



DUNDEE INTERNATIONAL REIT REPORTS ON TRANSFORMATIONAL YEAR WITH STRONG LEASING AND ACCRETIVE ACQUISITIONS IN AN IMPROVING ECONOMY

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, FEBRUARY 26, 2014 DUNDEE INTERNATIONAL REIT (DI.UN-TSX) today reported its quarterly financial results for the year ended December 31, 2013. Dundee International REIT's management team will be holding a conference call tomorrow, February 27, 2014 at 9:00 a.m. (ET) to discuss the results.

HIGHLIGHTS

Dundee International REIT ended 2013 with another quarter of occupancy growth and positive absorption, reflecting the Trust's continued focus on asset management through its local operations team and the addition of high quality acquisitions in top office markets in Germany.

Strong market fundamentals continue to drive Europe's largest economy

- Aggregate vacancy rate in the seven largest office markets in Germany ("Big 7") is at its lowest level since 2002, declining year-over-year from 8.8%⁽¹⁾ at the end of 2012 to 8.3%⁽¹⁾ at the end of 2013;
- Growth in rental rates continues with prime rental rates in the Big 7 office markets increasing on average by 2%⁽¹⁾ annually;
- Germany's registered unemployment rate remains near a 25-year low at 6.7%⁽²⁾ at the end of 2013, driving strong user demand across all key office markets;
- All-in mortgage rates in Germany are among the lowest in the Trust's history, as increasing competition in the lending market puts pressure on credit spreads;

Continuing expansion and growth of Trust's asset base

- Over \$1.0 billion of office properties acquired in Germany's largest office markets in 2013 at an average cap rate of 6.7% and an average borrowing rate of 2.6%;
- \$113 million of acquisitions closed and under contract year to date in 2014 at an average cap rate of 6.3% and an average borrowing rate of 2.3%;
- Diversification of tenant profile as the REIT's largest tenant Deutsche Post contributed 37% to the overall gross rental income ("GRI") at the end of 2013, down from 65% at the end of 2012;
- Retention of Deutsche Post and Postbank in approximately 50% of the space and 53% of the GRI that Deutsche Post was entitled to terminate as part of their 2014 termination rights;

Improving cash flow from operations

- Increased overall occupancy to 86.4% at December 31, 2013 from 83.2% at December 31, 2012, with a 20 basis point increase over Q3 2013;
- Positive absorption in the Initial Properties resulting in an increase in occupancy to 83.2% at December 31, 2013 from 82.1% at December 31, 2012;
- Continued improvements in Trust's tenant retention with over 350,000 square feet of renewals, representing a retention ratio of approximately 66% in 2013;
- 180,100 square feet of positive absorption in 2013 across the entire portfolio;
- 35% year-over-year increase in the average in-place rents from €6.25 at December 31, 2012 to €8.46 at December 31, 2013, reflecting the transformation to higher quality office space;

(1) Jones Lang LaSalle

(2) DESTATIS, Germany's Federal Statistical Office

Continuous improvements in financial and debt performance indicators

- 2013 FFO of \$84.4 million or \$0.85/unit (\$0.94/unit excluding impact of undeployed cash) from higher quality cash flow;
- 2013 AFFO of \$78.0 million or \$0.79/unit (\$0.88/unit excluding impact of undeployed cash) from higher quality cash flow;
- \$625.8 million of mortgage financings in 2013 at an average interest rate of 2.6% and average term of 6.6 years, with \$94.0 million of new mortgage financings completed in the fourth quarter at an average interest rate of 2.4% and an average term of 5.0 years;
- Decrease in weighted average interest rate to 3.37% at December 31, 2013, from 3.98% at December 31, 2012;
- Improved interest coverage ratio to 3.40 times in 2013 from 3.03 in 2012.

OPERATING AND FINANCIAL HIGHLIGHTS

	Three months ended		Year ended	
	December 31		December 31	
	2013	2012	2013	2012
Asset base and equity (\$'000)				
Investment properties	\$ 2,390,244	\$ 1,182,757		
Total book equity	1,034,005	596,078		
Operations				
Occupancy rate (period end)	86.4%	83.2%		
In-place rent per square foot	€ 8.46	€ 6.25		
Operating results (\$'000) ⁽¹⁾				
Investment properties revenue	\$ 62,528	\$ 35,926	\$ 220,220	\$ 138,661
Net rental income	41,872	22,057	144,853	85,439
Net rental income - Initial Properties ⁽²⁾	20,033	19,262	79,126	78,646
Net rental income – Acquisition Properties ⁽³⁾	21,839	2,795	65,727	6,793
Funds from operations ("FFO") ⁽⁴⁾	24,235	12,348	84,422	48,320
Adjusted funds from operations ("AFFO") ⁽⁵⁾	22,259	11,887	78,007	46,164
Distributions				
Declared distributions and interest on Exchangeable Notes ⁽⁶⁾	\$ 22,005	\$ 12,953	\$ 80,156	\$ 46,064
Distributions paid and payable in cash (including interest on Exchangeable Notes ⁽⁶⁾)	18,249	11,888	69,205	44,095
Financing				
Weighted average interest rate (period-end)	3.37%	3.98%	3.37%	3.98%
Interest coverage ratio ("ICR")	3.41 times	3.23 times	3.40 times	3.03 times
Per unit amounts				
Basic:⁽¹⁾				
FFO ⁽⁴⁾	\$ 0.22	\$ 0.19	\$ 0.85	\$ 0.84
AFFO ⁽⁵⁾	0.20	0.19	0.79	0.80
Distribution rate	0.20	0.20	0.80	0.80
Basic (excluding impact of undeployed cash):				
FFO ⁽⁴⁾	0.24	0.24	0.94	0.98
AFFO ⁽⁵⁾	0.22	0.24	0.88	0.94
Weighted average number of units outstanding	109,482,435	64,064,093	99,335,779	57,379,400

