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

- Q1 2014 marks the most active quarter of leasing in the Trust's history, with 188,400 square feet of new leasing and 52,600 square feet of renewals, resulting in positive absorption of approximately 103,800 square feet;
- Occupancy rate increased to 87.7% at the end of Q1 2014 from 86.4% at the end of 2013 and 84.7% at the end of Q1 2013; the reclassification of head lease space contributed 50 basis points ("bps") to this increase;
- Acquired two office properties located in Munich and Hamburg, respectively, for an aggregate purchase price of approximately $114.3 million (€75.3 million) at an average 6.3% capitalization rate ("cap rate") and an average mortgage interest rate of 2.3%;
- Further diversified tenant profile with our largest tenant, Deutsche Post, contributing 35% to the overall gross rental income ("GRI") at the end of Q1 2014, down from 37% at the end of 2013 and 43% at the end of Q1 2013.

	Three months ended March 31,			
		2014[1]		2013[1]
Operations				
Occupancy rate (period-end)[2]		**87.7%**		84.7%
In-place rent per square foot (euros)	**€**	**8.72**	€	7.87
Operating results				
Investment properties revenue	**$**	**67,133**	$	46,364
Net rental income		**45,800**		27,311
Net rental income – Initial Properties		**21,627**		19,656
Net rental income – Acquisition Properties		**24,173**		7,655
Funds from operations ("FFO")[3]		**24,756**		15,793
Adjusted funds from operations ("AFFO")[4]		**23,084**		14,770
Distributions				
Declared distributions	**$**	**22,113**	$	16,049
Distributions paid and payable in cash		**18,076**		14,435
Financing				
Weighted average interest rate (period-end)		**3.35%**		3.39%
Interest coverage ratio ("ICR")[5]		**3.41 times**		3.45 times
Per unit amounts				
Basic:[6]				
FFO[3]	**$**	**0.23**	$	0.20
AFFO[4]		**0.21**		0.19
Distribution rate		**0.20**		0.20
Basic (excluding impact of undeployed cash):				
FFO[3]		**0.24**		0.24
AFFO[4]		**0.23**		0.23
Weighted average number of units outstanding		**109,987,243**		79,267,113

FFO, AFFO and weighted average interest rate are key measures of performance used by real estate operating companies; however, they are not defined under International Financial Reporting Standards ("IFRS"), do not have standard meanings and may not be comparable with other industries or income trusts.

(1) Results from operations were converted into Canadian dollars from euros using the average exchange rates found on page 23.
(2) Occupancy in Q1 2014 includes space covered by a head lease that was previously classified as vacant space. This change in presentation results in a 0.5% increase in occupancy in Q1 2014. The prior period occupancy rate has not been restated.
(3) FFO – The reconciliation of FFO to net income can be found on page 24.
(4) AFFO – The reconciliation of AFFO to FFO and net income can be found on page 24. The reconciliation to operating cash flows can be found on page 26.
(5) Interest coverage ratio – The calculation of ICR reconciled to IFRS measures can be found on page 28.
(6) A description of the determination of basic and diluted amounts per unit can be found on page 24.

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", the "REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements and unaudited interim condensed financial statements of the Trust for the periods ended December 31, 2013 and March 31, 2014, respectively.

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

This management's discussion and analysis has been dated as at May 7, 2014, 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;
- "GLA", meaning gross leasable area;
- "GRI", meaning gross rental income;
- "Initial Properties", meaning the income-producing properties we acquired on August 3, 2011;
- "Acquisition Properties", meaning the income-producing properties acquired subsequent to the Trust's initial public offering on August 3, 2011; and
- "Units", meaning the Units of the Trust.

Certain information has been obtained from CB Richard Ellis Germany ("CBRE") and Jones Lang LaSalle ("JLL"), commercial firms that provide 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.

When we use the terms such as "we", "us" and "our", we are referring to the REIT and its subsidiaries.

