DUNDEE INTERNATIONAL REIT

THIRD QUARTER 2011

Q3

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Letter to unitholders

I am very pleased to present to you the first financial report of Dundee International REIT. Creating Dundee International was a major undertaking and on August 3rd, we debuted as one of Canada's most successful REIT IPOs amidst volatile market conditions. To date, our REIT is the only Canadian REIT that exclusively invests in commercial properties outside of Canada, giving investors an opportunity to diversify their real estate holdings. Over the last three months, we have taken full control of our operations in Europe with a team of 14 professionals on the ground in Germany and Luxembourg looking after our platform of 292 properties across Germany. In addition, we have an experienced team of real estate professionals overseeing our business at our head office in Toronto. During our first 90 days we have focused on our buildings and operations, strengthening our relationship with our largest tenant and our strategies for growth.

Our financial performance during the quarter exceeded our forecast. At $7.5 million and $6.7 million, respectively, both our funds from operations and adjusted funds from operations were ahead of our forecast. This increase was a result of net rental income growth due to increased occupancy as well as an appreciation of the euro.

Starting with a platform in Germany brought several other advantages. Like Canada, Germany is a country with a history of political, legal and financial stability and provides an attractive climate for long-term investment. In addition, our management team has long-standing relationships with the German real estate and investment community, which originated in 1998 with Dundee Realty Corporation's ("DRC") acquisition of a German fund initiator.

Within Europe, Germany continues to show resilience and seems best positioned to withstand the ongoing euro crisis and weakening global economic outlook. German exports continued to rise during the first six months of this year, GDP is expected to grow by 2.9% in 2011 and the country's unemployment rate reached a low not seen in over 20 years. The commercial real estate market has also performed very well so far this year, with demand for space and rent levels continuing to develop positively in the third quarter.

Notwithstanding the backdrop of uncertainty in Europe, our units have traded consistent with the REIT index in the range of $9.05—$10.45, with a weighted average price of $10.01 for the period from August 3 to September 30, 2011. Since our IPO, we have made our first two distribution payments, paying a yield of 8% based on our IPO price of $10 per unit, and are committed to provide our unitholders with consistent and sustainable distributions in the future.

Our investment in 292 properties remains one of the largest real estate transactions in Germany in 2011 and has put Dundee International in the forefront of the real estate community. Since our IPO, we have seen many acquisition opportunities and with $61 million in proceeds from our over-allotment, we are well positioned to capitalize on these opportunities. We are also focused on building relationships with European lenders and are pleased with their interest in providing financing to us, both for new acquisitions as well as for refinancing a portion of our current blanket facility.

Looking ahead, we will focus on running our business effectively by creating value through proactive leasing and asset management, tenant diversification and identifying opportunities for acquisitions in order to create long-term value for our unitholders. With a strong financial position, promising opportunities for growth in our target markets and a dedicated team, we are excited about our future prospects and are poised to become a top choice for REIT investors seeking international exposure.

On behalf of our management team and our board of trustees, I'd like to thank you for your support of Dundee International REIT.

P. JANE GAVAN
President and Chief Executive Officer
November 11, 2011

Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except rental rates, unit and per unit amounts.)

SECTION I — OVERVIEW AND FINANCIAL HIGHLIGHTS

- First Canadian REIT investing exclusively outside of Canada, starting with a platform of 292 properties in Germany
- $410 million initial public offering ("IPO") followed by $61 million over-allotment option
- $448 million financing obtained from a syndicate of German and French banks
- Solid results for the period, slightly ahead of the forecast and expectations

	For the period from August 3, 2011, to September 30, 2011	Financial forecast (pro-rated)[1]
Operations		
Occupancy rate (period-end)	**88%**	
In-place rent per square foot	**$ 7.40**	
Operating results		
Investment properties revenue	**$ 22,548**	$ 22,400
Net rental income	**13,531**	12,947
Funds from operations ("FFO")[2]	**7,500**	6,909
Adjusted funds from operations ("AFFO")[3]	**6,725**	6,467
Distributions		
Declared distributions and interest on Exchangeable Notes	**$ 6,691**	$ 6,168
Distributions paid and payable in cash (including Exchangeable Notes)	**6,607**	6,168
DRIP participation ratio	**1.3%**	
Financing		
Coupon interest rate (period-end)	**4.34%**	4.45%
Interest coverage ratio	**2.67 times**	2.49 times
Per unit amounts[4]		
Basic:		
FFO[2]	**$ 0.15**	$ 0.14
AFFO[3]	**0.13**	0.13
Distribution rate	**0.13**	0.13
Diluted:		
FFO[2]	**$ 0.15**	$ 0.14

FFO and AFFO are key measures of performance used by real estate operating companies; however, they are not defined under IFRS, do not have standard meanings and may not be comparable with other industries or income trusts.

(1) Financial Forecast — Refers to the financial forecast for the three-month period ended September 30, 2011 included in our prospectus dated July 21, 2011; pro-rated to reflect our ownership commencing August 3, 2011.

(2) FFO — The reconciliation of FFO to net income can be found on page 21.

(3) AFFO — The reconciliation of AFFO to FFO can be found on page 21.

(4) A description of the determination of basic and diluted amounts per unit can be found on page 22.

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dundee International Real Estate Investment Trust ("Dundee International REIT" or the "Trust") should be read in conjunction with the interim consolidated financial statements of Dundee International REIT for the period ended September 30, 2011.

The Trust's basis of financial reporting is International Financial Reporting Standards ("IFRS").

This management's discussion and analysis has been dated as at October 31, 2011, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

- "Debentures", meaning the 5.5% convertible unsecured subordinated debentures of the Trust due July 31, 2018;
- "Exchangeable Notes", meaning the Exchangeable Notes, Series A and the Exchangeable Notes, Series B issued by a subsidiary of Dundee International REIT;
- "GLA", meaning gross leasable area; and
- "Units", meaning the units of the Trust.

Certain information has been obtained from Jones Lang LaSalle, Office Market Overview Q3 2011, a publication prepared by a commercial firm that provides information relating to the German real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dundee International REIT's control, which 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, business and government conditions; the financial condition of tenants; concentration of our tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space and the timing of lease terminations; our ability to source and complete accretive acquisitions; changes in tax laws or the application thereof; and interest and currency rate fluctuations.

Although the forward-looking statements contained in this management's discussion and analysis are based upon what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust's properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; that the Trust is exempt from the specified investment flow-through trust ("SIFT") rules under the *Income Tax Act* (Canada); and other risks and factors described from time to time in the documents filed by the Trust with the securities regulators.

All forward-looking information is as of October 31, 2011, except where otherwise noted. Except as required by securities law in connection with our financial forecast included in our prospectus dated July 21, 2011, 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 our filings with securities regulators. These filings are also available on our web site at www.dundeeinternational.com.

BACKGROUND

Dundee International REIT is an unincorporated, open-ended real estate investment trust that was formed to provide investors with the opportunity to invest in real estate exclusively outside of Canada. Dundee International REIT was founded by Dundee Realty Corporation ("DRC"), which is our asset manager. Our units are listed on the Toronto Stock Exchange under the trading symbol DI.UN.

On August 3, 2011, Dundee International REIT completed an initial public offering ("IPO") of Units and Debentures for aggregate gross proceeds of $410 million. Concurrently with the IPO, Dundee Corporation and Dundee Realty Corporation purchased Units at an aggregate price of $120 million. These proceeds (net of issue costs and working capital requirements), together with approximately €58.6 million ($80 million) of proceeds from the sale of Exchangeable Notes and €328.5 million ($448 million) in term debt financing, were used to fund the amount payable of $1,007 million for a portfolio of real estate assets located in Germany.

Our portfolio currently consists of 292 office, multi-functional and industrial properties comprising approximately 12.3 million square feet of GLA located in Germany.

We will be exempt from the SIFT rules, taking into account all proposed amendments to such rules, as long as we comply at all times with our investment guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the REIT exception under the *Income Tax Act* (Canada) in order to be exempt from the SIFT rules. As a result, we are not subject to the same restrictions on our activities as those that apply to Canadian real estate investment trusts that do rely on the REIT exception. This gives us flexibility in terms of the nature and scope of our investments and other activities. Because we do not own taxable Canadian property (as defined in the *Income Tax Act* (Canada)), we are not subject to restrictions on our ownership by non-Canadian investors.

OUR OBJECTIVES

We are committed to:

- managing our investments to provide stable, sustainable and growing cash flows through investments in commercial real estate located outside of Canada;
- building a diversified, growth-oriented portfolio of commercial properties based on an initial portfolio in Germany;
- capitalizing on internal growth and seeking accretive acquisition opportunities in our target markets;
- growing the value of our assets and maximizing the long-term value of our Units through the active and efficient management of our assets; and
- providing predictable and growing cash distributions per Unit, on a tax-efficient basis.

OUR STRATEGY

Our core strategy is to invest in income-producing properties outside of Canada that provide stable, sustainable and growing cash flows. Our methodology to execute our strategy and to meet our objectives includes:

Optimizing the performance, value and long-term cash flow of our properties

We manage our properties to optimize their performance, value and long-term cash flow. We seek to do this by achieving high occupancy and rental rates. Together with our management team in Canada, we also have an established management team in Germany and Luxembourg, bringing a history with our properties, continuity with our major tenant and relationships with other market participants. Leasing, capital expenditure and construction initiatives are internally managed by us, while an affiliate of our major tenant continues to provide property management services for our properties and is responsible for all day-to-day operations, including the general maintenance, rent collection and administration of operating expenses and tenant leases.

Diversifying our portfolio to mitigate risk

We seek to diversify our portfolio to increase value on a per unit basis, further improve the sustainability of our distributions and strengthen our tenant profile. We anticipate that our profile in Europe, our relationships, our management team in Germany and Luxembourg and the expertise of our board members and senior management team will provide us with opportunities to take advantage of real estate transactions available in Germany and other European countries.

Investing in stable income-producing properties outside of Canada

When considering acquisition opportunities, we look for properties with quality tenancies and strong occupancy, and assess how acquisition opportunities complement our properties and have the potential to create additional value. We pursue acquisition opportunities independently as well as by partnering with existing local operators and by growing with Canadian groups as they expand their reach outside of Canada. In considering future acquisitions, we intend to focus on countries with a stable business and operating environment, a liquid market for real estate investments, a legal framework that provides adequate rights and protections for owners of property, and a manageable foreign investment regime. We will consider investment opportunities in income-producing properties that are accretive, provide stable, sustainable and growing cash flows and enable us to realize synergies with our portfolio of properties. The execution of this strategy will be consistently reviewed and will also include engaging in dispositions of properties and optimizing our capital structure.

Maintaining and strengthening a conservative financial profile

We operate our investments in a disciplined manner, with a focus on financial analysis and balance sheet management to ensure that we maintain a prudent capital structure and conservative financial profile. We intend to generate stable cash flows sufficient to fund our distributions while maintaining a conservative debt ratio. Our preference will be to ultimately stagger our debt maturities to mitigate our interest rate risk and limit refinancing exposure in any particular period. We have also implemented a foreign exchange hedging strategy to provide greater certainty regarding the payment of distributions to unitholders and interest to debentureholders.

OUR ASSETS

Our assets consist of a portfolio of 292 office, mixed use and industrial properties, with a small residential component, comprising approximately 12.3 million square feet of GLA located in Germany. Our properties are strategically located in major city and town centres, often on a central square in close proximity to the main train station and/or bus station. The locations typically provide excellent visibility, access to a major street and proximity to a transportation hub and city centre pedestrian/shopping areas.

Throughout this document, we make reference to the following three asset categories:

Office

This category includes regional administration headquarters. The properties contain national and regional administration offices and are generally located just outside major city centres and typically have the highest rental rates of the three asset categories.

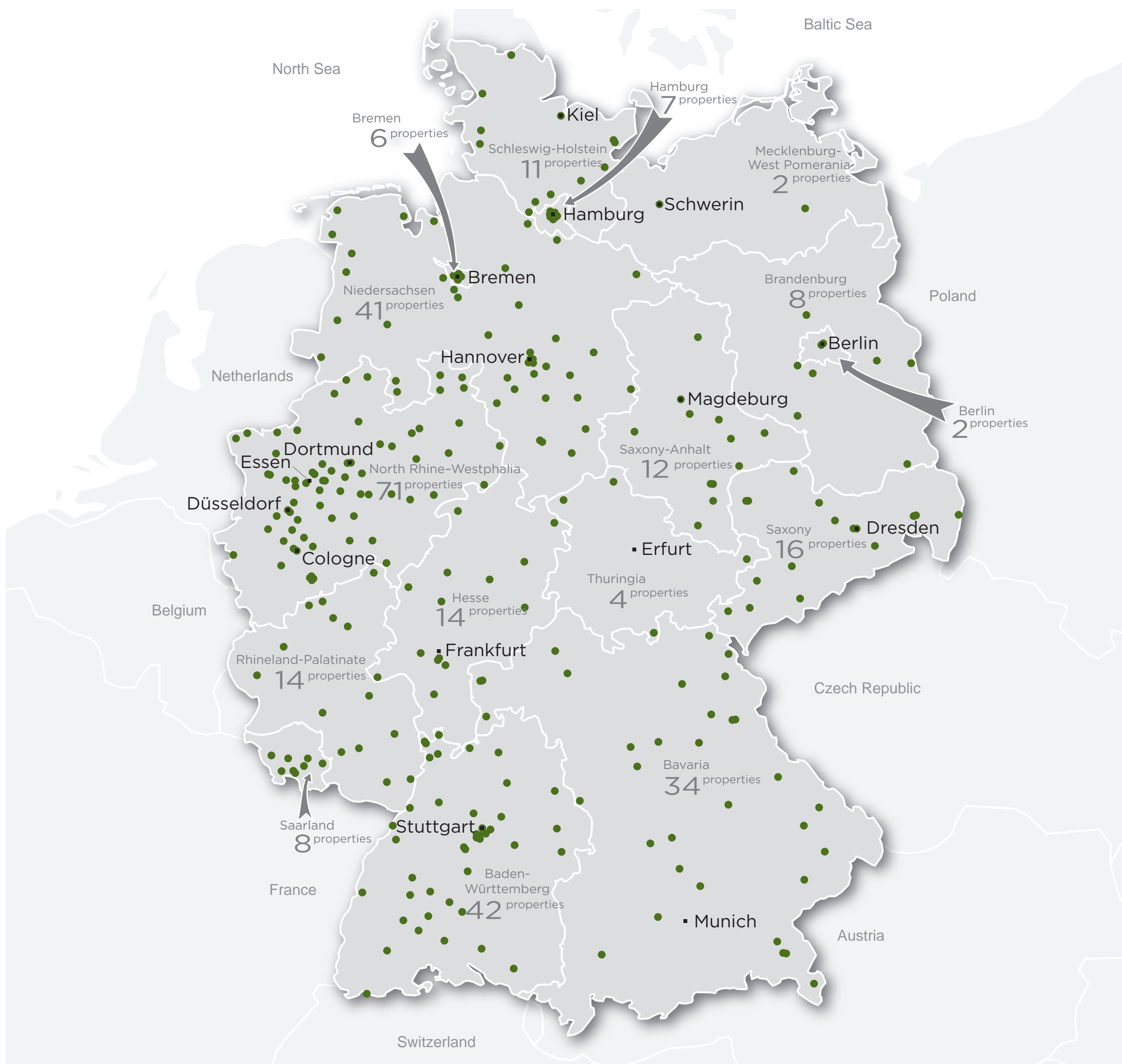
Mixed use

This category includes mixed use retail, banking and distribution properties that contain mail and distribution centres and administration offices. The properties are generally strategically located near central train stations, main retail areas and are easily accessible by public transport.

Industrial

This category includes regional logistics headquarters. The properties in this category are typically used as strategic logistics facilities that are critical elements of Deutsche Post's distribution network. The properties are mostly located near major cities and have access to significant infrastructure, including railways and highways.

The map below shows the locations of our assets in Germany.



Our properties are located throughout Germany with a heavy concentration in the Western German states of North Rhine–Westphalia, Baden–Württemberg, Niedersachsen, Bavaria and Hesse. Approximately 60% of our overall GLA is located in these five states.

The table below highlights the geographic diversification of our properties as of September 30, 2011.

States	Total GLA (sq. ft.)	Total GLA (%)	Weighted average occupancy (%)
Baden–Württemberg	1,622,880	13	92
Bavaria	1,462,112	12	87
Berlin	53,483	1	91
Brandenburg	141,370	1	88
Bremen	320,886	3	82
Hamburg	485,757	4	88
Hesse	1,041,500	8	90
Mecklenburg–West Pomerania	101,023	1	87
Niedersachsen	1,592,005	13	80
North Rhine–Westphalia	2,760,689	22	92
Rhineland–Palatinate	500,262	4	86
Saarland	482,671	4	91
Saxony	643,850	5	77
Saxony–Anhalt	449,226	4	85
Schleswig	536,904	4	95
Thuringia	127,267	1	72
Total	**12,321,885**	**100**	**88**

A comprehensive list of all properties can be found in the Appendix starting on page 60 of this report.

TENANTS

Deutsche Post

Our properties were formerly owned by Deutsche Post. Deutsche Post contributes at least 90% of the gross rental income ("GRI") in 172 of our properties and between 50% and 90% of the GRI in 105 of our properties, leaving only 15 properties where less than 50% of the GRI is contributed by Deutsche Post.