(1) Results from operations were converted into Canadian dollars from euros using the following average exchange rates: the three-month and twelve-month periods ended December 31, 2013 were converted at \$1.4296:€1 and \$1.3688:€1, respectively; for 2012, the three-month and twelve-month periods ended December 31, 2012 were converted at \$1.2861:€1 and \$1.2850:€1, respectively.

(2) "Initial Properties" are the income-producing properties acquired on August 3, 2011.

(3) "Acquisition Properties" are the income-producing properties acquired subsequent to the Trust's initial public offering on August 3, 2011.

(4) 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.

(5) 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.

(6) Includes interest on Exchangeable Notes which were fully exchanged in April and September 2012.

Occupancy – Occupancy at December 31, 2013 was 86.4%, up from 83.2% at December 31, 2012 with a 20 basis point increase over Q3. The improvement in the Trust’s overall occupancy rate resulted from positive absorption of space in the Trust’s Initial Properties and higher occupancy rates in the Acquisition Properties.

In-place rents – Year-over-year in-place rents increased from \$8.20 (€6.25) per square foot in Q4 2012 to \$12.40 (€8.46) in Q4 2013, largely due to high quality acquisitions. Overall, at \$12.68 per square foot, average market rents in our portfolio remain approximately 2.3% above in-place rents.

Funds from operations – FFO for the three months and twelve months ended December 31, 2013 was \$0.22/unit and \$0.85/unit, respectively. The Trust had an average balance of \$79 million of undeployed cash on hand during Q4 2013. Excluding the impact of undeployed cash, FFO for the three months and twelve months ended December 31, 2013 would be \$0.24/unit and \$0.94/unit, respectively.

Adjusted funds from operations – AFFO for the three months and twelve months ended December 31, 2013, was \$0.20/unit and \$0.79/unit, respectively. Excluding the impact of undeployed cash, AFFO for the three months and twelve months ended December 31, 2013 would be \$0.22/unit and \$0.88/unit, respectively.

GROWTH INITIATIVES

Acquisitions – During Q4 2013, the Trust completed the acquisition of Feldmühleplatz 1 + 15 in Düsseldorf, Germany, for approximately \$107.7 million, making it the Trust’s largest single asset transaction to date, and increasing its total acquisitions in 2013 to over \$1.0 billion by adding approximately 2.8 million square feet of high quality office space in the most desirable markets in Germany to our portfolio.

Subsequent to year end, the Trust completed the acquisition of Werner-Eckert-Strasse 8–12, a multi-tenant office property in Munich, Germany, for approximately \$22.1 million at a going-in capitalization rate of 6.5%. The Trust has negotiated five-year financing for this property at a loan-to-value of approximately 59% and an interest rate of approximately 2.1% based on current market rates.



“We are pleased with the transformation of our business through the addition of high quality assets in the best markets in Germany, strong leasing in our Initial Properties at higher rates than their expiring rates and our active disposition program. This transformation is further optimizing our long-term cash flow and supports our key objective of providing predictable and sustainable distributions to our investors,” said Jane Gavan, CEO of Dundee International REIT.

Acquisitions under contract – On February 11, 2014, the Trust entered into a purchase and sale agreement for a fully leased multi-tenant office property situated in a desirable location in Hamburg, Germany, for an approximate purchase price of €60 million (\$91 million) at a capitalization rate of 6.2% and an average remaining lease term of 4.0 years. The Trust has negotiated seven-year financing for this property at a loan-to-value of approximately 61% and an interest rate of approximately 2.4% based on current market rates.

Leasing – The Trust recorded positive absorption of approximately 180,100 square feet of space in 2013. Subsequent to year end, the Trust completed the successful negotiation of 37 leases with Deutsche Postbank comprising an aggregate 166,000 square feet of space for a lease term of 10 years at rates that are over 70% higher than the blended rates paid by Deutsche Post for the terminated properties.