When we refer to Deutsche Post as being the lessee or the tenant of the Initial Properties, we are referring to Deutsche Post Immobilien GmbH ("DPI"), which is a wholly owned subsidiary of Deutsche Post. Deutsche Post has provided a letter of support with respect to DPI and its ability to carry out its obligations under leases for the Initial Properties.

In addition, certain disclosure incorporated by reference into this report includes information regarding our largest tenants that has been obtained from publicly available information. We have not independently verified any such information.

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 and other 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; the Trust's continued exemption 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 securities regulators.

All forward-looking information is as of May 7, 2014, except where otherwise noted. 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 DREAM Asset Management Corporation ("DAM"), formerly called Dundee Realty Corporation or "DRC", a subsidiary of DREAM Unlimited Corp. (TSX: DRM), which is our asset manager. Our Units are listed on the Toronto Stock Exchange under the trading symbol DI.UN.

As previously announced in our annual report, starting on May 7, 2014, Dundee International REIT's name is **Dream Global REIT**. Along with the name change, the Trust's ticker symbols will be changing to **DRG.UN** for the Units and to **DRG.DB** for the convertible debentures on or about May 12, 2014.

As at March 31, 2014, our portfolio consisted of 293 properties, comprising approximately 15.8 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. To date, 100% of our portfolio is located in Germany;
- building a diversified, growth-oriented portfolio of commercial properties;
- 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.

Distributions

We currently pay monthly distributions to unitholders of 6.667 cents per unit, or 80 cents per unit on an annual basis. At March 31, 2014, approximately 17.1% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

	March 31,		December 31,		September 30,		June 30,	
	2014	2013	**2013**	2012	**2013**	2012	**2013**	2012
Annualized distribution rate	**$ 0.80**	$ 0.80	**$ 0.80**	$ 0.80	**$ 0.80**	$ 0.80	**$ 0.80**	$ 0.80
Monthly distribution rate	**$ 0.0667**	$ 0.0667	**$ 0.0667**	$ 0.0667	**$ 0.0667**	$ 0.0667	**$ 0.0667**	$ 0.0667
Period-end closing unit price	**$ 9.28**	$ 10.64	**$ 8.42**	$ 10.93	**$ 9.41**	$ 11.00	**$ 9.85**	$ 9.94
Annualized distribution yield on closing unit price (%)	**8.62%**	7.52%	**9.50%**	7.32%	**8.50%**	7.27%	**8.12%**	8.05%

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 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 Initial Properties, deep market knowledge and established relationships with other market participants. Leasing, capital expenditure and construction initiatives are either internally managed or overseen by us, while property management services, including general maintenance, rent collection and administration of operating expenses and tenant leases, are carried out by third-party service providers.

Diversifying our portfolio to mitigate risk

We continuously 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. Our profile in Europe, our relationships, our management team in Germany and Luxembourg, and the expertise of our Board members and senior management team are providing us with opportunities to take advantage of real estate transactions available in Germany and other markets to date.

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 within our portfolio of properties. The execution of this strategy will be consistently reviewed and will also include 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 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 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 debenture holders.

OUR ASSETS

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

Initial Properties

As at March 31, 2014, this category included 267 national and regional administration offices, mixed use retail, banking and distribution properties and regional logistics headquarters of Deutsche Post. The properties are generally strategically located near central train stations and main retail areas and are easily accessible by public transportation.

Acquisition Properties

As at March 31, 2014, this category included 26 office properties, which were acquired since the beginning of 2012. These properties are high-quality office buildings located in Germany's largest office markets and are generally newer or recently refurbished buildings.