Deutsche Post is an integral part of the German economy and continues to be an important part of day-to-day life in Germany. Deutsche Post is Europe's largest postal company and the only provider of universal postal services in Germany. Through its acquisition of DHL in 2002, Deutsche Post has become a global logistics market leader. It employs approximately 470,000 people in more than 200 countries and territories. As the only provider of universal postal services in Germany, Deutsche Post must provide certain minimum levels of service to German residents. On a daily basis, it serves two to three million customers through its retail outlets and delivers 66 million letters and 2.6 million parcels within Germany via mail and parcel sorting facilities. Its infrastructure network in Germany includes 82 mail centres, 33 parcel centres and 20,000 retail outlets and points of sale.

As a result of the high barriers to entry, Deutsche Post holds an approximate 87% market share of the €6.0 billion domestic mail communication market in Germany, in addition to holding an approximate 39% market share of the €6.8 billion domestic parcel market. Deutsche Post's position in the parcel market provides an opportunity for growth as businesses and consumer activities in online commerce continue to expand, thereby increasing non-letter mail volumes.

Deutsche Postbank

Pursuant to a private agreement between Deutsche Post and Deutsche Postbank ("Postbank"), 202 of our properties feature branches of Postbank, allowing for the delivery of integrated financial and postal services. The properties featuring Postbank branches are typically located at ground level with a view to attracting a high volume of retail and business customers seeking financial or postal services. These locations may include retail space (where consumer staples are offered for sale), a banking or investment advisory area, mailboxes for rent, an automated postal/banking services station or traditional banking teller service. Many Postbank branches in our properties have recently undergone refurbishment and now feature contemporary designs, expanded retail sections, enhanced lighting and automated postal and financial services centres. The delivery of banking and postal services are integrated such that customers can purchase consumer staples, send or receive mail or parcels and attend to their financial services needs, including by making deposits, loans, transfers, investments and purchasing insurance.

Postbank is a public company controlled by Deutsche Bank and is integral to their retail banking business. Postbank offers retail financial services in their branches within Deutsche Post's network, which generates increased traffic through the postal services offered in those branches. There are 4,500 branches of Deutsche Post in which selected Postbank financial services are available. Postbank offers comprehensive financial services as well as postal services in its own 1,100 branches.

With 14 million active domestic customers and over 20,000 employees, Postbank is one of Germany's major financial services providers. Postbank's focus is on its retail business with private customers. Postbank has the densest branch network of any bank in Germany, which makes it conveniently accessible and attractive to its retail banking customer base.

Deutsche Telekom

After Deutsche Post, Deutsche Telekom is the second-largest tenant in our properties. Deutsche Telekom occupies approximately 1.4% of the GLA of our properties and currently generates approximately 2.5% of the portfolio's overall GRI. The occupied space is mainly used for server and cable rooms, forming an integral part of Deutsche Telekom's infrastructure.

Deutsche Telekom is one of the world's leading telecommunications and information technology service companies. In 2010, Deutsche Telekom Group generated revenue of approximately €62.4 billion, and had approximately 247,000 employees in total as of December 31, 2010.

MARKET OVERVIEW — GERMANY

German economy

The German economy has long been a driver as well as a beneficiary of a globalized economy. Germany has established itself as a vital location for production sites and is a country with a favourable business environment. Similar to Canada, Germany is a country with a history of political, legal and financial stability and provides an attractive climate for long-term investment.

Recent developments

Overall, the German economy has recovered well since the economic crisis of 2008–2009. Despite the ongoing debt crisis and current weakening global economic outlook, the German economy continues to grow. German exports rose by 14.7% to €526 billion in the first six months of 2011, compared to the same period in 2010[(1)]. In addition, the unemployment rate, which was at 6.6% in September 2011, decreased further than most expected and reached a low not seen in more than 20 years[(1)]. Economic activity in Germany is expected to remain fairly strong, despite fears of a pending economic slowdown.

(1) Statistisches Bundesamt Deutschland ("Destatis")

Economic impact on the German real estate sector

The commercial real estate market in Germany has performed well since the beginning of the year and there is no sign that the European debt crisis and concerns about a global economic slowdown have negatively impacted the office sector. Demand for space continues to be strong and vacancies in the office markets declined in all seven key markets. Overall vacancy rates in the office sector in Germany decreased to 9.8% at the end of the third quarter 2011[(1)].

OUTLOOK

Since completing our IPO on August 3, 2011, our management team has taken full control of operations, with the main focus on increasing occupancy rates, creating good relationships with key tenants and achieving long-term income growth. We have already made some progress on these fronts, including increasing occupancy rates to 87.7% from 87.2% at the time of our IPO. In addition to actively managing our properties, we are also engaged in discussions with Deutsche Post with respect to their overall future leasing requirements and their expectations regarding leasing or re-leasing additional space from us.

With respect to our capital structure, we focus on building and deepening relationships with lenders in the markets in which we operate. Our debt strategy is to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of our portfolio. We intend to target an overall debt level, including convertible debentures, of approximately 55% to 60%. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. We also intend to enter into long-term loans at fixed rates when borrowing conditions are favourable. We have commenced discussions with several lenders in Germany to refinance a portion of our Term Loan Credit Facility (“Facility”) and are pleased with their initial interest to refinance a portion of our Facility. Our plan is to refinance up to €100 million of the Facility over the next twelve months.

Germany, Europe’s largest economy, remains an important global player. It recovered significantly during 2010, expanding by 3.6% on a price-adjusted basis to a total GDP of €2.5 trillion. However, the more recent ongoing uncertainty in Europe has impacted the global economy, causing volatility in the stock markets and decreasing investor confidence. Recent downward adjustments to Germany’s GDP numbers were made to reflect declining international demand. While year-over-year GDP growth in Germany has slowed significantly in the second quarter, overall GDP growth is still expected to reach 2.9% in 2011. It is anticipated that domestic demand will remain strong and will sustain Germany’s overall growth for the remainder of 2011 and 2012.

While we take the current uncertainty into consideration in all our business activities, we also believe that there are many opportunities available to us. We are continuously evaluating potential acquisition opportunities in our target markets and will consider opportunities that provide value and stability. Overall, we believe that the current business environment, while not without risk, is an environment in which Dundee International REIT can prosper. With our long-term creditworthy tenants, high proportion of fixed rate debt and long-term fixed foreign exchange rate contracts, we have current cash flow stability that serves as a solid platform for future growth.

[(1)] Jones Lang LaSalle Office Market Overview, Q3, 2011

SECTION II — EXECUTING THE STRATEGY

OUR OPERATIONS

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

Performance indicators	September 30, 2011
Occupancy rate[(1)]	**88%**
In-place rental rates	**$ 7.40**
Tenant maturity profile — average term to maturity[(2)]	**6.1 years**

(1) Includes in-place occupancy at September 30, 2011.

(2) Includes termination notice received in June 2011 in respect of 17 properties that may be re-leased.

Occupancy

The overall weighted average occupancy rate across our portfolio was 87.7% at September 30, 2011, a slight increase from the weighted average occupancy rate of 87.2% at the time of our initial investment. Overall occupied space increased to 10.8 million square feet from 10.7 million square feet out of a total GLA of 12.3 million square feet.

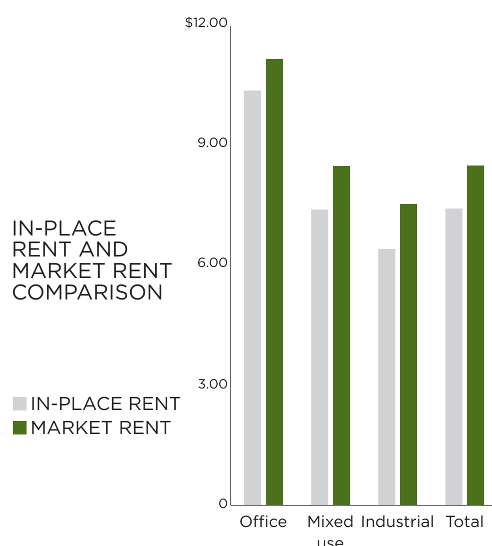
Vacancy schedule

The table below highlights our leasing activity. We reduced our overall vacancy by 44,114 square feet to 1,536,043 square feet as at September 30, 2011, from 1,580,157 square feet at the beginning of the period. During the period, 51,827 square feet expired or were terminated. This was offset by 61,281 square feet of new leases and 37,618 square feet of renewals. Of the vacant space at the end of the quarter, approximately 19,698 square feet were committed for future leases.

	For the period from August 3, 2011, to September 30, 2011			
(in square feet)	Office	Mixed use	Industrial	Total
Vacant space at beginning of period	141,380	1,141,229	297,548	1,580,157
Remeasurements	—	2,292	665	2,957
Expiries	—	37,314	9,452	46,766
Early terminations and bankruptcies	—	3,674	1,388	5,062
New leases	(256)	(56,985)	(4,040)	(61,281)
Renewals	—	(28,166)	(9,452)	(37,618)
Vacant space — September 30, 2011	141,124	1,099,358	295,561	1,536,043
Vacancy committed for future leases	—	(15,276)	(4,423)	(19,699)
Available for lease — September 30, 2011	**141,124**	**1,084,082**	**291,138**	**1,516,344**

In-place rental rates

The following table and chart provide a comparison between in-place rents and market rents in our portfolio. Market rents are management's estimates of rental rates that could be achieved for space in our properties. In-place rents in each of our segments are below market rents, allowing for rental uplifts as space gets renewed or re-leased. Current market rents are approximately 14% above in-place rents.



	September 30, 2011	
	In-place rent	Market rent
Office	$ 10.34	$ 11.08
Mixed use	7.38	8.42
Industrial	6.39	7.47
Overall	**$ 7.40**	**$ 8.43**

Leasing and tenant profile

At September 30, 2011, the weighted average remaining term of all leases was approximately 6.1 years, which factors in the termination of 17 leases in 2012 by Deutsche Post pursuant to its termination rights.

	September 30, 2011
	Average remaining lease term (years)
Office	5.26
Mixed use	6.05
Industrial	6.49
Overall	**6.07**

Lease rollover profile

The following table outlines our lease maturity profile by asset type as at September 30, 2011. For the remainder of 2011 and 2012, approximately 209,539 square feet of our leases expire, accounting for less than 2% of the overall space.

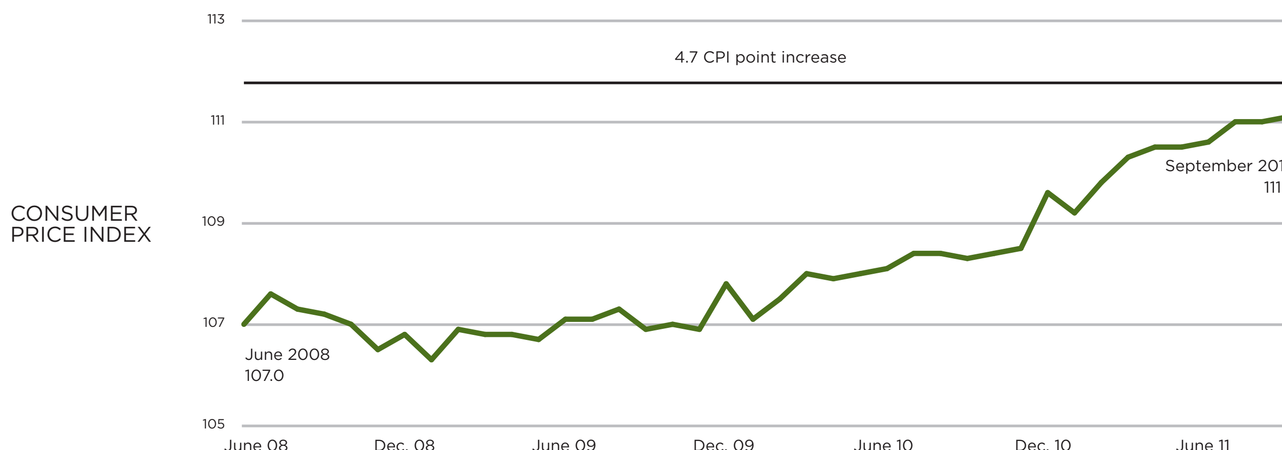
(in square feet)	Current vacancy	Month-to-month	2011	2012	2013	2014	2015 to 2026	Total
Office	141,124	44,436	—	25,806	10,225	181,251	487,981	890,823
Mixed use	1,084,081	291,364	32,045	142,082	83,139	954,909	6,599,618	9,187,238
Industrial	291,138	69,036	4,034	5,572	13,949	21,850	1,838,246	2,243,825
Total	1,516,343	404,836	36,079	173,460	107,313	1,158,010	8,925,845	12,321,886

Deutsche Post leases

The leases with Deutsche Post, which generally expire on June 30, 2018 (many of which provide Deutsche Post with an option to extend the term until June 30, 2023), comprise approximately 75% of the GLA and account for more than 85% of the portfolio's GRI.

Rent indexation

The rents under the Deutsche Post leases are indexed to inflation if the consumer price index for Germany changes (up or down) by more than 4.7 index points as compared to the index at the commencement of the lease. As of September 30, 2011, the consumer price index in Germany stood at 111.1 index points, which is 0.6 points below the hurdle rate required for an upward adjustment to the rental rates in the Deutsche Post leases which commenced on July 1, 2008. Once the hurdle rate is reached, rent payable under the Deutsche Post leases will be increased by 100% of the 4.7 point index change. This increase would translate into a 4.4% rental rate increase under the Deutsche Post leases.



Termination rights and rent guarantee

In general, the Deutsche Post leases have a fixed term of 10 years, expiring on June 30, 2018. 129 of the leases entitle Deutsche Post to terminate space in June 2012, 2014 and 2016, subject to certain limitations and requirements, including that Deutsche Post provide 12 months' prior written notice to us. With respect to the 2012 termination rights, Deutsche Post gave notice to terminate 17 leases, comprising approximately 13% of the GRI and a GLA of approximately 1.1 million square feet, and waived its second termination right in respect of 21 leases (effective June 30, 2014). At the same time, representatives of Deutsche Post expressed their desire to lease back some of the space, in particular space used for the mail delivery and sorting components and areas used by Postbank's operations. This will allow us to capture mark-to-market adjustments on new leases. To the extent that Deutsche Post does not exercise all of its early termination rights with respect to any particular effective termination date, the unused portion may be carried forward. This means that Deutsche Post has the right to terminate up to 91 leases in 2014 and up to 112 leases in 2016, subject to certain limitations.

The vendor of the properties has agreed to pay us an amount equal to the lost gross rent resulting from all 2012 terminations for the period commencing on July 1, 2012, to and including June 30, 2014.

For a more detailed description of the Deutsche Post leases and termination rights, please refer to our prospectus dated July 21, 2011, which is available on SEDAR at www.sedar.com.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

The fair value of our investment property portfolio at September 30, 2011, was $1,011 million, representing a weighted average capitalization rate ("Cap Rate") of 8.3%.

Fair values were determined using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates and terminal capitalization rates specific to each property.

Building improvements

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. We currently have several improvement projects in the planning stages and did not incur any costs during the quarter.

Initial direct leasing costs and lease incentives

Initial direct leasing costs include leasing fees and related costs, and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances. Initial direct leasing costs and lease incentives are dependent on asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases.

For the period from August 3, 2011 to September 30, 2011, we leased or renewed approximately 99,000 square feet of space for which we incurred $929 of leasing costs.

Commitments and contingencies

We are contingently liable with respect to litigation and claims that may arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on our consolidated financial statements.

Dundee International REIT's future minimum commitments under operating and finance leases, including equity accounted investments, are as follows:

	September 30, 2011
	Operating lease payments
Less than 1 year	$ 142
1–5 years	—
Longer than 5 years	—
Total	$ 142

During the period the Trust paid $0.1 million in minimum lease payments, which have been included in comprehensive income for the period.

On March 17, 2011, the previous owner of the portfolio entered into agreements with Imtech Contracting GmbH ("Imtech") under which Imtech provides the entire energy requirements (cooling, air, light and electricity) for the properties, unless there are existing obligations. As part of the contract, Imtech leases the central leasing room and the energy supply facilities at the properties, and may lease the roof area on selected buildings for installation of solar panels. The term of the contract is 15.5 years commencing on July 1, 2011. Imtech has guaranteed savings in heating costs of 5% of the actual 2008 base costs within three years.

In addition, the previous owner had entered into two energy supply agreements with GDF SUEZ Energie Deutschland AG and Watt Deutschland GmbH to purchase all the electricity requirements of the properties, each of which has a term expiring on December 31, 2012.

OUR CAPITAL

Liquidity and capital resources

Dundee International REIT's primary sources of capital are cash generated from operating activities, credit facilities, and equity and debt issues. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt interest payments, and property acquisitions. We expect to meet all of our ongoing obligations through current cash and cash equivalents, cash flows from operations, debt refinancings and, as growth requires and when appropriate, new equity or debt issues.

We currently have $92.4 million of cash available. After reserving for current payables and operating requirements, approximately $60 million is available for acquisitions. Our debt-to-book value is 55%, which is at the low end of our target range.