Dispositions – The Trust completed the sale of four properties during Q4 2013, increasing the 2013 total dispositions to 15 properties for an aggregate sales price of approximately \$23.9 million, which represents 102% of book value for those assets. Subsequent to year end, the REIT has completed the sale of three properties and has signed sale agreements for an additional four properties for an aggregate sales price of €16.4 million, which represents 114% of book value for those assets. These transactions are part of the Trust's capital recycling program, which is focused on acquiring newer, higher quality properties to replace certain Initial Properties.

CAPITAL INITIATIVES

Financing – During Q4 2013, the Trust obtained two mortgages in the aggregate amount of \$94.0 million at a weighted average interest rate of 2.4% and each carrying a term of five years. One of these mortgages relates to the acquisition of Oasis III in Stuttgart, which closed September 30, 2013, while the other mortgage pertaining to the acquisition of Feldmühleplatz 1 + 15, which closed on November 29, 2013. Using cash on hand and delaying the draw-down of both these mortgages resulted in significant interest savings. The Trust continues to have good access to attractive financing provided by German lenders.

Operating line – During Q4 2013, the Trust completed the renegotiation of its revolving operating line with a major Canadian bank, increasing the line from €10 million to €25 million.

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

	December 31, 2013	December 31, 2012
<i>Financing activities</i>		
Weighted average interest rate	3.37%	3.98%
Level of debt (debt-to-book value, net of cash and convertible debentures)	48%	33%
Level of debt (debt-to-book value, net of cash)	54%	45%
Interest coverage ratio	3.40 times	3.03 times
Debt-to-EBITDFV (years)	8.7	8.5
Debt – average term to maturity (years)	4.6	4.4
Variable rate debt as percentage of total debt	5%	11%

As at December 31, 2013, the Trust had a debt-to-book value (net of cash) of 54% (or 48%, if convertible debentures are excluded), had a weighted average interest rate of 3.37% for all of its interest-bearing debt and an interest coverage ratio of 3.4 times, reflecting the Trust's success in locking in highly attractive interest rates and its ability to cover its interest expense requirements. We operate within a debt-to-book value range of 50% - 60% and target 55% (net of cash). The average term to maturity of the Trust's debt increased to 4.6 years at the end of 2013 from 4.4 years at December 31, 2012.

APPOINTMENTS

The Board of Trustees of Dundee International REIT is very pleased to announce the appointment of Johann Koss as an independent trustee of Dundee International REIT. Johann Koss is the founder and Chief Executive Officer of Right To Play, a global organization that uses the transformative power of play - playing sports, playing games - to educate and empower children facing adversity. Mr. Koss has won numerous accolades, including honorary doctorates from the University of Calgary and Brock University, and was named "One of 100 Future Leaders of Tomorrow" by TIME Magazine and a Young Global Leader by the World Economic Forum.

Mr. Koss will fill the vacancy created by the departure of Olivier Brahin, who is a Senior Managing Director of Lone Star Europe Ltd. In this role, Mr. Brahin represented the vendor of the Trust's Initial Properties, and was instrumental in the successful transition subsequent to the sale in 2011. The Board of Trustees is also announcing that Mr. Ned Goodman has resigned from the Board of Directors of Dundee International REIT in addition to a number of boards of directors, to focus on his increased work commitments as the President and Chief Executive Officer of Dundee Corp., which continues to own 10 million units of Dundee International REIT. The Board of Trustees would like to thank Mr. Goodman and Mr. Brahin for their insights and counsel during their tenure as trustees.

The Board of Trustees is also pleased to announce that Mr. Gerwin Holland has agreed to join the Trust's management team as Chief Investment Strategist. Recently, Mr. Holland was a Senior Portfolio Manager at PGGM, an asset manager for Dutch pension funds and one of the world's largest asset managers with €153 billion of assets under management. In his new role, Gerwin will be identifying new investment opportunities and sourcing joint venture partners and will be responsible for portfolio management and recycling capital to help facilitate further growth abroad. "We are very pleased with the addition of Gerwin to our team. His international perspective coupled with his insights into the North American REIT sector will be of great value as we continue to look for new opportunities to grow our business, identify joint venture partners, expand the Trust's management platform and execute our business plan," said Michael Cooper, Vice Chairman of Dundee International REIT.

CONFERENCE CALL DETAILS

Dundee International REIT's management team will be holding a conference call tomorrow, February 27, 2013 at 9:00 a.m. (ET) to discuss the results. To access the conference call, please dial 416-216-4169 in Toronto and overseas or 1-866-229-4144 elsewhere in Canada and the United States and use passcode 6215489#. 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 and click on the Investor link, then click on Calendar of Events.

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 and on SEDAR at 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 15.7 million square feet of gross leasable area of office, industrial and mixed use properties across Germany. For more information, please visit 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.

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