The majority of our portfolio is concentrated in Germany's largest office markets:

City	Total GLA (sq. ft.)	Total GLA (%)	Total GRI (%)
Berlin	662,095	4	5
Cologne	784,120	5	6
Düsseldorf	1,815,847	12	14
Frankfurt	1,209,698	8	10
Hamburg	1,464,657	9	15
Hannover	960,223	6	4
Munich	697,991	4	8
Nuremberg	640,567	4	5
Stuttgart	681,640	4	5
Other	6,904,136	44	28
Total	15,820,974	100	100

TENANTS

Through an active acquisitions and dispositions program that commenced in 2012, the Trust continued with the diversification of its tenant base. The table below highlights the diversification away from the single-tenant nature of the initial portfolio. At the end of Q1 2014, Deutsche Post's GRI was further reduced to approximately 35% of the Trust's overall GRI compared to over 37% at the end of 2013. We expect to further reduce Deutsche Post's contribution to the Trust's overall GRI to below 30% by the end of 2014.

Tenant composition	Total annualized GRI (%)
Deutsche Post	35.2
Freshfields Bruckhaus Deringer	3.0
ERGO Direkt	2.8
Imtech	2.3
AIG Europe Limited	2.1
Google Germany GmbH	2.0
BNP Paribas Fortis SA/NV	1.9
State of Bavaria/Technische Universität München	1.6
CinemaxX Entertainment GmbH & Co. KG	1.4
Maersk Deutschland A/S & Co. KG	1.4
Other third-party tenants	46.3
Total	100.0

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. Through its acquisition of DHL in 2002, Deutsche Post DHL has become a global logistics market leader. It employs approximately 475,000 people in more than 220 countries and territories.[1] As the only provider of universal postal services in Germany, Deutsche Post must provide certain minimum levels of service to German residents.

Some of the space leased to Deutsche Post is occupied by Postbank, a public company controlled by Deutsche Bank and integral to its retail banking business. Postbank offers retail financial services in its branches within Deutsche Post's network, which generates increased traffic through the postal services offered in those branches. As at March 31, 2014, our portfolio featured approximately 184 Postbank branches, allowing for the delivery of integrated financial and postal services. Leases for 51 Postbank branches are direct leases and not included in the leases with Deutsche Post. Of these 51 leases, 37 pertain to leases we entered into in Q1 2014 for approximately 166,000 square feet of space that Deutsche Post terminated in connection with its 2014 termination rights. These leases will commence on July 1, 2014. 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.

(1) As disclosed at Deutsche Post DHL's web site at www.dp.dhl.com

Freshfields Bruckhaus Deringer ("Freshfields")

Freshfields is the second largest tenant in our portfolio as measured by GRI. Freshfields is an international law firm with offices in Europe, Asia, North America and the Middle East.[2] Freshfields occupies 71% of the space in our property located at Feldmühleplatz 1 + 15 and generated approximately 3.0% of the REIT's overall GRI as at March 31, 2014.

ERGO Direkt Lebensversicherungs AG ("ERGO")

ERGO is the third largest tenant in our portfolio as measured by GRI. With approximately 48,000 employees in over 30 countries, ERGO is one of the largest insurance companies in Germany.[3] ERGO, which belongs to the Munich RE group of companies, occupies the entire space in our property located at Karl-Martell-Strasse 60 in Nuremberg and generated approximately 2.8% of the REIT's overall GRI as at March 31, 2014.

Imtech

Imtech Germany & Eastern Europe is a leader in the energy and technical building equipment sector in Germany, Poland, Austria, Hungary, Romania, Russia and Switzerland. Imtech Germany & Eastern Europe employs approximately 5,800 people and is part of the Royal Imtech N.V. Group, which is based in the Netherlands and employs approximately 29,000 people.[4] This tenant occupies the entire space in our property located at Hammer Strasse 30–34 in Hamburg, which is Imtech's German head office, and contributed approximately 2.3% to the REIT's overall GRI as at March 31, 2014.

AIG Europe Limited ("AIG")

AIG Europe Limited is a part of AIG, a leading international insurance company focused on property casualty insurance, life insurance and retirement services, mortgage insurance and aircraft leasing. AIG has clients in over 130 countries and employs approximately 63,000 people.[5] AIG occupies approximately 60% of the space in Werfthaus, our property located at Speicherstrasse 55 in Frankfurt, and generated approximately 2.1% of the REIT's overall GRI as at March 31, 2014.