Financing activities

On August 3, 2011, we completed an IPO of 27 million Units and $140 million principal amount of Debentures for aggregate gross proceeds of $410 million. Concurrent with the offering, Dundee Corporation and Dundee Realty Corporation ("DRC") purchased 12 million Units at an aggregate price of $120 million. These proceeds (net of issue costs and working capital requirements), together with $80 million (€58.6 million) of proceeds from the sale of Exchangeable Notes and additional debt financing, were used to fund the purchase price for a portfolio of real estate assets located in Germany. On August 29, 2011, pursuant to the over-allotment option provided to the underwriters in connection with the offering, we issued an additional 4.05 million Units and $21 million principal amount of Debentures for aggregate gross proceeds of $61 million.

Concurrent with the closing of the offering, we obtained the Facility from a syndicate of German and French banks for gross proceeds of $448.4 million (€328.5 million) for a term of five years. We entered into arrangements with an arm's length counterparty in order to hedge a substantial portion of the Facility by entering into an interest rate swap. Pursuant to these arrangements, we exchanged 80% of our variable rate interest obligations for fixed rate interest obligations for five years. We also hedged an additional 10% of our variable rate interest with a cap not to exceed 5% per annum (excluding the margin). Our executive committee reviews our interest rate hedging strategy from time to time and makes recommendations to our board of trustees.

In conjunction with the closing of the offering, a subsidiary of the Trust issued Exchangeable Notes for gross proceeds of €58.6 million (the euro equivalent of $80 million based on the same exchange rate as the proceeds of the offering were converted into euros). Each €7.326 principal amount of Exchangeable Notes (the euro equivalent of $10.00 based on the same exchange rate as the proceeds of the offering were converted into

euros) is exchangeable for one Unit, subject to customary anti-dilutional adjustments. The Exchangeable Notes and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to the Units.

Debt

Debt strategy

Our debt strategy is to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of our portfolio. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. We also intend to enter into long-term loans at fixed rates when borrowing conditions are favourable. This strategy will be complemented with the use of unsecured convertible debentures and floating rate credit facilities. We intend to target a debt level in a range of 55% to 60% of the historical purchase price of properties including convertible debentures. In the future, as we secure mortgages on individual properties in excess of this range, we will be in a position to accumulate unencumbered properties. These properties will provide added flexibility to our capital structure as we will be able to place financing on them to take advantage of a buying opportunity or to replace expiring debt when refinancing options are limited or expensive.

The key performance indicators in the management of our debt are:

	September 30, 2011
Financing activities	
Average coupon interest rate[1]	**4.34%**
Level of debt (debt-to-book value)[2]	**55%**
Interest coverage ratio[3]	**2.67 times**
Debt-to-EBITDFV (years)[4]	**7.8**
Proportion of total debt due in current year	**—%**
Debt — average term to maturity (years)	**5.4**
Variable rate debt as percentage of total debt	**15%**

(1) Average interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(2) Debt-to-book value is determined as total debt divided by total assets at historical purchase prices.

(3) The interest coverage ratio for the quarter is calculated as net rental income plus interest and fee income, less portfolio management and general and administrative expenses, divided by interest expense.

(4) Debt-to-EBITDFV is calculated as total debt divided by annualized EBITDFV for the current quarter. EBITDFV is calculated as net income less non-cash items included in revenue plus interest expense, depreciation, fair value adjustments and acquisition related costs.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 2.67 times and reflects our ability to cover interest expense requirements. We also monitor our debt-to-EBITDFV ratio to gauge our ability to pay off existing debt. Our current debt-to-EBITDFV ratio is 7.8 years and reflects the approximate amount of time to pay off all debt. After accounting for market adjustments and financing costs, the weighted average effective interest rate is 4.82%.

			September 30, 2011
	Variable	Fixed	Total
Term loan credit facility[1]	**$ 89,838**	**$ 359,352**	**$ 449,190**
Debentures	**—**	**146,318**	**146,318**
Total	**$ 89,838**	**$ 505,670**	**$ 595,508**
Percentage	**15%**	**85%**	**100%**

(1) The portion of the Facility subject to the interest rate swap has been presented as fixed rate debt in this table.

Amounts recorded as at September 30, 2011, for the Debentures are net of $8.1 million of premiums allocated to their conversion features on issuance. The premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Term loan credit facility

The term of the Facility is five years with a two-year renewal option. Variable rate interest is payable quarterly under the Facility at a rate equal to the three-month EURIBOR, plus margin and agency fees of 200 and 10 basis points ("bps"), respectively. As discussed above, pursuant to the requirements of the Facility, we have entered into an interest rate swap to fix 80% of the interest payments at 1.89% plus margin and agency fees and purchased an instrument to cap 10% of the Facility, such that interest does not exceed 5%. Concurrent with entering into the interest rate swap, the Trust received $9.9 million (€7 million) from the vendor of the properties and used the proceeds to buy down the swap rate by 54 bps to reflect the difference between the cost of the Facility and the negotiated cost. We have accounted for this receipt as an increase to the Facility, which we are recognizing as a reduction to interest expense over the term of the Facility. Costs relating to the Facility are $10.8 million and are charged directly to the Facility. The remaining 10% of the interest payable under the Facility is calculated quarterly on a variable rate basis. The weighted average rate of the Facility is 3.96%. Including costs, net of the payment received from the vendor, the effective interest rate is 4.01%. The interest rate on the Facility will increase by 100 basis points on the difference between €100 million and the amount of the Facility to be refinanced within the first two years of the term.

The Facility requires that at each interest rate payment date the debt service coverage ratio is equal to or above 145% and that the loan-to-value does not exceed 59% during the first three years that the loan is outstanding and 54% during the final two years. As at September 30, 2011, we were in compliance with these covenants. We are required to repay €100 million plus an applicable prepayment premium of 15% through dispositions or refinancings of a portion of the portfolio within the first two years following the closing of the financing; failing which we will be required to pay additional interest of 1% on the portion of the €100 million amount which is not repaid by the second anniversary of the closing.

Convertible debentures

As at September 30, 2011, the total principal amount of Debentures outstanding was $161.0 million, convertible into an aggregate of 12,384,619 Units. The Debentures bear interest at 5.5% per annum, are payable semi-annually on July 31 and January 31 each year, and mature on July 31, 2018. Each Debenture is convertible at any time by the holder thereof into 76.9231 Units per one thousand dollars of face value, representing a conversion price of $13.00 per Unit. On or after August 31, 2014, and prior to August 31, 2016, the Debentures may be redeemed by the holders thereof, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided the weighted average trading price for the Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after August 31, 2016, and prior to July 31, 2018, the maturity date, the Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest.

An amount of $8.1 million has been allocated to the conversion feature to reflect its fair value at the date of issuance. Costs relating to the issuance of Debentures, including underwriters' fees, are $6.8 million and are charged to the Debentures. Including costs and the amount allocated to the conversion feature, the effective interest rate is 7.30%. The conversion feature of the Debentures is remeasured in each reporting period to fair value, with changes in fair value being recorded in comprehensive income. During the quarter, the fair value attributed to the conversion feature decreased by $7.2 million.

The table below highlights the maturity and interest rate profile of our debt:

	Debt maturities	Scheduled principal repayments on non-matured debt	Total	%	Weighted average interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2011	$ —	$ —	$ —	—	—	—
2012	—	—	—	—	—	—
2013	—	—	—	—	—	—
2014	—	1,456	1,456	0.2	4.01	3.96
2015	—	2,999	2,999	0.5	4.01	3.96
2016 and thereafter	605,177	1,544	606,721	99.3	4.88	4.37
Total	$ 605,177	$ 5,999	611,176	100	4.87	4.36
Fair value adjustments			(7,963)			
Transaction costs			(7,705)			
Total			$ 595,508			

Equity

Our discussion of equity is inclusive of Exchangeable Notes, which are economically equivalent to our Units. In our consolidated financial statements the Exchangeable Notes are classified as a liability under IFRS because of the redemption feature upon the exchange for a Unit.

	Unitholders' equity	
	September 30, 2010	
	Number of Units	Amount
Units	43,854,127	$ 407,437
Add: Exchangeable Notes	8,000,000	77,600
Total	51,854,127	$ 485,037

Units

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: Units and Special Trust Units. The Special Trust Units may only be issued to holders of Exchangeable Notes, are not transferable, and are used to provide holders of such securities with voting rights with respect to Dundee International REIT. Each Unit and Special Trust Unit entitles the holder thereof to one vote for each Unit at all meetings of unitholders of the Trust.

On April 21, 2011, 800,000 Units were issued to DRC for $0.4 million. On August 3, 2011, the Trust completed an IPO of 27 million Units at a price of $10.00 per unit for gross proceeds of $270.0 million. Concurrent with the offering, Dundee Corporation and its subsidiaries (including DRC) purchased an aggregate of 12 million Units at a price of $10.00 per Unit. On August 29, 2011, pursuant to the over-allotment option provided to the underwriters, the Trust issued an additional 4.05 million Units at a price of $10.00 per Unit. Costs related to the IPO totalled $24.1 million and were charged directly to unitholders' equity.

The following table summarizes the changes in our outstanding equity:

	Units
Units issued upon formation of the Trust	800,000
Units issued to Dundee Corporation and DRC, concurrently with IPO	12,000,000
Units issued pursuant to the IPO and over-allotment	31,050,000
Units issued pursuant to the DRIP[1]	4,127
Total Units outstanding on September 30, 2011	43,854,127
Units issuable upon exchange of Exchangeable Notes	8,000,000
Total Units outstanding (on a fully exchanged basis) on September 30, 2011	51,854,127
Units issued pursuant to the DRIP on October 15, 2011	4,845
Total units outstanding (on a fully exchanged basis) on October 31, 2011	51,858,972

(1) Distribution Reinvestment and Unit Purchase Plan

Distributions

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining our distributions. We also exclude the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. We exclude the impact of transaction costs expensed on business combinations as these are considered to be non-recurring. Additionally, we exclude the impact of the amortization of deferred financing costs and non-recoverable costs that were incurred prior to the formation of the Trust, but deduct amortization of non–real estate assets such as software and office equipment incurred after the formation of the Trust.

In order to ensure the predictability of distributions to our unitholders and debentureholders, we have established an active foreign exchange hedging program. On closing, we entered into a series of foreign currency forward contracts to sell €2,600 each month at a rate of 1.3639 for 24 months.

	For the period from August 3, 2011, to September 30, 2011		
	Declared distributions	4% bonus distributions	Total
2011 distributions			
Paid in cash or reinvested in Units	$ 3,234	$ 1	$ 3,235
Payable at September 30, 2011	3,457	—	3,457
Total distributions	$ 6,691	$ 1	$ 6,692
2011 reinvestment			
Reinvested to September 30, 2011	$ 39	$ 1	$ 40
Reinvested on October 15, 2011	45	2	47
Total distributions reinvested	$ 84	$ 3	$ 87
Distributions paid in cash	$ 6,607		
Reinvestment to distribution ratio	1.3%		
Cash payout ratio	98.7%		

Distributions declared for the period from August 3, 2011, to September 30, 2011, were $6,691. Of the distributions declared for the quarter, $84, or approximately 1.3%, were reinvested in additional Units pursuant to the DRIP resulting in a cash payout ratio of 98.7%.

We currently pay monthly distributions to unitholders of $0.06667 per Unit, or $0.80 per Unit on an annual basis. At September 30, 2011, approximately 1.6% of our total Units were enrolled in the DRIP.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flow from operating activities and cash distributions, as well as the differences between net income and cash distributions in accordance with the guidelines.

	For the period from August 3, 2011, to September 30, 2011
Net income	$ 2,775
Cash flow from operating activities	11,808
Distributions paid and payable	6,691
Excess of cash flow from operating activities over distributions paid and payable	5,117

Cash flow from operations exceeded distributions paid and payable by $5.1 million for the period from August 3, 2011 to September 30, 2011. Distributions paid and payable exceeded net income by $3.9 million, mainly as a result of fair value adjustments to financial instruments and transaction costs, which are not considered in determining our cash distribution policy. In establishing distribution payments, we do not take fluctuations in working capital into consideration and we use a normalized amount as a proxy for leasing and building improvement costs.

OUR RESULTS OF OPERATIONS

	For the period from August 3, 2011, to September 30, 2011	Financial forecast (pro-rated)[1]
Investment properties revenue	$ 22,548	$ 22,400
Investment properties operating expenses	9,017	9,453
Net rental income	**13,531**	**12,947**
Other income and expenses		
Portfolio management	(672)	(766)
General and administrative	(861)	(605)
Interest expense	(5,521)	(5,716)
Interest and other income	10	—
Share of net losses from equity accounted investments	(25)	—
Acquisition related gain, net	1,171	(6,389)
Fair value adjustments to financial instruments	(5,754)	—
Income (loss) before income taxes	1,879	(529)
Income taxes		
Deferred	896	(625)
Net income (loss)	2,775	(1,154)
Foreign currency translation adjustment	1,784	—
Comprehensive income (loss) for the period	$ 4,559	$ (1,154)

[1] Financial forecast — Refers to the financial forecast for the three-month period ended September 30, 2011 included in our prospectus dated July 21, 2011; pro-rated to reflect our ownership commencing August 3, 2011.

Statement of comprehensive income results

Net rental income

Net rental income increased by approximately $0.6 million compared to the pro-rated forecast due to a slight increase in occupancy and appreciation of the euro.

Portfolio management

Portfolio management expenses compared favourably to the pro-rated forecast, mainly due to the reclassification of costs to general and administrative expenses which resulted in an approximate $0.1 million decrease.

General and administrative

General and administrative expenses increased by approximately $0.3 million, of which $0.2 million is due to the reclassification of costs from portfolio management. The remainder is due to the fixed nature of certain annual expenses.

Interest expense

Interest expense decreased compared to the pro-rated forecast mainly due to a reduction in the realized interest rate on the credit facility partially offset by additional interest related to the over-allotment of the Debentures and appreciation of the euro. The actual weighted average interest rate realized on the Facility during the quarter was 3.96% compared to 4.10% that we expected to realize in the forecast. Additionally, on an effective interest rate basis, we realized a rate of 4.01% compared to 4.60% in the forecast mainly reflecting the receipt of $9.9 million from the vendor for the purchase of an in-the-money swap. This increase was partially offset by additional interest related to $21 million of Debentures issued pursuant to the over-allotment.

Acquisition related gain (net)

This amount represents an $8.6 million fair value gain recognized to adjust the investment properties on acquisition to appraisal value, net of transaction costs of $7.4 million. The forecast anticipated transaction costs of $6.4 million.

Fair value adjustment to financial instruments

The unrealized loss on the change in the fair value of financial instruments comprises a loss of $12.9 million related to the fair value change in the interest rate swap and cap that were entered into pursuant to the requirements of our credit facility. The decline represents a significant decrease in the forward prices of interest rates since acquiring the in-the-money swap when the transaction closed. The loss was partially offset by unrealized fair value gains of approximately $2.4 million and $7.2 million related to the Exchangeable Notes and the conversion feature of the Debentures, respectively, as a result of a decrease in the market price of our Units. We also recognized an unrealized fair value loss of approximately $2.5 million relating to our foreign currency forward contracts due to an appreciation of the euro over the Canadian dollar.

Income taxes

We recognize a deferred income tax recovery of $0.9 million compared to a deferred tax expense of $0.6 million in the pro-rated forecast, mainly as a result of the tax impact associated with the fair value change related to financial instruments.

Impact of foreign exchange

Overall, there was a benefit of approximately $0.1 million related to foreign exchange. The average exchange rate between the Canadian dollar and the euro was 1.389 compared to 1.365 in the financial forecast.

Net rental income

	For the period from August 3, 2011, to September 30, 2011
Office	$ 1,234
Mixed use	10,160
Industrial	2,137
Net rental income	**$ 13,531**

Our portfolio management team is comprised of the employees of our advisory subsidiaries in Germany and Luxembourg who are responsible for providing asset management services for the investment properties. Activities of this team include asset strategy and leasing activities.

Funds from operations and adjusted funds from operations

	For the period from August 3, 2011, to September 30, 2011
Net Income	$ 2,775
Add (deduct):	
Amortization related to investment in joint ventures	6
Interest expense on Exchangeable Notes	1,032
Acquisition related gain, net	(1,171)
Deferred income taxes	(896)
Fair value adjustments to financial instruments	5,754
FFO	$ 7,500
Funds from operations	$ 7,500
Add (deduct):	
Amortization of financing costs	302
Deferred unit compensation expense	10
Straight-line rent	(45)
	$ 7,767
Deduct:	
Normalized leasing costs and tenant incentives	(657)
Normalized non-recoverable recurring capital expenditures	(385)
AFFO	$ 6,725

Funds from operations and adjusted funds from operations per Unit amounts

The basic weighted average number of Units outstanding used in the FFO and AFFO calculations includes all Units and the aggregate number of Units issuable upon the exchange of Exchangeable Notes. The diluted weighted average number of Units assumes the conversion of the Debentures. The incremental unvested deferred trust units represent the potential Units that would have to be purchased in the open market to fund the unvested obligation. The weighted average number of Units outstanding for basic and diluted FFO calculations for the quarter is 50,066,374 and 61,739,125, respectively. Diluted FFO includes interest and amortization adjustments related to the Debentures of $1.6 million for the quarter.

Funds from operations

Management believes FFO is an important measure of our operating performance. This non-IFRS measurement is a commonly used measure of performance of real estate operations; however, it does not represent cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Dundee International REIT's needs.

	For the period from August 3, 2011, to September 30, 2011
FFO	**$ 7,500**
FFO per unit — basic	**$ 0.15**
FFO per unit — diluted	**$ 0.15**

Adjusted funds from operations

	For the period from August 3, 2011, to September 30, 2011
AFFO	**$ 6,725**
AFFO per unit — basic	**$ 0.13**

AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-IFRS measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Dundee International REIT's needs.

