



## **DUNDEE INTERNATIONAL REIT REPORTS SOLID Q2 FINANCIAL RESULTS AND CONTINUES INVESTMENTS IN ATTRACTIVE OFFICE MARKETS**

*This news release contains forward looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained within this press release.*

**TORONTO, AUGUST 7, 2013 DUNDEE INTERNATIONAL REIT (DI.UN-TSX)** today reported its quarterly financial results for the period ended June 30, 2013. Dundee International REIT's management team will be holding a conference call tomorrow, August 8, 2013 at 2:00 p.m. (ET) to discuss the results. To access the conference call, please dial 647-317-3471 in Toronto and overseas or 1-866-551-3680 elsewhere in Canada and the United States and use passcode 71390899#. A taped replay of the call will be available for ninety days. For access details, please go to Dundee International REIT's website at [www.dundeeinternational.com](http://www.dundeeinternational.com) and click on the Investor link, then click on Calendar of Events.

### **HIGHLIGHTS**

**Dundee International REIT continues executing its business plan of improving the quality of its assets and its underlying cash flow. Over the last 12 months, the REIT has doubled its asset base and reached a market capitalization surpassing \$1 billion. Highlights during the second quarter include:**

- Inclusion in the S&P/TSX Composite Index and Capped REIT Index on June 21, 2013
- Positive absorption of 88,000 square feet in Q2, including 65,000 square feet in the Trust's initial portfolio as well as 23,000 square feet in acquired properties
- Acquisition of two office properties for approximately \$141.3 million in Berlin and Munich, the two largest office markets in Germany – increasing year-to-date total acquisitions to \$863.5 million
- Closing of an equity offering for total gross proceeds of \$140.7 million, including the exercise of an overallotment option
- Locked in terms for \$88.6 million of mortgage financing to fund acquisitions at an average face rate of 2.56% and an average term to maturity of 6.1 years



Löwenkontor, Berlin



Marsstrasse 20-23, Munich

## OPERATING AND FINANCIAL HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
<b>Asset base and market capitalization (\$'000)</b>				
Investment properties	\$ 2,101,864	\$ 1,017,573		
Market capitalization	1,083,158	561,852		
<b>Operations</b>				
Occupancy rate (period-end)	86% <sup>(1)</sup>	88%		
In-place rent per square foot	\$ 11.13	\$ 7.56		
<b>Operating results (\$'000)<sup>(2)</sup></b>				
Investment properties revenue	\$ 54,413	\$ 34,896	\$ 100,777	\$ 68,970
Net rental income	36,191	20,904	63,502	41,641
Funds from operations ("FFO") <sup>(3)</sup>	21,393	11,767	37,186	23,529
Adjusted funds from operations ("AFFO") <sup>(4)</sup>	19,607	11,231	34,377	22,415
<b>Distributions</b>				
Declared distributions and interest on Exchangeable Notes <sup>(5)</sup>	\$ 20,092	\$ 11,255	\$ 36,168	\$ 21,552
Distributions paid and payable in cash (including interest on Exchangeable Notes) <sup>(5)</sup>	17,708	10,843	32,142	21,001
<b>Financing</b>				
Weighted average interest rate (period-end)	3.35%	4.21%	3.35%	4.21%
Interest coverage ratio	3.37 times	3.05 times	3.40 times	2.91 times
<b>Per unit amounts</b>				
<b>Basic:</b>				
FFO <sup>(3)</sup>	\$ 0.22	\$ 0.21	\$ 0.42	\$ 0.44
AFFO <sup>(4)</sup>	0.20	0.20	0.39	0.42
Distribution rate	0.20	0.20	0.40	0.40
<b>Basic (excluding impact of undeployed cash):</b>				
FFO <sup>(3)</sup>	0.24	0.24	0.48	0.50
AFFO <sup>(4)</sup>	0.22	0.23	0.45	0.48
Weighted average number of units outstanding	99,037,061	55,697,600	89,206,701	53,790,034