Google Germany GmbH ("Google")

Google is an American multinational corporation specializing in internet-related services and products and employs over 30,000 people worldwide.[6] Google Hamburg is the company's commercial headquarters for Germany, Austria, Switzerland and the Nordics and occupies approximately 59% of the GLA in ABC Bogen, our property located in the heart of Hamburg at ABC Strasse 19. Google generated approximately 2.0% of the REIT's overall GRI as at March 31, 2014.

BNP Paribas Fortis

BNP Paribas Fortis is a financial services provider, offering services to private and professional clients, corporate clients and public entities through a number of networks. The company is owned approximately 75% by the BNP Paribas Group and 25% by the Belgian State.[7] BNP Paribas Fortis occupies approximately 55% of the space in Cäcilienkloster in Cologne as well as 8% in Z-UP in Stuttgart and generated approximately 1.9% of the REIT's overall GRI as at March 31, 2014.

State of Bavaria/Technische Universität München

The Technische Universität München ("TUM") is one of Europe's top universities. TUM comprises 13 faculties that focus on engineering, medicine, natural and life sciences, business and education. Approximately 32,500 students are currently enrolled at TUM.[8] TUM's School of Education occupies approximately 48% of the GLA in our property located at Marsstrasse 20–22 in the city centre of Munich. TUM generated approximately 1.6% of the REIT's overall GRI as at March 31, 2014.

CinemaxX Entertainment GmbH & Co. KG ("CinemaxX")

CinemaxX is a well-known cinema chain in Germany and Denmark with 33 cinemas and 2,000 employees in these two countries.[9] CinemaxX occupies approximately 62% of the GLA in our property located at Bertoldstrasse 48/Sedanstrasse 7 in Freiburg and generated approximately 1.4% of the REIT's overall GRI as at March 31, 2014.

(2) As disclosed at Freshfields' web site at www.freshfields.com
(3) As disclosed at ERGO's web site at www.ergo.com
(4) As disclosed at Imtech's web site at www.imtech.de
(5) As disclosed at AIG's web site at www.aig.com
(6) As disclosed at Google's web site at www.google.com and www.google.ca/about/jobs/locations/hamburg
(7) As disclosed at BNP Paribas' web site at www.bnpparibas.com
(8) As disclosed at Technische Universität München's web site at www.tum.de/en/homepage
(9) As disclosed at CinemaxX's website at www.cinemaxx.com

Maersk Deutschland A/S & Co. KG ("Maersk")

Maersk is the world's largest ocean carrier and operates mainly in two industries: shipping, and oil and gas. Through its various divisions, the group employs approximately 121,000 people.[10] Maersk occupies approximately 70% of the GLA in Humboldt House, our property located at Am Sandtorkai 37 in Hamburg. Maersk generated approximately 1.4% of the REIT's overall GRI as at March 31, 2014.

(10) As disclosed at Maersk's web site at www.maersk.com

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 key 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 continues to be the main driving force of Europe. Germany's labour market is very robust and its unemployment rate at 5.5%[1] at the end of March 2014 remains among the lowest in the European Union. For 2014, the German ministry for economics estimates a 1.8%[2] GDP growth, with domestic demand mostly driving the growth, as consumer spending is on the rise and investments in construction and equipment are increasing. In addition, the Ifo Business Climate Index, an indicator of satisfaction with the current business situation, increased in April 2014 compared to the previous month.

Economic impact on the German real estate sector

Germany is one of the most highly sought-after real estate investment markets in Europe, benefiting from strong domestic and international investor demand. A positive economic outlook and a strong labour market are key factors for the continued demand in this market. In Q1 2014, the total investment volume for commercial real estate reached €9.9 billion,[3] a year-over-year increase of 47%.