Our calculation of AFFO includes an estimated amount of normalized non-recoverable maintenance capital expenditures, initial direct leasing costs and tenant incentives that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we expect to incur. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

AFFO is not defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts. In compliance with the Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles AFFO to cash generated from operating activities.

	For the period from August 3, 2011, to September 30, 2011
Cash generated from operating activities	$ 11,808
Add (deduct):	
Transaction costs on acquired properties	7,386
Change in non-cash working capital	(11,408)
Share of general and administrative expenses from equity accounted investments	(19)
Normalized leasing costs and lease incentives	(657)
Normalized non-recoverable recurring capital expenditures	(385)
AFFO	**$ 6,725**

SECTION III — DISCLOSURE CONTROLS AND PROCEDURES

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared, and (ii) material information required to be disclosed in the interim filings or other reports filed or submitted by the Trust under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Internal controls over financial reporting

The REIT's Chief Executive Officer and Chief Financial Officer are designing the REIT's internal control over financial reporting (as defined by National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

SECTION IV — RISKS AND OUR STRATEGY TO MANAGE

We are exposed to various risks and uncertainties, many of which are beyond our control. The following is a review of the material risks and uncertainties that could materially affect our operations and future performance. A more detailed description of our business environment and the risks and uncertainties that could affect our operations and future performance are contained in our prospectus dated July 21, 2011, which is available at www.sedar.com.

Real estate ownership

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

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions and interest payments.

Certain significant expenditures (e.g., property taxes, maintenance costs, mortgage payments, insurance costs and related charges) must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of

construction, or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. In the course of acquiring a property, undisclosed defects in design or construction or other risks might not have been recognized or correctly evaluated during the pre-acquisition due diligence process. These circumstances could lead to additional costs and could have an adverse effect on our proceeds from sales and rental income of the relevant properties.

Rollover of leases

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

The majority of the Deutsche Post leases expire in 2018. Deutsche Post has early termination rights entitling it to terminate certain leases prior to their expiry upon 12 months' prior notice. As of the date hereof, these termination rights pertain to approximately 30% of Deutsche Post's GLA.

Concentration of properties and tenants

Currently, all of our properties are located in Germany and as a result are impacted by economic and other factors specifically affecting the real estate markets in Germany. These factors may differ from those affecting the real estate markets in other regions. Due to the concentrated nature of our properties, a number of our properties could experience any of the same conditions at the same time. If real estate conditions in Germany decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

We derive a significant portion of our rental income from Deutsche Post. Consequently, our revenues are dependent on the ability of Deutsche Post to meet its rent obligations and our ability to collect rent from Deutsche Post.

Financing

We require access to capital to maintain our properties as well as to fund our growth strategy and significant capital expenditures. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing will be subject to a number of factors, including general market conditions; the market's perception of our growth potential; our current and expected future earnings; our cash flow and cash distributions and cash interest payments; and the market price of our Units.

A significant portion of our financing is debt. Accordingly, we are subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest, and that on maturities of such debt we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing debt. If we are unable to refinance debt at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to unitholders. Such losses could have a material adverse effect on our financial position or cash flows.

The degree to which we are leveraged could have important consequences to our operations. A high level of debt will: reduce the amount of funds available for the payment of distributions to unitholders and interest payments on our Debentures; limit our flexibility in planning for, and reacting to, changes in the economy and in the industry and increase our vulnerability to general adverse economic and industry conditions; limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments; place us at a competitive disadvantage compared to other owners of similar real estate assets that are less leveraged and therefore may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of then outstanding borrowings; and impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

Tax matters

Although we have been structured with the objective of maximizing after-tax distributions, tax charges and withholding taxes in various jurisdictions in which we invest will affect the level of distributions made to us by our subsidiaries. No assurance can be given as to the level of taxation suffered by us or our subsidiaries. Currently, our revenues are derived from our investments located in Germany. It is possible that certain of our subsidiaries could be subject to German corporate income tax on their net rental income and capital gains from the sale of properties. Although we have managed our tax affairs on the assumption that certain of our subsidiaries will be subject to German corporate income tax (with a view to minimizing, to the extent possible, the amount of taxable income from operations in Germany), there is no certainty that we will not pay German corporate income tax. In addition, German real estate transfer tax ("RETT") is triggered when among other things there is a transfer of legal title of properties from one legal person to another. In the case of the initial reallocation of our properties, legal title was not transferred and, consequently, no RETT should be payable in connection therewith. However, if, unexpectedly, RETT does become payable as a result of the reallocation of our properties, we will be required to pay 50% of such RETT.

Our debt financing agreements with third parties and affiliates require us to pay principal and interest. Several rules in German tax laws restrict the tax deductibility of interest expenses for corporate income and municipal trade tax purposes. Such rules have been changed considerably on several occasions in the recent past. As a result, major uncertainties exist as to the interpretation and application of such rules, which are not yet clarified by the tax authorities and the tax courts. Accordingly, there is a risk of additional taxes being triggered on the rental income and capital gains in case the tax authorities or the tax courts adopt deviating views on such rules.

We have structured our affairs to ensure that none of the Luxembourg entities through which we hold our real property investment in Germany (our "FCPs") has a permanent establishment in Germany, which is relevant for determining whether they would also be liable to municipal trade tax. If it is determined that any of our subsidiaries does have a permanent establishment in one or more German municipalities, the overall rate of German income tax applicable to taxable income could materially increase.

Changes in law

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

Foreign exchange rate fluctuations

Substantially all of our investments and operations will be conducted in currencies other than Canadian dollars; however, we pay distributions to unitholders and interest payments on our Debentures in Canadian dollars. We also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through our subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on our financial results, which will be denominated and reported in Canadian dollars, and on our ability to pay cash distributions to unitholders and cash interest payments on our Debentures. We have implemented active hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders and interest payments on our Debentures if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, our financial results, and our ability to pay distributions to unitholders and cash interest payments on our Debentures, may be negatively impacted. Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on our ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

Interest rates

When entering into financing agreements or extending such agreements, we depend on our ability to agree on terms for interest payments that will not impair our desired profit and on amortization schedules that do not restrict our ability to pay distributions on our Units and interest payments on our Debentures. In addition to existing variable rate portions of our financing agreements, we may enter into future financing agreements with variable interest rates. An increase in interest rates could result in a significant increase in the amount paid by us to service debt, which could limit our ability to pay distributions to unitholders and could impact the market price of the Units and/or the Debentures. We have implemented an active hedging program in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders and cash interest payments under the Debentures should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge increases in variable interest rates, our financial results, and our ability to pay distributions to unitholders and cash interest payments under our financing arrangements, the Debentures and future financings may be negatively affected. Hedging transactions involve inherent risks. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a significant negative effect on our ability to sell any of our properties. See "Foreign exchange rate fluctuations" above.

Environmental risk

We are subject to various laws relating to environmental matters. Our properties may contain ground contamination, hazardous substances, wartime relics or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or the buildings could bear other environmental risks. Actual and contingent liabilities may be imposed on us under applicable environmental laws to assess and, if required, undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites we currently own or operate, sites we formerly owned or operated, or sites where waste from our operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us, including under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*). According to this Act, not only the

polluter but also its legal successor, the owner of the contaminated site and certain previous owners may be held liable for soil contamination. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings, as well as costs related to legal proceedings, including potential damages, regarding such matters, may be substantial, and it may be impossible, for a number of reasons, for us to have recourse against a polluter and/or former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. Furthermore, the discovery of any residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages or other breach of warranty claims against us. Environmental laws may also impose liability on us for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages.

Organizational structure

We hold a 50% equity interest in Lorac, which is the manager of our FCPs and the registered owner on title to our properties. Lorac is also the manager of another fund and the registered owner on title to a portfolio of properties on behalf of that other fund. We and the owner of the remaining Lorac shares have entered into a shareholders' agreement, which provides us with the right to appoint three of the six directors of Lorac. In addition, the directors of Lorac have adopted governance rules pursuant to which, subject to applicable law, our appointed directors generally have responsibility for matters relating to our properties, and the other three directors, who are nominated by the other owner of the Lorac shares, generally have responsibility for matters affecting other properties of which Lorac is the registered owner on title. Pursuant to such shareholders' agreement and the governance rules, certain matters such as filing tax returns and shared employee matters will require the approval of a majority of the directors. Each of the directors has a fiduciary duty to act in the best interests of Lorac and Lorac has a duty to manage our FCPs and the other fund in the best interests of the respective unitholders. However, it is possible that we will need the approval of a majority of the directors of Lorac with respect to certain matters involving our properties and there can be no assurance that such matters will be approved at all or on the terms requested. Any matter with respect to which our appointed directors and those appointed by the other owner of the Lorac shares cannot agree will be submitted to the Lorac shareholders. However, since we have only 50% of the voting shares of Lorac, there can be no assurance that any such matter will be approved in the manner in which we would hope. Such dispute could have a material and adverse effect on our cash flows, financial condition and results of operations, and on our ability to make distributions on the Units or cash interest payments on the Debentures.

As manager of the other fund since 2008, Lorac has incurred and will continue to incur liabilities as a result of managing that other fund and its assets. To the extent that the other fund is unable to satisfy such liabilities, a third party could seek recourse against Lorac. If Lorac is unable to satisfy such liabilities, Lorac could be required to seek protection from creditors under applicable bankruptcy or insolvency legislation. Taking such steps could result in Lorac being replaced as the manager of our FCPs with the result that legal title to our properties would be required to be transferred to a new manager. This would result in the payment of RETT in Germany. The amount of such taxes could have a material and adverse effect on our cash flows, financial condition and results of operations. We have negotiated certain limited indemnities from the other fund in connection with any prior existing liabilities of the other fund and with those that may arise as a result of actions or omissions of the other fund. In addition to the foregoing, we have been advised by our Luxembourg counsel that creditors of the other fund could only seek recourse against the assets of the other fund and could not seek recourse against the assets of our FCPs regardless of the fact that Lorac may have entered into the contract on behalf of the other fund or our FCPs creating such right to a claim.

Competition

The real estate market in Germany is highly competitive and fragmented and we compete for real property acquisitions with individuals, corporations, institutions and other entities that may seek real property investments similar to those we desire. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. If competing properties of a similar type are built in the area where one of our properties is located or if similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced.

Numerous other developers, managers and owners of properties will compete with us in seeking tenants. To the extent that our competitors own properties that are better located, of better quality or less leveraged than the properties owned by us, they may be in a better position to attract tenants who might otherwise lease space in our properties. To the extent that our competitors are better capitalized or stronger financially, they will be better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition.

Insurance

We carry general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in Germany and otherwise acceptable to our trustees. For the property risks, we carry “All Risks” property insurance including, but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24-month indemnity period). We also carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. However, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. We partially self-insure against terrorism risk for our entire portfolio. We have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We do not carry title insurance on our properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

SECTION V — CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Management of Dundee International REIT believes that certain policies may be subject to estimation and management’s judgment. For a list and explanation of these policies refer to Note 4 of the interim consolidated financial statements.

Additional information relating to Dundee International REIT is available on SEDAR at www.sedar.com.

Consolidated balance sheet

(unaudited) (in thousands of Canadian dollars)	Note	September 30, 2011
Assets		
NON-CURRENT ASSETS		
Investment properties	7	**$ 1,010,516**
Deferred income tax assets	19	**896**
Other non-current assets	8	**189**
		1,011,601
CURRENT ASSETS		
Amounts receivable	9	**1,294**
Prepaid expenses		**1,000**
Cash and cash equivalents		**92,411**
		94,705
Total assets		**$ 1,106,306**
Liabilities		
NON-CURRENT LIABILITIES		
Debt	10	**$ 595,508**
Exchangeable Notes	11	**77,600**
Deposits		**466**
Derivative financial instruments	12	**6,257**
Deferred Unit Incentive Plan	13	**3**
		679,834
CURRENT LIABILITIES		
Amounts payable and accrued liabilities	14	**17,787**
Distributions payable	15	**2,924**
		20,711
Total liabilities		**700,545**
Equity		
Unitholders' equity	16	**406,862**
Deficit		**(2,885)**
Accumulated other comprehensive income		**1,784**
Total equity		**405,761**
Total liabilities and equity		**$ 1,106,306**

See accompanying notes to the consolidated financial statements

On behalf of the Board of Trustees of Dundee International Real Estate Investment Trust:

MICHAEL J. COOPER
Trustee

P. JANE GAVAN
Trustee

Consolidated statements of comprehensive income

(unaudited) (in thousands of Canadian dollars)	Note	For the three months ended September 30, 2011	For the period from April 21, 2011, to September 30, 2011
Investment properties revenue		$ 22,548	$ 22,548
Investment properties operating expenses		9,017	9,017
Net rental income		13,531	13,531
Other income and expenses			
Portfolio management		(672)	(672)
General and administrative		(861)	(861)
Acquisition related gain, net	6	1,171	1,171
Interest expense	17	(5,521)	(5,521)
Share of net losses from equity accounted investments	8	(25)	(25)
Interest and other income		10	10
Fair value adjustments to financial instruments	18	(5,754)	(5,754)
Income before income taxes		1,879	1,879
Income taxes			
Deferred	19	896	896
Net income		2,775	2,775
Foreign currency translation adjustment		1,784	1,784
Comprehensive income		$ 4,559	$ 4,559

See accompanying notes to the consolidated financial statements

Consolidated statement of changes in equity

			Attributable to unitholders of the Trust			
(unaudited) (in thousands of Canadian dollars, except number of Units)	Note	Number of Units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive income	Total
Balance at April 21, 2011		—	$ —	$ —	$ —	$ —
Units issued	16	800,000	400	—	—	400
Net income for the period		—	—	2,775	—	2,775
Distributions paid	15	—	—	(2,736)	—	(2,736)
Distributions payable	15	—	—	(2,924)	—	(2,924)
Public offering of Units	16	43,050,000	430,500	—	—	430,500
Distribution reinvestment plan	16	4,127	40	—	—	40
Issue costs	16	—	(24,078)	—	—	(24,078)
Foreign currency translation adjustment		—	—	—	1,784	1,784
Balance at September 30, 2011		43,854,127	$ 406,862	$ (2,885)	$ 1,784	$ 405,761

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(unaudited) (in thousands of Canadian dollars)	Note	For the three months ended September 30, 2011	For the period from April 21, 2011, to September 30, 2011
Generated from (utilized in) operating activities			
Net income		$ 2,775	$ 2,775
Non-cash items:			
Acquisition related gain, net	6	(1,171)	(1,171)
Share of net losses from equity accounted investments		25	25
Deferred income taxes		(896)	(896)
Amortization of financing costs		159	159
Amortization of initial discount on convertible debentures		143	143
Deferred unit compensation expense	13	10	10
Straight-line rent adjustment		(45)	(45)
Fair value adjustments to financial instruments	18	5,754	5,754
		6,754	6,754
Interest paid on Exchangeable Notes		1,032	1,032
Transaction costs on acquired businesses	6	(7,386)	(7,386)
Change in non-cash working capital	21	11,408	11,408
		11,808	11,808
Generated from (utilized in) investing activities			
Acquisition of investment properties	6	(998,227)	(998,227)
Acquisition of equity accounted investments		(221)	(221)
		(998,448)	(998,448)
Generated from (utilized in) financing activities			
Purchase of derivative instruments		(9,986)	(9,986)
Proceeds from vendor for financing charges		9,864	9,864
Issue of convertible debentures, net of costs		154,151	154,151
Proceeds of term debt, net of costs		439,689	439,689
Issue of Exchangeable Notes		80,000	80,000
Distributions paid on Units		(2,696)	(2,696)
Interest paid on Exchangeable Notes		(1,032)	(1,032)
Units issued for cash, net of costs		408,661	409,061
		1,078,651	1,079,051
Increase in cash and cash equivalents		92,011	92,411
Cash and cash equivalents, beginning of period		400	—
Cash and cash equivalents, end of period		$ 92,411	$ 92,411

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

(All dollar amounts in thousands of Canadian dollars, except unit or per unit amounts)

Note 1
ORGANIZATION

Dundee International Real Estate Investment Trust (the "REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust dated April 21, 2011, under the laws of the Province of Ontario, and is domiciled in Ontario. The consolidated financial statements of the REIT include the accounts of the REIT and its consolidated subsidiaries. The REIT's portfolio comprises office, industrial and mixed use properties located in Germany.

The address of the Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "DI.UN". The Trust's consolidated financial statements for the period ended September 30, 2011, were authorized for issue by the Board of Trustees on November 8, 2011, after which date the consolidated financial statements may only be amended with Board approval.

At September 30, 2011, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC") directly and indirectly through its subsidiaries, held 12,800,000 Units.

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim consolidated financial statements, including International Accounting Standards ("IAS") "Interim Financial Reporting" ("IAS 34"). The Trust has consistently applied the same accounting policies.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of November 8, 2011, the date the Board of Trustees approved the consolidated financial statements.

Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, which is also the Trust's functional currency. All financial information has been rounded to the nearest thousand except when otherwise indicated. The accounting policies set out below have been applied consistently in all material respects. Certain new accounting standards and guidelines relevant to the Trust that were issued at the date of approval of the financial statements but not yet effective for the current accounting period are described in Note 5.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, the conversion feature of the convertible debentures, Exchangeable Notes, financial derivatives, and the deferred unit incentive plan, which are measured at carrying values impacted by fair values.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Trust obtains control, and continue to be consolidated until the date that such control ceases. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Joint arrangements

A joint venture is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

The Trust reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, equity accounted investments are carried on the consolidated balance sheet at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses, and for post-acquisition changes in excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. The Trust's share of profits and losses is recognized in the share of net earnings from equity accounted investments in the consolidated statement of comprehensive income. At each period-end, the Trust evaluates whether there is objective evidence that its interest in an equity accounted investment is impaired. The entire carrying amount of the equity accounted investment is compared to the recoverable amount, which is the higher of the value in use or fair value less costs to sell. The recoverable amount of each investment is considered separately. When the Trust's share of losses of an equity accounted investment equals or exceeds its interest in that investment, the Trust discontinues recognizing its share of further losses. Any additional share of losses is provided for and a liability is recognized only to the extent that the Trust has incurred legal or constructive obligations to fund the entity or made payments on behalf of that entity. Accounting policies of equity accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Trust.

Where the Trust transacts with its equity investments, unrealized profits and losses are eliminated to the extent of the Trust's interest in the investment. Balances outstanding between the Trust and equity accounted investments in which it has an interest are not eliminated in the consolidated balance sheet.

Note 3
ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

Investment properties

Investment properties are initially recorded at cost, except if acquired in a business combination, in which case they are initially recorded at fair value, and include office, industrial and other commercial properties held to earn rental income and/or for capital appreciation. Investment properties are subsequently measured at fair value, determined based on available market evidence, at the consolidated balance sheet date. Related fair value gains and losses are recorded in comprehensive income in the period in which they arise. The fair value of each investment property is based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet date, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition, and subject to similar leases and other contracts. The Trust has concluded there is insufficient market evidence on which to base investment property valuation using this approach and has therefore determined to use the income approach. The income approach is one in which the fair value is estimated by capitalizing the net operating income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method whereby the net operating income is capitalized at the requisite overall capitalization rate; and/or the

discounted cash flow method in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction of investment properties revenue.

Segment reporting

The Trust owns and operates investment properties located in Germany. In measuring performance, the Trust does not distinguish or group its operations on a geographic or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

The Trust's major tenant is Deutsche Post, accounting for approximately 85% of the gross rental income generated by the Trust's properties for the period ended September 30, 2011.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the REIT's operating subsidiaries is euros. The consolidated financial statements are presented in Canadian dollars, which is the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gain or loss on sale.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Other non-current assets

Other non-current assets include property and equipment, deposits, restricted cash, and straight-line rent receivables. Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their expected useful lives of three to ten years. The residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year-end. Cost includes expenditures that are directly attributable to the acquisition and expenditures for replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to comprehensive income during the financial period in which they are incurred.

Other non-current assets are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in comprehensive income in the year the asset is derecognized.

Revenue recognition

The Trust accounts for leases with tenants as operating leases, as it has retained substantially all of the risks and benefits of ownership of its investment properties. Revenues from investment properties include base rents, recoveries of operating expenses including property taxes, lease termination fees, parking income and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred. Other revenues are recorded as earned.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment property. Lease incentives, such as cash, rent-free periods and lessee or lessor owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying value of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Business combinations

The purchase method of accounting is used for acquisitions meeting the definition of a business. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Trust's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust's share of the net assets acquired, the difference is recognized directly in comprehensive income for the year as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

Distributions

Distributions to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as an increase to the deficit.

Income taxes

The REIT is taxed as a mutual fund trust under the *Income Tax Act (Canada)*. The REIT is not a specified investment flow-through trust ("SIFT"), and will not be, provided that the REIT complies at all times with its investment restrictions which preclude the REIT from investing in any entity other than a portfolio investment entity or from holding any non-portfolio property. The Trust intends to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes. The tax deductibility of the REIT's distributions to unitholders represents, in substance, an exception from current Canadian tax, and from deferred tax relating to temporary differences in the REIT, so long as the REIT continues to expect to distribute all of its taxable income and taxable capital gains to its unitholders. Accordingly, no net current Canadian income tax expense or deferred income tax assets or liabilities have been recorded in these consolidated financial statements.

The tax expense related to taxable subsidiaries for the period comprises current and deferred taxes. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The REIT indirectly owns its properties through several FCPs (fonds commun de placement). The income tax treatment of non-German residents, such as the FCP Unitholders indirectly owned by the REIT, is not entirely clear and is subject to significant judgment, and accordingly it is not currently possible to determine with certainty whether FCP Unitholders will or will not be taxable in Germany on their net rental income and capital gains. In light of this uncertainty, the REIT has structured its affairs assuming that FCP Unitholders would be subject to corporate income tax in Germany, and has prepared these consolidated financial statements on that basis.

Unit-based compensation plan

The Trust has a Deferred Unit Incentive Plan ("DUIP"), as described in Note 16, that provides for the grant of deferred trust units and income deferred trust units to trustees, officers, employees, affiliates and their service providers (including the asset manager). Unvested deferred trust units are recorded as a liability and compensation expense and, where applicable, asset management expense. They are recognized over the vesting period at the amortized cost based on the fair value of the Units. Once vested, the liability is remeasured at each reporting date at amortized cost based on the fair value of the corresponding Units, with changes in fair value being recognized in comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include all short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. Excluded from cash and cash equivalents are amounts held for repayment of tenant security deposits as required by various lending agreements. Deposits are included in other non-current assets.

Financial instruments

Designation of financial instruments

The following summarizes the Trust's classification and measurement of financial assets, liabilities and financial derivatives:

	Classification	Measurement
Financial assets		
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash and deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Term loan credit facility	Other liabilities	Amortized cost
Convertible debentures – host instrument	Other liabilities	Amortized cost
Exchangeable Notes	Other liabilities	Amortized cost
Deposits	Other liabilities	Amortized cost
Deferred Unit Incentive Plan	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost
Financial derivatives		
Derivative assets	Fair value through profit and loss	Fair value
Derivative liabilities	Fair value through profit and loss	Fair value
Convertible debentures – conversion feature	Fair value through profit and loss	Fair value

Financial assets

The Trust classifies its financial assets upon initial recognition as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs. Subsequently, financial assets are measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income within investment property operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment property operating expenses in the consolidated statement of comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in income or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Trust transfers substantially all risks and rewards of ownership.

Financial liabilities

The Trust classifies its financial liabilities upon initial recognition as either fair value through income and loss or other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value (net of transaction costs). Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive income over the expected life of the debt. The Trust's financial liabilities that are classified as fair value through income and loss are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value recognized in comprehensive income.

Term loans are initially recognized at fair value less attributable transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, term loans are recognized at amortized cost.

Upon issuance, convertible debentures are separated into two financial liability components: the host instrument and the conversion feature. This presentation is required because the conversion feature permits the holder to convert the debenture into Units that, except for the available exemption under IAS 32, "Financial Instruments: Presentation" ("IAS 32"), would normally be presented as a liability because of the redemption feature attached to the Units. Both components are measured based on their respective estimated fair values at the date of issuance. The fair value of the host instrument is net of any related transaction costs. The fair value of the host instrument is estimated based on the present value of future interest and principal payments due under the terms of the debenture using a discount rate for similar debt instruments without a conversion feature. Subsequent to initial recognition, the host instrument is accounted for at amortized cost. The conversion feature is accounted for at fair value with changes in fair value recognized in comprehensive income each period. When the holder of a convertible debenture converts its interest into Units, the host instrument and conversion feature are reclassified to unitholders' equity in proportion to the units converted over the total equivalent units outstanding.

The DUIP and the Exchangeable Notes are measured at amortized cost because they are settled in Units, which in accordance with IAS 32 are liabilities. Consequently, the DUIP and Exchangeable Notes are remeasured each period based on the fair value of Units, with changes in the liabilities recorded in comprehensive income. Distributions paid on Exchangeable Notes are recorded as interest expense in comprehensive income.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Derivative instruments are recorded in the consolidated balance sheet at fair value. Changes in fair value of derivative instruments that are not designated as hedges for accounting purposes are recognized in fair value adjustments to financial instruments.

The Trust has not designated any derivatives as hedges for accounting purposes.

Interest

Interest on debt includes coupon interest on term loans, amortization of premiums allocated to the conversion features of the convertible debentures, amortization of ancillary costs incurred in connection with the arrangement of borrowings, and net settlement of financial interest rate derivatives. Finance costs are amortized to interest expense unless they relate to a qualifying asset.

Equity

The Trust classifies the Units as equity. Under IAS 32 the Units are considered a puttable financial instrument because of the holder's option to redeem Units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by the REIT in any calendar month shall not exceed $50 unless waived by the REIT's trustees at their sole discretion. The Trust has determined that the Units can be classified as equity and not financial liabilities because the Units have the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- Units entitle the holder to a pro rata share of the Trust's net assets in the event of the Trust's liquidation. The Trust's net assets are those assets that remain after deducting all other claims on its assets.
- Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.
- All instruments in the class of instruments that are subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the Units over their life is based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the Trust over the life of the Units.

In addition to the Units meeting all of the above criteria, the REIT has determined it has no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognized assets, or the change in the fair value of the recognized and unrecognized net assets of the REIT. The REIT also has no other financial instrument or contract that has the effect of substantially restricting or fixing the residual return to unitholders.

Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

Note 4
CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on experience in the industry and other various factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Critical accounting judgments

The following are the critical judgments made in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Investment properties

Critical judgments are made by the Trust in respect of the fair values of investment properties and investment properties held in equity accounted investments. The fair value of these investments is reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced and nationally recognized and qualified in the professional valuation of office, industrial and other commercial buildings in the geographic areas of the properties held by the Trust. Judgment is also applied in determining the extent and frequency of independent appraisals.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property or are of a repair and maintenance nature.

Leases

In applying the revenue recognition policy, the Trust makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as additions to the investment property.

The Trust also makes judgments in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in a property and those long-term ground leases where the Trust is lessor, are operating or finance leases. The Trust has determined that all of its leases are operating leases.

Income tax treatment

The REIT indirectly owns the properties through several FCPs (fonds commun de placement). The income tax treatment of non-German residents, such as FCP Unitholders indirectly owned by the REIT, is not entirely clear and is subject to significant judgment, and accordingly it is not currently possible to determine with certainty whether the FCP Unitholders will or will not be taxable in Germany on their net rental income and capital gains. In light of this uncertainty, the REIT has structured its affairs assuming that the FCP Unitholders would be subject to corporate income tax in Germany.

The Trust computes current and deferred income taxes included in the consolidated financial statements based on the following:

- The rate of corporate tax payable on German taxable income is 15.825%, including a 5.5% solidarity surcharge;
- Taxable income for German corporate income tax purposes is determined by deducting certain expenses incurred in connection with the acquisition and ownership of real property as well as certain operating expenses, provided that the costs are incurred under arm's length terms;
- Buildings can generally be depreciated on a straight-line basis at a rate of 2% to 3% depending on the age of the property; and

- The deduction of interest expense, which must reflect arm's length terms, is generally restricted by the so-called "interest capping rules". These rules apply to limit the deduction of all interest expense incurred up to a maximum of 30% of the taxable earnings before interest, tax, depreciation and amortization. However, an exception is available when annual interest expense is less than €3,000 for each taxpayer. For this purpose, each FCP Unitholder is a separate taxpayer and therefore the total interest deductible under the current structure is approximately $61,600.

Treatment of Units

The Trust has considered the criteria in IAS 32 to classify the Units as equity because of the puttable exemption.

Treatment of Exchangeable Notes

The Trust has considered the criteria in IAS 32; the Exchangeable Notes are classified as liabilities, because they do not have identical features to Units, and are not the most subordinated instrument.

Business combinations

Accounting for business combinations under IFRS 3, "Business Combinations" ("IFRS 3") only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

The Trust applies judgment in determining whether property acquisitions qualify as a business combination in accordance with IFRS 3 or as an asset acquisition.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable and other assets.

Estimates and assumptions

The Trust makes estimates and assumptions that affect carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of other comprehensive income for the period. Actual results could differ from estimates. The estimates and assumptions critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

Valuation of investment property

The Trust's critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates, and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the Exchangeable Notes, the deferred unit incentive plan, the convertible debenture conversion feature, derivative instruments, and the fair value disclosure of the convertible debentures, mortgages and term loans. The critical assumptions underlying the fair value measurements and disclosures include the market price of Units, market interest rates for debt and interest rate derivatives, unsecured debentures and foreign currency derivatives.

For certain financial instruments, including cash and cash equivalents, amounts receivable, amounts payable and accrued liabilities, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair value of term loans is determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures uses quoted market prices from an active market.

Note 5
FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

IFRS 9, “Financial Instruments” (“IFRS 9”) was issued by the International Accounting Standards Board (“IASB”) on November 12, 2009, and will replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Trust is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

Income taxes

In December 2010, the IASB made amendments to IAS 12, “Income Taxes” (“IAS 12”) that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, “Investment Property”. The amendments introduce a rebuttable presumption that, for purposes of determining deferred tax consequences associated with temporary differences relating to investment properties, the carrying amount of an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The Trust is currently evaluating the impact of IAS 12 on its consolidated financial statements.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, “Joint Arrangements” which is effective for annual periods beginning on or after January 1, 2012. This new standard replaces IAS 31, “Interests in joint ventures”. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures. The Trust is currently evaluating the impact of this standard on the consolidated financial statements.

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets

IFRS 7, "Financial Instruments: Disclosures, Amendment regarding Disclosures on Transfer of Financial Assets" ("IFRS 7") requires that the Trust provide the disclosures for all transferred financial assets that are not derecognized and for a continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. The Trust will start the application of IFRS 7 in the consolidated financial statements effective from January 1, 2012. The Trust does not expect any impact on the consolidated financial statements as a result of adopting this standard.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10") replaces the current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Trust will start the application of IFRS 10 in the consolidated financial statements effective from January 1, 2013. The Trust has not yet evaluated the impact to the consolidated financial statements as a result of adopting this standard.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") requires disclosures relating to an entity's interests in subsidiaries. The Trust will start the application of IFRS 12 in the consolidated financial statements effective from January 1, 2013. The Trust is currently evaluating the impact to the consolidated financial statements as a result of adopting this standard.

Fair value measurements

IFRS 13, "Fair Value Measurements" ("IFRS 13") defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The Trust will start the application of IFRS 13 in the consolidated financial statements effective from January 1, 2013. The Trust has not yet evaluated the impact on the consolidated financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income" provides guidance on the presentation of items contained in other comprehensive income ("OCI") and their classification within OCI. The Trust will start the application of this amendment in the consolidated financial statements effective from January 1, 2013. The Trust is currently evaluating the impact on the consolidated financial statements as a result of adopting this standard.

Note 6
BUSINESS COMBINATIONS

On August 3, 2011, the REIT indirectly acquired 292 commercial properties (the "properties") located in Germany. Costs relating to the acquisition were $7,386 and were charged directly to comprehensive income as acquisition related costs. The acquisition was financed by way of net proceeds from the offering of Units, a term loan credit facility, Units issued to DRC and Dundee Corporation, and the issuance of Exchangeable Notes, Series A and Exchangeable Notes, Series B ("Exchangeable Notes").

The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values:

Investment properties	$ 1,006,516
Vendor payment for capital costs	(8,557)
	997,959
Working capital adjustments	268
Total identifiable assets	998,227
Cash	998,227
Fair value of consideration transferred	$ 998,227

In conjunction with the acquisition, the REIT received payments from the vendor totalling $18,421, of which $8,557 related to adjustments for capital costs of certain properties. The remaining balance of $9,864 was in relation to financing costs of the Facility. The accounting treatment of the payment received for capital costs reduced the fair value of the investment properties below the appraised value upon acquisition. Because there was no material change in the appraised value, a fair value gain of $8,557 was recognized during the quarter. The fair value gain less transaction costs resulted in a net acquisition related gain of $1,171.

The initial accounting for the assets and liabilities recognized with respect to the acquisition of the properties has been completed provisionally and has not been finalized and is therefore subject to adjustment.

Note 7
INVESTMENT PROPERTIES

	For the period from April 21, 2011, to September 30, 2011
Balance at beginning of period	$ —
Acquisitions through business combination	997,959
Fair value adjustment	8,557
Foreign currency translation	4,000
Balance at period end	$ 1,010,516

In connection with the acquisition described in Note 6, the Trust obtained valuations of investment properties prepared by qualified valuation professionals and considered the results when arriving at its own conclusions on values. The final investment property valuation included $45 related to straight-line rent receivable, which has been reclassified to other non-current assets. Accordingly, the investment properties have been reduced by this value.

On acquisition, commercial properties with an aggregate fair value of $1,010,516 at August 3, 2011, were valued by qualified valuation professionals. Proceeds of $8,557 received at the time of closing for capital costs reduced the acquisition price by the same amount. On September 30, 2011, management determined there was no material change in fair value of the investment properties since the acquisition date. The carrying value of the investment properties has therefore been increased by $8,557 to $1,010,516 to reflect the fair value appraisal.

All investment properties with a fair value of $1,010,516 are pledged as first-ranking mortgages on the term loan credit facility.

Note 8
OTHER NON-CURRENT ASSETS

		September 30, 2011
Equity accounted investment	$	144
Straight-line rent receivable		45
Total	$	189

Investment in joint ventures

The Trust participates in a jointly controlled corporate entity (the "joint ventures") with other parties and accounts for its interests using the equity accounting method.