- (1) Including the terminated space for which the Trust receives payments pursuant to a head lease, occupancy would increase to 90%.
- (2) Operating results for the three month and six month periods ended June 30, 2013 were converted at \$1.337:€1 and \$1.335:€1, respectively; for the three month and six month periods ended June 30, 2012, operating results were converted at \$1.296:€1 and \$1.304:€1, respectively.
- (3) FFO - net income, adjusted for fair value adjustments on investment property and financial instruments, property acquisition costs, amortization of equipment, deferred income taxes and interest expense on Exchangeable Notes.
- (4) AFFO - FFO adjusted for amortization of debt costs, deferred unit compensation expense, straight line rent and the Trust's estimates of normalized leasing costs and normalized non-recoverable recurring capital expenditures.
- (5) Exchangeable Notes were fully exchanged in April and September 2012.

**Occupancy** – Occupancy at June 30, 2013 was 86%, or approximately 90% if the head lease for the 2012 terminated Deutsche Post space is taken into consideration. The Trust receives payments pursuant to such head lease until June of 2014. During the second quarter, the Trust had positive absorption of approximately 88,000 square feet, which included approximately 65,000 square feet of absorption in the Trust's initial portfolio acquired in 2011 as well as 23,000 square feet of absorption in properties acquired in 2012 and 2013.

**Lease terminations** – On June 24, 2013, Deutsche Post exercised its 2014 termination rights in respect of five properties, comprising 613,000 square feet, or approximately 3.1% of the REIT's current gross rental income ("GRI"). A deadline for providing notice of further potential 2014 lease terminations by the tenant for an additional 54 properties was extended to August 31, 2013. If Deutsche Post exercises its right to terminate all 54 properties, the REIT's current GRI would be

reduced by an additional 6.3%. Deutsche Post will continue to pay rent until June 30, 2014 for any terminated space pertaining to its 2014 termination rights.

**In-place rents** – Year-over-year in-place rents increased by 47%, largely due to high quality acquisitions. Overall, at \$11.52 per square foot, average market rents in our portfolio remain approximately 3.5% above in-place rents of \$11.13 per square foot.

**Funds from operations** – FFO for the three months ended June 30, 2013 was \$0.22/unit. The Trust had an average balance of \$81 million of undeployed cash on hand during Q2 2013, largely resulting from recent equity issues in anticipation of upcoming acquisitions. Excluding the impact of undeployed cash, FFO would be \$0.24/unit.

**Adjusted funds from operations** – AFFO for the three months ended June 30, 2013, was \$0.20/unit. Excluding the impact of undeployed cash, AFFO would be \$0.22/unit.

## GROWTH INITIATIVES

**Acquisitions** – During Q2 2013, Dundee International REIT completed the acquisition of two office properties for approximately \$141.3 million, comprising approximately 0.5 million square feet of office space in Berlin and Munich, the two largest German office markets. Year-to-date, Dundee International REIT was among the most active buyers of real estate in Germany, adding \$863.5 million of office properties to its portfolio.

“With our most recent acquisition of Marsstrasse 20-23 at the end of Q2, we increased our exposure in Munich, one of the most highly sought after property markets in Europe and further improved the REIT’s tenant profile by adding the State of Bavaria/Technical University of Munich to our top ten tenant roster,” said Jane Gavan, CEO of Dundee International REIT.

Q2 2013 Acquisitions	Acquired GLA (sq. ft)	Occupancy at acquisition (%)	Purchase Price (\$'000) <sup>(1)</sup>	Date acquired
Löwenkontor, Berlin	258,000	95	54,960	April 30, 2013
Marsstrasse 20-23, Munich	238,700	95	86,296	June 28, 2013
<b>Total</b>	<b>496,700</b>	<b>95</b>	<b>\$ 141,256</b>	

(1) Excludes transaction costs of \$7.5 million

**Dispositions** – The Trust completed the sale of three small properties for approximately \$6.6 million during Q2 2013. A total of ten properties were sold during the first six months of 2013 for an aggregate sales price of approximately \$13.6 million. Part of the net proceeds totalling \$8.0 million were used to reduce the Trust’s term loan credit facility.