The office sector remains the dominant asset class, with 52%[3] of all transactions during Q1 2014 taking place in this category. In total, over €5.2 billion[3] was invested in German office properties during the first three months of 2014. The share of investments in secondary markets increased significantly in Q1 2014, reflecting the fact that secondary markets in Germany also offer attractive returns.

The underlying fundamentals in the office sector remain strong. Overall office vacancies in the seven largest markets declined year-over-year by 15 basis points to 8.1% at March 31, 2014.[4]

(1) ILO labour market statistics overview, Destatis – Germany's Federal Statistical Office
(2) German Federal Ministry for Economic Affairs and Energy
(3) CBRE MarketView, Germany Investment Quarterly Q1 2014
(4) Jones Lang LaSalle Office Market Overview Q1 2014

FINANCIAL OVERVIEW

Our results for Q1 2014 were solid with FFO and AFFO increasing to $24.8 million and $23.1 million, respectively, from $24.2 million and $22.3 million, respectively, in Q4 2013. The main reason for the increases in FFO and AFFO in Q1 were the impact from positive absorption of space as well as completed acquisitions. On a per unit basis, FFO and AFFO were 23 cents and 21 cents, respectively. Over the course of the quarter, we had on average approximately $82 million of excess undeployed cash. Excluding the impact of undeployed cash, FFO and AFFO per unit would have been 24 cents and 23 cents, respectively.

The Trust's focus on asset management through its local operations team in Europe is highlighted by continued occupancy improvements during the first quarter of 2014. We recorded positive absorption of approximately 103,800 square feet during the quarter and increased overall occupancy to 87.7% at March 31, 2014 from 86.4% at the beginning of 2014, largely due to positive absorption in our Initial Properties. In Q1, we reclassified space covered by a head lease from vacant to occupied, which contributed a 50 bps increase to our overall occupancy rate.

Year-over-year, in-place rents increased from €7.87 per square foot in Q1 2013 to €8.72 in Q1 2014, largely due to high-quality acquisitions. At €8.85 per square foot, average market rents in our portfolio remain approximately 1.5% above in-place rents.

Year-over-year, our FFO and AFFO on a per unit basis were 23 cents and 21 cents, respectively, for Q1 2014, compared to 20 cents and 19 cents for Q1 2013. The increase is largely a result of completed acquisitions and leasing activity.

The Trust continued to be active on the financing front, leading to further decreases in the Trust's average interest rate to 3.35% at the end of Q1 2014, from 3.37% at the end of 2013. The average term to maturity of the Trust's debt decreased to 4.2 years at March 31, 2014 from 4.6 years at the end of 2013. Our leverage stood at 56% (net of cash) at March 31, 2014, an increase from 54% (net of cash) at the end of 2013. The increase in our leverage ratio is largely due to new mortgage financing placed on one of the acquisitions completed in the quarter at a higher debt-to-book value than our average portfolio as well as the reduction in our cash balance due to the funding of acquisitions. We operate in the targeted range of 50% to 60% debt-to-book value (net of cash).

On an overall basis, the Trust performed in line with management's expectations for the quarter.

OUTLOOK

In Q1, we saw the continuation of our strategy to improve the underlying quality and stability of our cash flows. During the quarter, we acquired two properties, one in Hamburg and one in Munich, both major German office markets. We have over two-thirds of our asset value and over 60% of our GRI in the Big 7 office markets in Germany.

The average spread between the cap rates and mortgage rates for the acquisitions in Q1 was approximately 400 bps and the properties are almost 100% occupied. The availability of mortgages at attractive rates is expected to continue in the foreseeable future in Germany. We also completed five dispositions of non-core properties in Q1 and repaid debt.

We continue to work closely with Deutsche Post on meeting their space needs and extended a number of their terminated leases comprising 681,000 square feet, for an average period of six months. These leases were originally set to expire on June 30, 2014 under Deutsche Post's termination rights. In addition, Deutsche Post agreed to enter into a new three-year lease in a terminated property comprising 29,000 square feet.