Details of the Trust's joint ventures:

Name	Principal activity	Location	Ownership interest (%) September 30, 2011
Lorac Investment Management S.à r.l.	Investment management	Luxembourg	50.00

The following amounts represent the total assets and liabilities of joint ventures in which the Trust participates and its ownership interest of the assets, liabilities, revenues and expenses. There was no significant cash flow activity.

		September 30, 2011
Non-current assets		
Other non-current assets	$	63
Current assets		
Prepaid expenses		81
Cash and cash equivalents		58
		139
Total assets		202
Current liabilities		
Amounts payable and accrued liabilities		58
Net assets	$	144

		For the three months ended September 30, 2011		For the period from April 21 to September 30, 2011
Investment properties revenue	$	—	$	—
Investment properties operating expenses		—		—
Net rental income		—		—
Other income and expenses:				
General and administrative		(19)		(19)
Amortization expense		(6)		(6)
Net loss	$	(25)	$	(25)

Note 9
AMOUNTS RECEIVABLE

	September 30, 2011
Trade receivables	$ 581
Less: Provision for impairment of trade receivables	—
Trade receivables, net	581
Other amounts receivable	713
	$ 1,294

The carrying amount of amounts receivable approximates fair value due to their current nature.

Note 10
DEBT

	September 30, 2011
Convertible debentures	$ 146,318
Term loan credit facility	449,190
Total	**$ 595,508**

The term loan credit facility is secured by first-ranking mortgages on all of the investment properties.

On August 3, 2011, the Trust issued $140,000 principal amount of convertible unsecured subordinated debentures (the "Debentures"). On August 29, 2011, the Trust issued an additional $21,000 principal amount of Debentures. The Debentures bear interest at 5.5% per annum, payable semi-annually on July 31 and January 31 each year, and mature on July 31, 2018. Each Debenture is convertible at any time by the debenture holder into 76.9231 Units, per one thousand dollars of face value, representing a conversion price of $13.00 per Unit. On or after August 31, 2014, and prior to August 31, 2016, the Debentures may be redeemed by the debenture holders, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest, on not more than 60 days and not less than 30 days prior to written notice, provided the weighted average trading price for the Trust's Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after August 31, 2016, and prior to July 31, 2018, the maturity date, the Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. The Debentures were initially recorded on the consolidated balance sheet as debt of $152,894 less costs of $6,849. The Trust has allocated $8,106 to the conversion feature which will be accreted to the principal portion of the Debenture over its term along with costs of $6,849. As at September 30, 2011, the outstanding principal amount is $161,000.

On August 3, 2011, the Trust obtained a Facility for gross proceeds of $448,395 (€328,500). Costs relating to the Facility are $10,832. These costs are reduced by proceeds received from the vendor on closing in the amount of $9,864 (see Note 6). The Facility has a term of five years, which may be extended for a further two years, subject to the satisfaction of certain conditions precedent at the time of the extension. Variable rate interest is calculated and payable quarterly under the Facility at a rate equal to the aggregate of the three-month EURIBOR plus a margin of 200 basis points (the "margin") and agency fee of 10 basis points. Pursuant to the Facility, the Trust was required to enter into an interest rate swap that fixed 80% of the variable interest rate payable under the Facility at a fixed interest rate not to exceed 3.5%, excluding the margin, and was required to purchase a cap instrument to cover 10% of the variable rate interest payable so that such interest rate does not exceed 5% (excluding the margin). The remaining 10% of interest payable will continue

to be calculated quarterly on a variable rate basis. On August 3, 2011, the Trust entered into an interest rate swap to pay a fixed rate of 4.05% on 80% of the Facility. As at September 30, 2011, the Trust paid a variable rate of 3.60% on the remaining 20% of the Facility.

No amortization of principal under the term loan credit facility is required during the first three years after closing. Thereafter, interest together with amortization of principal equal to 2% per annum of the initial loan amount will be payable on a quarterly basis (including the extension term, if any). In addition, the Trust is required to repay up to €100 million plus an applicable prepayment premium of 15% through dispositions or refinancings of a portion of the investment properties within the first two years following closing. If the full €100 million is not repaid by the second anniversary of the closing, the Trust will be required to pay additional interest of 1% on the portion of this €100 million which has not been repaid, starting on the second anniversary of the closing.

The Facility requires that all net rental income from the properties be paid into a rent collections account that the Trust established, to be released only after budgeted non-recoverable operating expenses (including an agreed property and asset management fee) are paid.

The Facility includes default and cash trap covenants requiring the Trust to maintain certain loan-to-value and debt service coverage ratios, each of which will be tested on a quarterly basis. If these ratios are not met at any time, the lenders may withhold 50% of the excess cash flow on a monthly basis as additional security for the Facility until such time as the ratios are once again satisfied. Upon satisfaction of the relevant ratio, the excess cash flow may again be distributed to the Trust; however, any cash previously trapped will not be released and will be used at the time of each future quarterly testing date until the ratio is satisfied for two consecutive quarters.

In addition, the Facility requires that DRC and Dundee Corporation maintain at least $120,000 of equity in the REIT for a two-year period from closing and at least $48,000 of equity for the remainder of the term of the Facility.

The weighted average interest rates for the fixed and floating components of debt are as follows:

	Face interest rates	Weighted average effective interest rates		Debt amount
		September 30, 2011	Maturity dates	September 30, 2011
FIXED RATE				
Facility[1]	4.05%	4.10%	2016	**$ 359,352**
Convertible debentures	5.50%	7.30%	2018	**146,318**
Total fixed rate debt	4.47%	5.04%		**505,670**
VARIABLE RATE				
Term loan credit facility	3.60%	3.65%	2016	**89,838**
Total variable rate debt	3.60%	3.65%		**89,838**
Total debt	4.34%	4.82%		**$ 595,508**

(1) The portion of the Facility subject to the interest rate swap has been presented as fixed rate debt in this table.

The scheduled principal repayments and debt maturities are as follows:

	Term debt	Convertible debentures	Total
2011 (remainder of year)	$ —	$ —	$ —
2012	—	—	—
2013	—	—	—
2014	1,456	—	1,456
2015	2,999	—	2,999
2016 and thereafter	445,721	161,000	606,721
	$ 450,176	$ 161,000	$ 611,176
Financing costs and fair value adjustments			(15,668)
			$ 595,508

Note 11

EXCHANGEABLE NOTES

The Trust has the following Exchangeable Notes outstanding:

	For the period from April 21, 2011, to September 30, 2011
As at August 3, 2011	**$ 80,000**
Remeasurement of carrying value	**(2,400)**
Ending balance	**$ 77,600**

In conjunction with the initial public offering (the "Offering"), a subsidiary of the Trust issued Exchangeable Notes for gross proceeds of $80,000. Each €7.326 principal amount of Exchangeable Notes (the euro equivalent of $10.00 based on the same exchange rate as the proceeds of the Offering were converted into euros) is exchangeable by the holder for one Unit, subject to customary anti-dilutional adjustments. The Exchangeable Notes and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to the Units.

During the period from August 3, 2011, to September 30, 2011, the Trust incurred $1,032 in interest on the Exchangeable Notes which is included as interest expense in comprehensive income.

Note 12

DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2011
Interest rate swap	**$ 3,042**
Interest rate cap	**(131)**
Foreign exchange forward contracts	**2,469**
Conversion feature of the Debentures	**877**
Total	**$ 6,257**

The movement in the conversion feature on the convertible debentures for the period was as follows:

		For the period from April 21, 2011, to September 30, 2011
As at August 3, 2011	$	8,106
Remeasurement of conversion feature		(7,229)
Ending balance	$	877

Note 13

DEFERRED UNIT INCENTIVE PLAN

The movement in the Deferred Unit Incentive Plan balance was as follows:

		Deferred trust units
Opening liability at August 3, 2011	$	—
Compensation during the period		—
Asset management fees during the period		10
Asset management fees outstanding as payable		(7)
Remeasurements of carrying value		—
Total liability at September 30, 2011	$	3

On August 3, 2011, DRC elected to receive the base asset management fees payable on the properties acquired on August 3, 2011 by way of deferred trust units under the Asset Management Agreement for the next five years. The deferred trust units granted to DRC vest 20% annually, commencing on the fifth anniversary date of being granted. On termination of the Asset Management Agreement, unvested deferred trust units granted to DRC vest immediately.

During the period from August 3, 2011 to September 30, 2011, $10 of asset management fees were recorded and included in general and administrative expenses, of which $3 was settled by the issuance of deferred trust units during the period and $7 was included in amounts payable and accrued liabilities and will be settled by the issuance of deferred trust units on October 15, 2011. At September 30, 2011, 27,372 unvested deferred trust units were outstanding.

Note 14

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2011
Trade payables	$	1,352
Accrued liabilities and other payables		14,556
Accrued interest		1,879
Total	$	17,787

Note 15
DISTRIBUTIONS

The following table breaks down distribution payments for the period ended September 30, 2011:

	Distribution
Paid in cash	$ 2,696
Paid by way of reinvestment in Units	40
Plus: Payable at September 30, 2011	2,924
Total	$ 5,660

On September 30, 2011, the distribution for the month of September, payable on October 15, 2011, of $0.06667 per unit was declared, amounting to a total distribution of $2,924. The amount payable at September 30, 2011, was satisfied on October 15, 2011, by $2,878 in cash, and $46 through the issuance of 4,845 Units.

The REIT's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The Declaration of Trust provides the trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect the REIT's distribution policy, the REIT disregards it when determining its distributions. The REIT also excludes the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. The REIT evaluates the impact of leasing activity based on averages for its portfolio over a two- to three-year time frame. The REIT excludes the impact of transaction costs expensed on business combinations as these are considered to be non-recurring. Additionally, the REIT deducts amortization of non–real estate assets, such as software and office equipment, incurred after the formation of the Trust. The Trust declared distributions of $0.06237 per Unit for the month of August and $0.06667 per Unit for the month of September, or $5,660 year-to-date in 2011.

Note 16
EQUITY

	September 30, 2011	
	Number of Units	Amount
	43,854,127	**$ 405,761**
Total	**43,854,127**	**$ 405,761**

Dundee International REIT Units

On April 21, 2011, 800,000 Units were issued to DRC for $400 cash.

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Trust Units. The Special Trust Units may only be issued to holders of Exchangeable Notes.

Special Trust Units are issued in connection with Exchangeable Notes. The Special Trust Units are not transferable separately from the Exchangeable Notes to which they relate and will be automatically redeemed for a nominal amount and cancelled upon settlement, surrender or exchange of such Exchangeable Notes. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of Units that may be obtained upon the surrender or exchange of the Exchangeable Notes to which they relate. At September 30, 2011, 8 million Special Trust Units were issued and outstanding.

Public offering of Units

On August 3, 2011, the Trust completed a public offering of 27 million Units at a price of $10.00 per Unit for gross proceeds of $270,000. On August 29, 2011, the Trust issued an additional 4.05 million Units at a price of $10.00 per Unit. Costs related to the offering totaled $24,078 and were charged directly to unitholders' equity. In addition to the initial public offering, 10 million Units were purchased by Dundee Corporation at the offering price and 2 million Units were purchased by DRC at the offering price.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment Plan ("DRIP") allows holders of Units, other than unitholders who are resident of or present in the United States of America, to elect to have all cash distributions from the REIT reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 4% of each cash distribution that was reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the Units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration. For the period from August 3, 2011 to September 30, 2011, 4,127 Units were issued pursuant to the DRIP for $40.

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional Units that may be acquired. The price per Unit is calculated in a similar manner to the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. No Units were issued under the Unit Purchase Plan during the quarter.

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit and the related distribution of income deferred trust units vest evently over a three- or five-year period on the anniversary date of the grant except for certain deferred trust units granted to DRC under the Asset Management Agreement. Subject to an election option available for certain participants to postpone receipt of Units, such units will be issued immediately upon vesting. Up to a maximum of 2,074,000 deferred trust units are issuable under the Deferred Unit Incentive Plan. Compensation expense is recorded based on the fair market value of a Unit at the date of grant and amortized as earned over the vesting period or the remaining service period of the participant, whichever is less.

Note 17
INTEREST EXPENSE
Interest on debt

Interest on debt incurred and charged to comprehensive income is recorded as follows:

	For the three months ended September 30, 2011	For the period from April 21, 2011, to September 30, 2011
Interest on term loan credit facility	$ 2,583	$ 2,583
Interest on convertible debentures	1,348	1,348
Amortization of financing costs and discounts	302	302
Interest rate swap settlements	256	256
Interest on Exchangeable Notes	1,032	1,032
Interest expense	**$ 5,521**	**$ 5,521**

Interest on Exchangeable Notes

Interest payments on the Exchangeable Notes charged to comprehensive income for the period from August 3, 2011 to September 30, 2011, comprise:

		2011
Paid in cash	$	499
Plus: Payable at September 30		533
Total	$	1,032

The amount payable at September 30, 2011 was satisfied on October 15, 2011 by $533 in cash.

Note 18

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	For the three months ended September 30, 2011	For the period from April 21, 2011, to September 30, 2011
Fair value adjustment on interest rate swap and cap	$ (12,927)	$ (12,927)
Fair value adjustment on conversion feature of convertible debentures	7,229	7,229
Fair value adjustment on Exchangeable Notes	2,400	2,400
Fair value adjustment on forward exchange contracts	(2,456)	(2,456)
	$ (5,754)	$ (5,754)

Note 19

INCOME TAXES

Reconciliation of Tax Expense

	For the period from April 21, 2011, to September 30, 2011
Net income before tax	$ 1,879
Tax calculated at the German corporate tax rate of 15.825%	297
Decrease resulting from:	
Income not subject to tax	(1,214)
Other items	21
Income taxes	$ (896)

Deferred income tax assets (liabilities) consist of the following:

	For the period from April 21, 2011, to September 30, 2011
Deferred tax liability related to difference in tax and book basis of investment properties	$ (713)
Deferred tax liability related to difference in tax and book basis of Exchangeable Notes	(358)
Deferred tax asset related to differences in tax and book basis of financial instruments	1,934
Deferred tax asset related to tax loss carry-forwards	77
Deferred tax liability related to differences in tax and book basis of deferred financing costs	(44)
Total deferred income tax assets	$ 896

Note 20

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Asset Management Agreement

The REIT entered into an asset management agreement with DRC ("Asset Management Agreement") pursuant to which DRC provides certain asset management services to the REIT and its subsidiaries. The Asset Management Agreement provides for a broad range of asset management services for the following fees:

- base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the historical purchase price of the properties;
- incentive fee equal to 15% of the REIT's adjusted funds from operations per Unit in excess of $0.93 per Unit; increasing annually by 50% of the increase in the weighted average consumer price index (or other similar metric as determined by the trustees) of the jurisdictions in which the properties are located;
- capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000, excluding work done on behalf of tenants or any maintenance capital expenditures;
- acquisition fee equal to: (a) 1.0% of the purchase price of a property, on the first $100,000 of properties in each fiscal year; (b) 0.75% of the purchase price of a property on the next $100,000 of properties acquired in each fiscal year, and (c) 0.50% of the purchase price on properties in excess of $200,000 in each fiscal year. DRC will not receive an acquisition fee in respect of the acquisition of the initial properties; and
- financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of the REIT to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions. DRC will not receive a financing fee in respect of the acquisition of the initial properties.

Pursuant to the Asset Management Agreement, DRC may elect to receive all or part of the fees payable to it for its asset management services in deferred trust units under the Deferred Unit Incentive Plan. The number of deferred trust units issued to DRC will be calculated by dividing the fees payable to DRC by the fair value for this purpose on the relevant payment date of the Units. Fair value for this purpose is the weighted average closing price of the Units on the principal market on which the Units are quoted for trading for the five trading days immediately preceding the relevant payment date. The deferred trust units will vest on a five-year schedule, pursuant to which one-fifth of the deferred trust units will vest, starting on the sixth anniversary date of the grant date for deferred trust units granted during the first five years of the Asset Management Agreement and starting on the first anniversary date of the grant date thereafter. Income deferred trust units will be credited to DRC based on distributions paid by the Trust on the Units and such income deferred trust units will vest on the same five-year schedule as their corresponding deferred trust units. DRC has irrevocably elected to receive the first $3,500 of the fees payable to it in each year for the first five years for its asset management services in deferred trust units.

Compensation of key management personnel is included in the fees paid under the Asset Management Agreement.

Included in accounts payable at September 30, 2011, is $1,228 payable to DRC for transaction costs incurred in the acquisition on behalf of the REIT. During the quarter ended September 30, 2011, the REIT recognized $10 in general and administration expense in relation to asset management fees under the Asset Management Agreement with DRC.

Note 21

SUPPLEMENTARY CASH FLOW INFORMATION

	For the three months ended September 30, 2011	For the period from April 21, 2011, to September 30, 2011
Increase in amounts receivable	$ (560)	$ (560)
Increase in prepaid expenses	(1,000)	(1,000)
Increase in amounts payable and accrued liabilities	12,968	12,968
Change in non-cash working capital	$ 11,408	$ 11,408

The following amounts were paid on account of interest:

	For the three months ended September 30, 2011	For the period from April 21, 2011, to September 30, 2011
Interest		
Debt	$ 2,839	$ 2,839
Exchangeable Notes	499	499

Note 22

COMMITMENTS AND CONTINGENCIES

The REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that 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 consolidated financial statements of the REIT.