## CAPITAL INITIATIVES

**Equity** – On July 31, 2013, the Trust had 109,043,984 units outstanding. At the July 31, 2013 closing price of \$9.28 per unit, the Trust’s market capitalization was \$1.0 billion.

**Public offering of units** – On June 6, 2013, the Trust completed a public offering of 11,700,000 Units at a price of \$10.70 per Unit. On June 24, 2013, the Trust issued an additional 1,445,000 Units at a price of \$10.70 pursuant to the exercise by the underwriters of a portion of their over-allotment option. Total gross proceeds amounted to \$140.7 million.

**Financing** – During Q2 2013, the Trust obtained mortgage financing in the amount of \$88.6 million at an average face rate of 2.56% and an average term to maturity of 6.1 years. Included in this amount is a mortgage for our property located at Marsstrasse 20-23 in the amount of \$52.0 million. The Trust made the decision to delay drawing down this mortgage until August 27, 2013.

Key performance indicators with respect to the Trust's financing activities are:

	June 30, 2013	December 31, 2012	June 30, 2012
<i>Financing activities</i>			
Weighted average interest rate	3.35%	3.98%	4.21%
Level of debt (debt-to-book value)	54%	52%	56%
Level of debt (debt-to-book value, net of cash)	51%	45%	52%
Interest coverage ratio	3.40 times	3.03 times	2.91 times
Debt-to-EBITDFV (years)	8.9	8.5	8.6
Debt – average term to maturity (years)	4.9	4.4	4.6
Variable rate debt as percentage of total debt	6%	11%	14%

As at June 30, 2013, the Trust had a debt-to-book value (net of cash) of 51% (or 44%, if Debentures are excluded), had a weighted average interest rate of 3.35% for all of its interest-bearing debt and an interest coverage ratio of 3.40 times, reflecting the Trust's success in locking in highly attractive interest rates and its ability to cover its interest expense requirements.

The average term to maturity of the Trust's debt increased to 4.9 years from 4.4 years at December 31, 2012.

Information appearing in this news release is a select summary of results. The financial statements and management's discussion and analysis for the Trust are available at [www.dundeeinternational.com](http://www.dundeeinternational.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Dundee International 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. Dundee International REIT's portfolio currently consists of approximately 15.4 million square feet of gross leasable area of office, industrial and mixed use properties across Germany. For more information, please visit [www.dundeeinternational.com](http://www.dundeeinternational.com).

*This press release may contain forward-looking information within the meaning of applicable securities legislation. Forward looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dundee International REIT's control that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, global and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate functions. Our objectives and forward-looking statements are based on certain assumptions, including that the Canadian and German economies remain stable, interest rates remain stable, conditions within the real estate market remain consistent, competition for acquisitions remains consistent with the current climate and that the capital markets continue to provide ready access to equity and/or debt. All forward-looking information in this press release speaks as of the date of this press release. Dundee International REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in Dundee International REIT's filings with securities regulators, including its latest annual information form and MD&A. These filings are also available at Dundee International REIT's website at [www.dundeeinternational.com](http://www.dundeeinternational.com).*

– 30 –

For further information, please contact:

Michael J. Cooper

Vice Chairman

(416) 365-5145

[mcooper@dundeeinternational.com](mailto:mcooper@dundeeinternational.com)

P. Jane Gavan

President and Chief Executive Officer

(416) 365-6572

[jgavan@dundeeinternational.com](mailto:jgavan@dundeeinternational.com)

Rene D. Gulliver

Chief Financial Officer

(416) 365-5447

[rgulliver@dundeeinternational.com](mailto:rgulliver@dundeeinternational.com)