Over the past three months, our leasing team in Germany has been experiencing the most active period in our short history. We are seeing a growing interest in our Initial Properties, as reflected in the increase in our occupancy rate in Q1. The strong leasing momentum is tied to the economic metrics in Germany, which remain positive. A number of other countries in the eurozone are experiencing improving economies, which in turn further fuels the German economy. In addition to new leasing opportunities, our focus will continue to be on tenant retention to further enhance value.

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

Occupancy

Overall occupancy rates increased from 86.4% at the end of 2013 to 87.7% at the end of Q1 2014. On average, Acquisition Properties have higher occupancy rates compared to our Initial Properties. Due to our leasing efforts throughout Q1 2014, the occupancy in our Initial Properties increased from 83.2% at the end of 2013 to 84.0% at the end of Q1 2014. Occupancy in our Acquisition Properties increased from 96.3% at the end of 2013 to 98.0% at the end of Q1 2014. The reclassification of the head lease space to occupied space from vacant space in our Acquisition Properties contributed 50 bps to the overall occupancy increase in our portfolio.

The table below details the percentage of occupied and committed space for the total portfolio as well as the comparative portfolio. The comparative portfolio comprises properties owned by the Trust at December 31, 2013 and March 31, 2014, and excludes properties that were acquired or sold during the first quarter of 2014.

	Total portfolio		Comparative portfolio	
(percent)	**March 31, 2014**[(1)]	December 31, 2013	**March 31, 2014**[(1)]	December 31, 2013
Initial Properties	**84.0**	83.2	**84.0**	83.0
Acquisition Properties	**98.0**	96.3	**97.9**	96.3
Total	**87.7**	86.4	**87.5**	86.4

(1) Occupancy in Q1 2014 includes space covered by a head lease that was previously classified as vacant space. This change in presentation results in a 50 bps increase in overall occupancy in Q1 2014.

Vacancy schedule

The table below highlights our leasing activity for the three months ended March 31, 2014. During Q1 2014, our overall space available for lease decreased by 104,570 square feet. The primary drivers of the positive absorption results were future lease deals in our Initial Properties completed during Q1 2014.

	For the three months ended March 31, 2014		
(in square feet)	Initial Properties	Acquisition Properties	Total
Available for lease – January 1, 2014	1,984,185	66,836	2,051,021
Change in vacancy due to acquisitions	-	5,861	5,861
Change in vacancy due to dispositions	(12,212)	-	(12,212)
Remeasurements	4,819	767	5,586
Subtotal – Available for lease	1,976,792	73,464	2,050,256
Expiries	63,637	49,468	113,105
Early termination and bankruptcies	2,645	21,498	24,143
New leases	(37,380)	(8,805)	(46,185)
Renewals	(23,029)	(29,603)	(52,632)
Future leases	(121,133)	(21,103)	(142,236)
Available for lease – March 31, 2014	1,861,532	84,919	1,946,451

The retention rate for Q1 2014, excluding expiries on head lease space as well as space subject to future leases, was 66.8%.

The table below highlights our occupancy, leasing activity and rental rates for the last eight quarters. Committed occupancy includes in-place occupancy as well as space for which leases have been signed but do not commence until a future quarter.