As at September 30, 2011, the REIT's future minimum commitments under operating leases are as follows:

Years ending December 31	Operating lease payments
No longer than 1 year	$ 142
1—5 years	—
Longer than 5 years	—
Total	$ 142

During the period the Trust paid $95 in minimum lease payments, which have been included in comprehensive income for the period.

Note 23

CAPITAL MANAGEMENT

The primary objective of the Trust's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating.

The Trust's capital consists of debt, convertible debentures, Exchangeable Notes, and unitholders' equity. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions and to fund leasing costs and capital expenditure requirements.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and debt-to-book value. Other significant indicators include weighted average interest rate, average term to maturity of debt, and variable debt as a portion of total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions and capital expenditures, and for evaluating the need to raise funds for further expansion.

The Trust's equity consists of Units, in which the carrying value is impacted by earnings and unitholder distributions. The Trust endeavours to make annual distributions of $0.80 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditure and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, total distributions as a percentage of distributable income and distributable income per unit.

The Trust monitors capital primarily using a debt-to-book value ratio, which is calculated as the amount of outstanding debt divided by total assets. During the period the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The Facility agreement requires the debt service coverage ratio to be equal to or above 145% at each interest rate payment date. For the quarter ended September 30, 2011, the REIT's debt service coverage ratio was 453% and therefore in compliance with the Facility's requirement.

Note 24
FINANCIAL INSTRUMENTS
Risk management

IFRS 7, "Presentation of Financial Statements" ("IFRS 7") places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has exposure to interest rate risk primarily as a result of its term loan credit facility which has a variable rate of interest. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset. Additionally, the Trust has entered into interest rate swaps and caps to economically hedge the variable rate debt and has entered into foreign exchange forward contracts to manage its currency risk from paying distributions and debt servicing in Canadian dollars. The Trust is also exposed to interest rate risk on its derivatives.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for a prospective twelve-month period. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

		Interest rate risk			
		-1%		+1%	
	Carrying amount	Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents[1]	$ 92,411	$ (231)	$ (231)	$ 231	$ 231
Financial liabilities					
Term debt credit facility	$ 89,838	$ 225	$ 225	$ (225)	$ (225)

[1] Cash and cash equivalents include short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. These balances generally receive interest income at bank prime less 1.85%. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

The Trust is exposed to currency risk. The Trust's functional and presentation currency is Canadian dollars. The Trust's operating subsidiaries have a functional currency of the euro, accordingly the assets and liabilities are translated at the prevailing rate at period end, and comprehensive income is translated at the average rate for the period. In order to manage the exposure to currency risk to unitholders and holders of Debentures, the Trust has entered into foreign exchange forward contracts. The term of the contract is for 24 months whereby the Trust is required to sell €2,600 per month at €1.3639 per Canadian dollar.

The Trust is exposed to credit risk from its leasing activities and from its financing activities and derivatives. The Trust manages credit risk by requiring tenants to pay rents in advance and monitoring the credit quality of the tenants on a regular basis. The Trust monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Credit risk with respect to financing activities and derivatives is managed by entering into arrangements with highly reputable institutions.

The Trust does not use derivatives for speculative purposes.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Trust manages maturities of its debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

Interest rate derivatives

The following table provides details on interest rate derivatives outstanding as at September 30, 2011:

Hedging item	Notional	Rate	Maturity	Carrying value
Interest rate swap	$ 360,141	4.05%	2016	$ (3,042)
Interest rate cap	45,018	5.00%	2016	131
	$ 405,159			$ (2,911)

Foreign currency derivatives

The following table provides details on foreign currency hedging (foreign currency forward contracts) outstanding as at September 30, 2011:

Hedging currency	Notional amount	Exchange rate	Option start date	Option end date	Carrying value
Euro	€ 2,600	1.3639	October 3, 2011	October 14, 2011	$ (105)
Euro	2,600	1.3639	November 1, 2011	November 15, 2011	(106)
Euro	2,600	1.3639	December 1, 2011	December 15, 2011	(107)
Euro	2,600	1.3639	January 3, 2012	January 13, 2012	(108)
Euro	2,600	1.3639	February 1, 2012	February 15, 2012	(109)
Euro	2,600	1.3639	March 1, 2012	March 15, 2012	(109)
Euro	2,600	1.3639	April 2, 2012	April 13, 2012	(109)
Euro	2,600	1.3639	May 2, 2012	May 15, 2012	(109)
Euro	2,600	1.3639	June 1, 2012	June 15, 2012	(109)
Euro	2,600	1.3639	July 3, 2012	July 13, 2012	(108)
Euro	2,600	1.3639	August 1, 2012	August 15, 2012	(108)
Euro	2,600	1.3639	September 4, 2012	September 14, 2012	(108)
Euro	2,600	1.3639	October 1, 2012	October 15, 2012	(108)
Euro	2,600	1.3639	November 1, 2012	November 15, 2012	(108)
Euro	2,600	1.3639	December 3, 2012	December 14, 2012	(108)
Euro	2,600	1.3639	January 2, 2013	January 15, 2013	(108)
Euro	2,600	1.3639	February 1, 2013	February 15, 2013	(107)
Euro	2,600	1.3639	March 1, 2013	March 15, 2013	(107)
Euro	2,600	1.3639	April 2, 2013	April 15, 2013	(106)
Euro	2,600	1.3639	May 2, 2013	May 15, 2013	(106)
Euro	2,600	1.3639	June 3, 2013	June 14, 2013	(106)
Euro	2,600	1.3639	July 2, 2013	July 15, 2013	(105)
Euro	2,600	1.3639	August 1, 2013	August 15, 2013	(105)
Euro	2,600	1.4005	September 1, 2013	September 15, 2013	—
	€ 62,400				$ (2,469)

Fair value of financial instruments

	September 30, 2011	
	Carrying value	Fair value
Financial assets		
Amounts receivable	$ 1,294	$ 1,294
Cash and cash equivalents	92,411	92,411
Financial liabilities		
Convertible debentures	146,318	153,771
Term loan credit facility	449,190	449,190
Exchangeable Notes	77,600	77,600
Derivative financial instruments	6,257	6,257
Deferred unit incentive plan	3	3
Deposits	466	466
Amounts payable and accrued liabilities	17,787	17,787
Distributions payable	2,924	2,924

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognized in the consolidated balance sheet by level of fair value hierarchy.

		September 30, 2011	
	Level 1	Level 2	Level 3
Financial instruments:			
Interest rate derivatives	—	$ 2,911	—
Foreign currency derivatives	—	2,469	—
Conversion feature of Debentures	—	877	—

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 — Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data;

Level 3 — Use of a model with inputs that are not based on observable market data.

Appendix

September 30, 2011	CITY	STATE	GLA	OCCUPANCY
Office properties				
Gradestr. 22	Hannover	Niedersachsen	195,783	72%
Kurfürstenallee 130	Bremen	Bremen	187,940	73%
Überseering 17/Mexikoring 22	Hamburg	Hamburg	159,174	87%
Zimmermannstr. 2/Eisenstr.	Marburg	Hessen	99,751	98%
Saalburgallee 19	Frankfurt am Main	Hessen	98,224	96%
Wiener Str. 43	Stuttgart	Baden-Württemberg	72,192	88%
Koblenzer Str. 67	Bonn	Nordrhein-Westfalen	42,774	100%
Ölmühlweg 12	Königstein	Hessen	34,984	100%
Total office			**890,823**	**84%**
Mixed use properties				
Grüne Str. 6-8/Kurfürstenstr. 2	Dortmund	Nordrhein-Westfalen	299,567	100%
Am Hauptbahnhof 16-18	Saarbrücken	Saarland	290,901	92%
Poststr.4-6, Göbelstr.30, Bismarckstr.	Darmstadt	Hessen	230,943	89%
Bahnhofstr. 16	Regensburg	Bayern	230,845	75%
H-v-Stephan-Str.1-15/W-Brandt-Pl.13	Mannheim	Baden-Württemberg	227,298	96%
Bahnhofstr. 82-86	Gießen	Hessen	156,378	88%
E.-Kamieth-Str. 2 b	Halle	Sachsen-Anhalt	152,661	83%
Marienstr. 80	Offenbach am Main	Hessen	114,114	96%
Rüppurrer Str.81,87,89/Ettlinger 67	Karlsruhe	Baden-Württemberg	111,413	93%
Gerokstr. 14-20	Dresden	Sachsen	110,434	86%
Hindenburgstr. 9/Heeserstr. 5	Siegen	Nordrhein-Westfalen	98,647	89%
Kaiserstr. 24	Gütersloh	Nordrhein-Westfalen	94,488	61%
Klubgartenstr. 10	Goslar	Niedersachsen	87,460	64%
Bahnhofsplatz 2,3,4, Pepperworth 7	Hildesheim	Niedersachsen	85,895	75%
Am Hauptbahnhof 2	Mülheim	Nordrhein-Westfalen	84,303	94%
Pausaer Str. 1-3	Plauen	Sachsen	83,867	71%
Bahnhofstr. 33	Böblingen	Baden-Württemberg	82,628	100%
Husemannstr. 1	Gelsenkirchen	Nordrhein-Westfalen	80,141	88%
Berliner Platz 35-37	Münster	Nordrhein-Westfalen	79,702	86%
Stresemannstr. 15	Wuppertal	Nordrhein-Westfalen	79,185	100%
Bahnhofsring 2	Leer	Niedersachsen	78,259	91%
Heinrich-von-Bibra-Platz 5-9	Fulda	Hessen	77,606	100%
Kaiser-Karl-Ring 59-63/Dorotheenstr.	Bonn	Nordrhein-Westfalen	75,815	100%
Bürgerreuther Str. 1	Bayreuth	Bayern	75,534	100%
Bahnhofplatz 10	Fürth	Bayern	74,816	100%
Logenstr. 37	Kaiserslautern	Rheinland-Pfalz	72,198	95%
Bahnhofsplatz 1	Schweinfurt	Bayern	67,503	87%
Bahnhofstr. 9	Ingolstadt	Bayern	67,432	100%
Mecklenburgstr. 4-6	Schwerin	Mecklenburg-Vorpommern	66,676	80%
Rathausplatz 2	Wilhelmshaven	Niedersachsen	64,970	97%
Niemeyerstr. 1	Hannover	Niedersachsen	61,884	73%
Bahnhofstr. 40	Flensburg	Schleswig-Holstein	61,826	98%
Möhringer Landstr. 2/Emilienstr. 30	Stuttgart	Baden-Württemberg	61,194	93%
Heinrich-von-Stephan-Str. 8-10	Leverkusen	Nordrhein-Westfalen	61,011	89%
Joachim-Campe-Str. 1.3/5/7, Posthof	Salzgitter	Niedersachsen	60,012	54%
Friedrich-Ebert-Str. 28	Pinneberg	Schleswig-Holstein	59,218	100%
Paulinenstr. 52	Detmold	Nordrhein-Westfalen	57,614	75%
Postplatz 3	Bautzen	Sachsen	57,007	66%
Poststr. 2 U 3	Helmstedt	Niedersachsen	53,468	52%
Ostbahnstr. 5	Landau	Rheinland-Pfalz	53,401	94%
Kavalierstr. 30-32	Dessau	Sachsen-Anhalt	52,206	90%
Bahnhofsplatz 9	Emden	Niedersachsen	52,195	91%
Friedrich-Ebert-Str. 75-79	Bremerhaven	Bremen	51,727	97%
Baarstr. 5	Iserlohn	Nordrhein-Westfalen	51,472	78%
Hainstr. 5 A	Bad Hersfeld	Hessen	51,207	100%
Europaplatz 17	Bad Kreuznach	Rheinland-Pfalz	50,704	91%
Rathausplatz 4	Lüdenscheid	Nordrhein-Westfalen	50,050	95%
Marktstr. 9	Völklingen	Saarland	49,577	73%
Zuffenhäuser Kelterplatz 1	Stuttgart	Baden-Württemberg	47,552	80%
Unter den Zwicken 1-3	Halberstadt	Sachsen-Anhalt	47,145	76%

September 30, 2011	CITY	STATE	GLA	OCCUPANCY
Mixed use properties (continued)				
Stadtparkstr. 2	Schwabach	Bayern	46,799	77%
Schützenstr. 17,19	Peine	Niedersachsen	46,527	89%
Bahnhofstr. 2	Cham	Bayern	46,129	61%
Theodor-Heuss-Platz 13	Neuss	Nordrhein-Westfalen	46,128	95%
Poststr. 14	Rastatt	Baden-Württemberg	45,659	92%
Bahnhofplatz 3,5	Heidenheim	Baden-Württemberg	45,656	86%
Stembergstr. 27-29	Arnsberg	Nordrhein-Westfalen	45,600	97%
Poststr. 2	Gummersbach	Nordrhein-Westfalen	45,558	84%
Willy-Brandt-Str. 6	Auerbach	Sachsen	45,504	53%
Königstr. 12	Rottweil	Baden-Württemberg	45,494	88%
Möllner Landstr. 47-49/Reclamstr. 20	Hamburg	Hamburg	45,371	90%
Lutherplatz 5	Nordhausen	Thüringen	44,699	79%
Münchener Str. 1	Bad Kissingen	Bayern	43,971	74%
Martinistr. 19	Recklinghausen	Nordrhein-Westfalen	43,807	82%
Bahnhofstr. 169	Bietigheim-Bissingen	Baden-Württemberg	43,620	99%
Vegesacker Heerstr. 111	Bremen	Bremen	43,484	86%
Südbrede 1-5	Ahlen	Nordrhein-Westfalen	43,382	83%
Kardinal-Galen-Ring 84/86	Rheine	Nordrhein-Westfalen	42,191	100%
Kalkumer Str. 70	Düsseldorf	Nordrhein-Westfalen	41,771	100%
Ehrenfeldgürtel 125	Köln	Nordrhein-Westfalen	41,645	97%
Poststr. 2	Deggendorf	Bayern	41,640	96%
Robert-Wahl-Str. 7/7a	Balingen	Baden-Württemberg	41,487	94%
Bahnhofplatz 1	Freising	Bayern	41,139	95%
Balhornstr.15,17/B.Köthenbürger-Str.	Paderborn	Nordrhein-Westfalen	40,927	84%
August-Bebel-Str. 6	Torgau	Sachsen	40,745	86%
Cavaillonstr. 2	Weinheim	Baden-Württemberg	40,540	91%
Hauptstr. 279/Hommelstr. 2	Idar-Oberstein	Rheinland-Pfalz	39,041	96%
Steinerother Str. 1 U 1a	Betzdorf	Rheinland-Pfalz	38,959	92%
Stuttgarter Str. 5, 7	Fellbach	Baden-Württemberg	38,288	95%
Bismarckstr. 21-23	Bünde	Nordrhein-Westfalen	38,276	88%
Heinrich-von-Stephan-Platz 6	Naumburg	Sachsen-Anhalt	37,612	91%
Hindenburgstr. 8/Hohenstauf 9,17,19	Bocholt	Nordrhein-Westfalen	37,512	93%
Mühlenstr. 5-7	Delmenhorst	Niedersachsen	37,266	98%
Alsenberger Str 61	Hof	Bayern	36,687	76%
Lübecker Str. 23-25	Bad Oldesloe	Schleswig-Holstein	36,290	100%
Apostelweg 4-6	Hamburg	Hamburg	36,273	96%
Brückenstr. 21	Neunkirchen	Saarland	35,971	100%
Lönsstr. 20-22	Castrop-Rauxel	Nordrhein-Westfalen	35,580	86%
Friedrich-Wilhelm-Str. 52 U. 54	Eschwege	Hessen	35,433	53%
Verdener Str. 9	Nienburg	Niedersachsen	35,313	80%
Kurt-Schumacher-Str. 5	Lünen	Nordrhein-Westfalen	35,290	100%
Lilienstr. 3	Leipzig	Sachsen	35,234	97%
Stadtring 3-5	Nordhorn	Niedersachsen	34,960	82%
Heinzelmannstr. 1/Hauberrisserstr.	Kaufbeuren	Bayern	34,894	90%
Bahnhofplatz 4	Traunstein	Bayern	34,887	63%
Bahnhofsplatz 10,12,14	Kleve	Nordrhein-Westfalen	34,871	100%
Goethestr. 2-6	Duisburg	Nordrhein-Westfalen	34,839	85%
Zwieseler Str. 27-29	Regen	Bayern	34,174	82%
Gustav-König-Str. 42	Sonneberg	Thüringen	33,959	46%
Lotzbeckstr. 4	Lahr	Baden-Württemberg	33,511	70%
Bahnhofsplatz 4	Homburg	Saarland	33,241	100%
Große Str. 29-33	Rotenburg	Niedersachsen	33,240	93%
Worthingtonstr. 15	Crailsheim	Baden-Württemberg	33,136	100%
Kieler Str. 501	Hamburg	Hamburg	32,937	92%
Hellersdorfer Str. 78	Berlin	Berlin	32,296	85%
Kreuzstr. 20-24	Bonn	Nordrhein-Westfalen	32,253	99%
Bahnhofstr. 6/Luisenstr. 4-5	Villingen-Schwenningen	Baden-Württemberg	32,191	97%
Münchener Str. 38	Neuburg	Bayern	31,486	70%
Poststr. 30	Albstadt	Baden-Württemberg	31,263	84%
Tunnelweg 1	Husum	Schleswig-Holstein	31,116	89%

