —	$ 41,798
Customer deposits	4,188	5,760	18,299	—	1,409	29,656
Construction loans	4,825	31,598	20,044	—	33,892	90,359
Mortgages and term debt	3,141	—	10,450	—	99,066	112,657
Total segmented liabilities	$ 48,012	$ 38,665	$ 53,426	$ —	$ 134,367	$ 274,470
Non-segmented liabilities[1]						506,333
Total liabilities						$ 780,803

(1) Included in non-segmented liabilities are certain amounts of accounts payable and other liabilities, income and other taxes payable, operating line, Preference shares, series 1, and deferred income taxes, which are not directly attributable to a specific operating segment.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

37. Classification of Items in Condensed Consolidated Statements of Financial Position

A summary of the classification between current and non-current assets and liabilities is presented below.

				March 31, 2017
	Less than 12 months	Greater than 12 months	Non-determinable	Total
Assets				
Cash and cash equivalents	$ 19,210	$ —	$ —	$ **19,210**
Accounts receivable	112,988	26,666	—	**139,654**
Other financial assets	2,213	236,560	—	**238,773**
Housing inventory	—	—	57,451	**57,451**
Condominium inventory	—	—	61,525	**61,525**
Land inventory	—	—	585,988	**585,988**
Investment properties	—	261,809	—	**261,809**
Recreational properties	—	33,880	—	**33,880**
Equity accounted investments	—	—	173,284	**173,284**
Capital and other operating assets	5,085	19,786	—	**24,871**
Intangible asset	—	43,000	—	**43,000**
Total assets	$ 139,496	$ 621,701	$ 878,248	$ **1,639,445**
Liabilities				
Accounts payable and accrued liabilities	$ 58,908	$ 34,447	$ —	**$ 93,355**
Income and other taxes payable	64,603	—	—	**64,603**
Provision for real estate development costs	41,084	—	—	**41,084**
Customer deposits	—	—	30,795	**30,795**
Construction loans(1)	92,811	10,884	—	**103,695**
Operating line(1)	—	112,687	—	**112,687**
Non-revolving term facility	—	174,502	—	**174,502**
Mortgages and term debt	16,578	91,896	—	**108,474**
Preference shares, series 1	28,649	—	—	**28,649**
Deferred income taxes	—	40,933	—	**40,933**
Total liabilities	$ 302,633	$ 465,349	$ 30,795	**$ 798,777**

(1) The amounts presented are shown consistent with the contractual terms of repayment, which may be due on demand.

(in thousands of Canadian dollars, except numbers of shares and per share amounts)

	Less than 12 months	Greater than 12 months	Non-determinable	Total
				December 31, 2016
Assets				
Cash and cash equivalents	$ 23,432	$ —	$ —	$ 23,432
Accounts receivable	114,409	25,985	—	140,394
Other financial assets	—	238,898	—	238,898
Housing inventory	—	—	50,662	50,662
Condominium inventory	—	—	55,634	55,634
Land inventory	—	—	604,487	604,487
Investment properties	—	237,982	—	237,982
Recreational properties	—	32,872	—	32,872
Equity accounted investments	—	—	159,045	159,045
Capital and other operating assets	4,867	21,041	—	25,908
Intangible asset	—	43,000	—	43,000
Total assets	$ 142,708	$ 599,778	$ 869,828	$ 1,612,314
Liabilities				
Accounts payable and accrued liabilities	$ 69,072	$ 27,036	$ —	$ 96,108
Income and other taxes payable	47,123	—	—	47,123
Provision for real estate development costs	41,798	—	—	41,798
Customer deposits	—	—	29,656	29,656
Construction loans[1]	47,759	42,600	—	90,359
Operating line[1]	—	104,526	—	104,526
Non-revolving term facility	—	174,403	—	174,403
Mortgages and term debt	16,422	96,235	—	112,657
Preference shares, series 1	28,643	—	—	28,643
Deferred income taxes	—	55,530	—	55,530
Total liabilities	$ 250,817	$ 500,330	$ 29,656	$ 780,803

[1] The amounts presented are shown consistent with the contractual terms of repayment, which may be due on demand.

38. Comparative Figures

Certain comparative balances have been reclassified from the condensed consolidated financial statements previously presented to conform to the presentation of the 2017 condensed consolidated financial statements.

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