September 30, 2011	CITY	STATE	GLA	OCCUPANCY
Mixed use properties (continued)				
Volksdorfer Str. 5/Wohld. Str. 6	Hamburg	Hamburg	31,068	91%
Bahnhofplatz 4	Berchtesgaden	Bayern	31,007	42%
Poststr. 26	Meißen	Sachsen	30,101	78%
Bahnhofsplatz 2	Herborn	Hessen	29,746	91%
Waschgrabenallee 3-5	Neustadt	Schleswig-Holstein	29,739	90%
König-Heinrich-Str. 11	Merseburg	Sachsen-Anhalt	29,472	83%
Poststr. 24-26	Ratingen	Nordrhein-Westfalen	29,445	100%
Ludwigsplatz 1	Alsfeld	Hessen	29,125	62%
Bahnhofstr. 29	Meppen	Niedersachsen	29,056	94%
Poststr. 12	Lehrte	Niedersachsen	28,764	93%
Petristr. 26	Heilbad Heiligenstadt	Thüringen	28,205	79%
Dr.-Friedrich-Uhde-Str. 18	Einbeck	Niedersachsen	27,793	72%
Augsburger Str. 380	Stuttgart	Baden-Württemberg	27,775	93%
Gartenstr. 29/30	Pirna	Sachsen	27,771	73%
Wilhelm-Weber-Str. 1	Wittenberg	Sachsen-Anhalt	27,658	78%
Poststr. 1-3	Korbach	Hessen	27,463	88%
Berliner-Tor-Platz 1	Wesel	Nordrhein-Westfalen	27,052	100%
Poststr. 48	St Ingbert	Saarland	26,975	87%
Bahnhofstr. 2	Gifhorn	Niedersachsen	26,894	88%
Bahnhofanlage 2-4	Schwetzingen	Baden-Württemberg	26,658	100%
Königswiese 1	Gelsenkirchen	Nordrhein-Westfalen	26,468	100%
Wilhelmstr. 11/Kamperdickstr. 29	Kamp-Lintfort	Nordrhein-Westfalen	25,973	81%
Kaiserstr. 140	Radevormwald	Nordrhein-Westfalen	25,653	74%
In der Trift 10/12	Olpe	Nordrhein-Westfalen	25,414	88%
Klosterstr. 6-10	Annaberg-Buchholz	Sachsen	25,336	75%
Bahnhofstr. 6	Quakenbrück	Niedersachsen	24,446	97%
Asselheimer Str. 26/Mörikestr. 1-3	Grünstadt	Rheinland-Pfalz	23,560	66%
Alleestr. 6	Neustadt	Bayern	23,495	100%
Uferstr. 2	Höxter	Nordrhein-Westfalen	23,240	79%
Gartenstr. 16	Sindelfingen	Baden-Württemberg	23,121	100%
Bahnhofsplatz 8	Marktredwitz	Bayern	22,710	99%
Bahnhofstr. 32	Sulzbach-Rosenberg	Bayern	22,634	76%
Bahnhofstr. 46	Unna	Nordrhein-Westfalen	22,627	100%
Stadtgraben 13	Pfaffenhofen	Bayern	22,513	88%
Bahnhofsplatz o. Nr.	Oranienburg	Brandenburg	22,153	76%
Breitestr. 62-66	Andernach	Rheinland-Pfalz	22,119	88%
Brückenstr. 26	Miltenberg	Bayern	22,017	89%
Ringstr. 22/Dr. Bachl-Str.	Pfarrkirchen	Bayern	21,980	86%
Lindenstr. 42	Grevenbroich	Nordrhein-Westfalen	21,668	83%
Hörder Semerteichstr. 175	Dortmund	Nordrhein-Westfalen	21,659	87%
Am Plärrer 11	Lauf	Bayern	21,603	100%
Bahnhofstr. 27	Öhringen	Baden-Württemberg	21,449	86%
Wilhelmstr. 5	Ibbenbüren	Nordrhein-Westfalen	21,031	100%
Am Stadtpark 5	Papenburg	Niedersachsen	20,950	88%
Geistmarkt 17	Emmerich	Nordrhein-Westfalen	20,942	100%
Lyoner Passage 14	Köln	Nordrhein-Westfalen	20,742	100%
Moltkestr. 6	Hattingen	Nordrhein-Westfalen	20,681	100%
Martin-Pöhlmann-Str 5/Friedrich-E.	Selb	Bayern	20,681	100%
Am Markt 4-5	Norden	Niedersachsen	20,668	81%
Steinstr. 6	Pulheim	Nordrhein-Westfalen	20,517	100%
Leistikowstr. 19	Fürstenwalde	Brandenburg	20,437	59%
Saarbrücker Str. 292-294	Saarbrücken	Saarland	20,433	92%
Ziegelstr. 15, 15 A	Ravensburg	Baden-Württemberg	20,420	90%
Poststr. 12	Schmölln	Thüringen	20,403	88%
Neugr. Bahnhofstr. 26/Scheideholzw.	Hamburg	Hamburg	20,213	81%
Speckweg 24-26	Mannheim	Baden-Württemberg	20,128	90%
Marktplatz 5	Nordenham	Niedersachsen	20,109	100%
Kasseler Str. 1 - 7	Warburg	Nordrhein-Westfalen	19,985	86%
Bahnhofstr. 58/Giselbertstr. 6	Buxtehude	Niedersachsen	19,800	94%
Poststr. 5	Walsrode	Niedersachsen	19,697	93%

September 30, 2011	CITY	STATE	GLA	OCCUPANCY
Mixed use properties (continued)				
Lindauer Str. 34	Wangen	Baden-Württemberg	19,510	97%
Eisenbahnstr. 15	Tuttlingen	Baden-Württemberg	19,047	66%
Konrad-Adenauer-Str. 10	Langenhagen	Niedersachsen	18,892	100%
Poststr. 6	Beckum	Nordrhein-Westfalen	18,831	100%
Lagerstr. 1	Meschede	Nordrhein-Westfalen	18,683	100%
Bahnhofstr. 3	Osterburken	Baden-Württemberg	18,498	100%
Bahnhofstr. 43	Riesa	Sachsen	18,275	90%
Friedrichstr. 2	Monheim	Nordrhein-Westfalen	18,156	100%
Bahnhofstr. 18 a	Wedel	Schleswig-Holstein	17,771	94%
Königstr. 20	Brilon	Nordrhein-Westfalen	17,733	76%
Kornmarkt 15	Osterode	Niedersachsen	17,690	100%
Marktstr. 51	Essen	Nordrhein-Westfalen	17,661	100%
Übacher Weg 4	Alsdorf	Nordrhein-Westfalen	16,870	100%
Karl-von-Hahn-Str. 1	Freudenstadt	Baden-Württemberg	16,699	92%
Kaiserstr. 35	Minden	Nordrhein-Westfalen	16,624	80%
Niederwall 3	Lübbecke	Nordrhein-Westfalen	16,563	100%
Bahnhofstr. 8-10	Borken	Nordrhein-Westfalen	16,385	100%
Hochstr. 31/Postgasse 5	Bochum	Nordrhein-Westfalen	16,359	100%
Robert-Koch-Str. 3	Laatzen	Niedersachsen	16,126	100%
Hauptstr. 141	Rheda-Wiedenbrück	Nordrhein-Westfalen	16,082	100%
Poststr. 28	Hemer	Nordrhein-Westfalen	15,782	100%
Lindenstr. 9	Daun	Rheinland-Pfalz	15,689	100%
Am Bahnhof 2	Meldorf	Schleswig-Holstein	15,549	87%
Melanchthonstr. 96	Bretten	Baden-Württemberg	15,501	90%
Republikstr. 34	Schönebeck	Sachsen-Anhalt	14,985	71%
Poststr. 1/2	Spremberg	Brandenburg	14,763	80%
Herrlichkeit 7	Syke	Niedersachsen	14,560	94%
Luitpoldstr. 13 u 13 b	Dinkelsbühl	Bayern	14,421	98%
Bahnhofstr. 41	Eberbach	Baden-Württemberg	13,936	100%
Kolpingstr. 4	Georgsmarienhütte	Niedersachsen	13,725	100%
Schönbornstr. 1	Geisenheim	Hessen	13,117	100%
Potsdamer Str. 9	Ludwigsfelde	Brandenburg	12,885	100%
Langener Landstr. 237-239	Bremerhaven	Bremen	12,803	100%
Bünder Str. 36	Löhne	Nordrhein-Westfalen	12,625	100%
Berliner Freiheit 8	Bremen	Bremen	12,553	100%
Albert-Steiner-Str. 10	Herzogenrath	Nordrhein-Westfalen	12,538	80%
Poststr. 1	Erftstadt	Nordrhein-Westfalen	12,498	100%
Gorsemannstr. 22	Bremen	Bremen	12,379	100%
Mönchenstr. 15-18	Jüterbog	Brandenburg	12,128	100%
Fritz-Brandt-Str. 25	Zerbst	Sachsen-Anhalt	12,117	100%
Bahnhofstr. 11	Alpirsbach	Baden-Württemberg	12,112	98%
Märkische Str. 58	Düsseldorf	Nordrhein-Westfalen	11,997	100%
Poststr. 3-5	Barsinghausen	Niedersachsen	11,597	100%
Prochaskaplatz 7	Dannenberg	Niedersachsen	11,334	95%
Kürbsweg 9	Seevetal	Niedersachsen	11,175	100%
Hauptstr. 40	Porta Westfalica	Nordrhein-Westfalen	11,133	100%
Bahnhofstr. 49/49a	Aalen	Baden-Württemberg	11,050	100%
Steinweg 5	Weiden	Bayern	10,974	100%
Am Markt 4	St. Georgen	Baden-Württemberg	10,324	100%
Sandstr. 4	Germersheim	Rheinland-Pfalz	10,132	100%
Rensefelder Str. 2	Bad Schwartau	Schleswig-Holstein	9,777	100%
Bahnhofstr. 12	Pfullendorf	Baden-Württemberg	9,720	100%
Rosenstr. 1/Fünfhausenstr. 19/21	Springe	Niedersachsen	8,881	100%
De-Lenoncourt-Str. 2	Dillingen	Saarland	8,705	90%
Elisabeth-Anna-Str. 11	Wangerooge	Niedersachsen	8,382	100%
Melcherstätte 8	Stuhr	Niedersachsen	8,196	100%
Alte Amberger Str. 28	Grafenwöhr	Bayern	7,980	100%
Eichendorffstr. 14	Traunreut	Bayern	7,711	100%
Wetterstr. 20/Poststr. 2	Herdecke	Nordrhein-Westfalen	7,702	100%
Total mixed use			**9,187,238**	**88%**

September 30, 2011	CITY	STATE	GLA	OCCUPANCY
Industrial properties				
Karlstal 1-21/Werftstr. 201	Kiel	Schleswig-Holstein	181,004	96%
Franz-Zebisch-Str. 15	Weiden	Bayern	166,601	100%
Am Neumarkt 40/Luetkensallee 49	Hamburg	Hamburg	160,720	87%
Czernyring 15	Heidelberg	Baden-Württemberg	133,909	80%
Friedrich-Karl-Str. 1-7	Oberhausen	Nordrhein-Westfalen	97,606	74%
Blücherstr. 12	Koblenz	Rheinland-Pfalz	94,569	68%
Kapellenstr. 44	Einbeck	Niedersachsen	81,206	67%
Kommandantenstr.43-51	Duisburg	Nordrhein-Westfalen	80,122	100%
Dammstr. 2, Frankenstr. 21, 25a	Osnabrück	Niedersachsen	77,515	51%
77er Str. 54	Celle	Niedersachsen	73,423	78%
Auhofstr. 21	Aschaffenburg	Bayern	64,264	94%
Am Bahnhof 5	Zwickau	Sachsen	60,738	59%
Poststr. 5-7	Heide	Schleswig-Holstein	53,363	95%
Mayenner Str. 63	Waiblingen	Baden-Württemberg	53,220	100%
Lippertor 6	Lippstadt	Nordrhein-Westfalen	44,341	100%
Palleskestr. 38	Frankfurt am Main	Hessen	43,409	64%
Falkenbergstr. 17-23	Norderstedt	Schleswig-Holstein	41,249	98%
Im Bungert 6-8	Bergisch Gladbach	Nordrhein-Westfalen	34,737	100%
Gerstenstr. 5	Neubrandenburg	Mecklenburg-Vorpommern	34,347	100%
Markendorfer Str. 10	Frankfurt an der Oder	Brandenburg	32,330	97%
Von-Lassaulx-Str. 14-18	Remagen	Rheinland-Pfalz	29,819	63%
Konrad-Adenauer-Str. 49-51	Tübingen	Baden-Württemberg	29,341	98%
Feldschlößchenstr./Kunadstr.	Dresden	Sachsen	29,236	100%
Ruthenstr. 19/21	Hameln	Niedersachsen	26,895	93%
Saßstr. 12	Leipzig	Sachsen	26,214	79%
Goldbacher Str. 74	Aschaffenburg	Bayern	25,153	95%
Zwickauer Str. 438	Chemnitz	Sachsen	24,422	78%
Lindenstr. 11	Bitterfeld	Sachsen-Anhalt	23,183	86%
Poststr. 19-23	Hilden	Nordrhein-Westfalen	22,454	87%
Lindenstr. 15	Landstuhl	Rheinland-Pfalz	21,709	99%
Innungsstr. 57-59	Berlin	Berlin	21,187	100%
Lübecker Str./Wedringer Str. o. Nr.	Magdeburg	Sachsen-Anhalt	19,454	100%
Ooser Karlstr. 21/23/25	Baden-Baden	Baden-Württemberg	19,444	93%
Güterstr. 2-4	Bitburg	Rheinland-Pfalz	19,340	99%
Chiemseestr. 25	Traunstein	Bayern	18,488	88%
Bahnhofstr. 33 U. 33 A	Stendal	Sachsen-Anhalt	18,200	93%
Trierer Str. 4-6	Heusweiler	Saarland	16,867	92%
Bismarckstr. 12/Fr.Hoffmann-Str.	Steinfurt	Nordrhein-Westfalen	16,666	100%
Aidenbacher Str. 41	Vilshofen	Bayern	16,619	69%
Sattigstr. 33	Görlitz	Sachsen	16,279	100%
Bahnhofstr. 33	Sulz	Baden-Württemberg	15,774	76%
Im Kusterfeld 1	Backnang	Baden-Württemberg	14,634	99%
Grenzstr. 24	Halle	Sachsen-Anhalt	14,533	100%
Mercedesstr. 5	Hannover	Niedersachsen	14,504	100%
Am Buchhorst 35	Potsdam	Brandenburg	14,042	100%
Gutachstr. 56	Titisee-Neustadt	Baden-Württemberg	13,955	94%
Berliner Str. 4	Albstadt	Baden-Württemberg	13,816	100%
Münchner Str. 50	Fürstenfeldbruck	Bayern	13,326	100%
Löbauer Str. 63	Bautzen	Sachsen	12,686	100%
Dahmestr. 17	Mittenwalde	Brandenburg	12,631	100%
Heidering 23	Hannover	Niedersachsen	12,494	94%
Fraunhoferstr. 10	Bonn	Nordrhein-Westfalen	12,311	100%
Unterstr. 14	Bochum	Nordrhein-Westfalen	10,732	100%
Langfuhren 9	Bad Säckingen	Baden-Württemberg	9,717	100%
Weinbergstr. 50	Bad Neuenahr-Ahrweiler	Rheinland-Pfalz	9,023	100%
Total industrial			**2,243,825**	**87%**
TOTAL			**12,321,885**	**88%**

Corporate information

Head office

DUNDEE INTERNATIONAL REAL ESTATE INVESTMENT TRUST

State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario M5C 3H1
Phone: (416) 365-3535
Fax: (416) 365-6565

Investor relations

Phone: (416) 365-3538
Toll free: 1 877 365-3535
From Germany: 0 800 189-0344
E-mail: info@dundeeinternational.com
Web site: www.dundeeinternational.com

Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols

REIT Units: DI.UN
5.5% Convertible Debentures: DI.DB

Transfer agent

(for change of address, registration or other unitholder inquiries)

COMPUTERSHARE TRUST COMPANY OF CANADA

100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Phone: (514) 982-7555 or
1 800 564-6253
Fax: (416) 263-9394 or
1 888 453-0330
E-mail: service@computershare.com

Auditors

PRICEWATERHOUSECOOPERS LLP

PwC Tower
18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

Corporate counsel

OSLER, HOSKIN & HARCOURT LLP

Box 50, 1 First Canadian Place, Suite 6100
Toronto, Ontario M5X 1B8

Distribution Reinvestment and Unit Purchase Plan

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide unitholders with a convenient way of investing in additional units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, you may invest in additional units in two ways:

Distribution reinvestment: Unitholders will have cash distributions from Dundee International REIT reinvested in additional units as and when cash distributions are made.

Cash purchase: Unitholders may invest in additional units by making cash purchases.

If you register in the DRIP you will also receive a "bonus" distribution of units equal to 4% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every $1.00 of cash distributions reinvested by you under the Plan, $1.04 worth of units will be purchased.

Concept and Design: THE WORKS DESIGN COMMUNICATIONS www.worksdesign.com

DUNDEE INTERNATIONAL REIT

State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario M5C 3H1

www.dundeeinternational.com