	Q1 2014[(1)]	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Committed occupancy (square feet)	**13,874,523**	13,577,298	13,403,456	13,205,395	12,686,411	11,100,247	10,623,459	11,305,709
Committed occupancy (%)	**87.7%**	86.4%	86.2%	85.7%	84.7%	83.2%	82.2%	88.3%
In-place occupancy (square feet)	**13,753,248**	13,496,358	13,183,857	13,010,931	12,578,484	11,012,059	10,574,241	11,276,496
In-place occupancy (%)	**86.9%**	85.9%	84.8%	84.5%	83.9%	82.5%	81.8%	88.0%
Acquisitions	**280,120**	246,376	170,046	471,200	1,731,155	463,238	141,744	268,936
Dispositions	**(163,746)**	(81,738)	(22,122)	(73,659)	(135,096)	(45,657)	(21,959)	-
Remeasurements	**(61)**	(1,592)	409	8,616	(16,671)	-	17	(5)
Expiries	**(113,105)**	(168,754)	(152,096)	(89,824)	(113,970)	(111,843)	(72,288)	(375,677)
Early termination and bankruptcies	**(24,143)**	(2,489)	(22,021)	(7,418)	(556)	(2,131)	(869,603)	(18,300)
New leases	**46,185**	35,285	51,992	36,689	41,198	30,873	70,523	35,090
Renewals	**52,633**	115,914	111,609	75,373	41,985	46,359	39,878	348,817
Future leases[(2)]	**142,236**	30,840	60,250	98,003	38,118	95,952	29,439	42,246
Net absorption	**220,119**	173,842	198,066	518,979	1,586,163	476,790	(682,250)	301,108
Net leasing absorption	**103,805**	10,796	49,733	112,823	6,775	59,209	(802,051)	32,177
Average in-place rent (€/sq. ft./year)	**€ 8.72**	€ 8.46	€ 8.17	€ 8.14	€ 7.87	€ 6.25	€ 6.01	€ 5.86
% change	**3.0%**	3.5%	0.4%	3.5%	25.8%	4.1%	2.6%	n/a

(1) Q1 2014 occupancy includes space covered by a head lease that was previously classified as vacant space. This change in presentation results in a 0.5% increase in occupancy in Q1 2014.

(2) Q1 2014 future leases of 142,236 square feet include leases with various start dates ranging from April 1, 2014 to March 1, 2015.

In-place rental rates

The following table provides a comparison between in-place rents and market rents in our portfolio as at March 31, 2014. Market rents are management's estimates of rental rates that could be achieved for space in our properties. In-place rents have increased from approximately €8.46 per square foot/year at December 31, 2013 to approximately €8.72 per square foot/year at March 31, 2014, largely due to higher in-place rents in the Acquisition Properties. The majority of the leases in the Acquisition Properties include rent adjustment clauses linked to an increase in the consumer price index ("CPI"). Overall, average market rents for our portfolio remain approximately 1.5% above in-place rents at March 31, 2014. The 1.5% difference between in-place rents and market rents at March 31, 2014 is lower than the 2.3% reported at the end of 2013 and 3.4% at March 31, 2013, primarily as a result of acquisitions completed during the last four quarters. The difference between in-place rents and market rents in our Initial Properties is 11%, allowing for rental growth in this segment, which has a higher vacancy rate than the rest of our portfolio.

For the Acquisition Properties, where in-place rents exceeded market rents, the purchase price was adjusted at the time of underwriting these acquisitions to reflect such above-market rents.

	In-place vs. market rents at March 31, 2014			
(per square foot/year)	In-place rent	Market rent	In-place rent	Market rent
Initial Properties – Deutsche Post	$ 8.49	$ 9.30	€ 5.57	€ 6.11
Initial Properties – Third party	8.61	9.86	5.65	6.48
Total Initial Properties	8.51	9.42	5.59	6.18
Acquisition Properties	24.61	23.17	16.16	15.22
Overall	$ 13.27	$ 13.48	€ 8.72	€ 8.85

At March 31, 2014, the weighted average remaining lease term ("WALT") of all leases was approximately 4.7 years. The WALT of the Acquisition Properties was 5.6 years.

(years)	**WALT at March 31, 2014**	WALT at December 31, 2013
Initial Properties – Deutsche Post	**4.0**	4.1
Initial Properties – Third party	**5.9**	5.1
Total Initial Properties	**4.4**	4.3
Acquisition Properties	**5.6**	6.0
Overall	**4.7**	4.8

Leasing and tenant profile

Lease rollover profile

The following table outlines our lease maturity profile by asset type as at March 31, 2014.

(in square feet)	Current vacancy	Month-to-month	2014	2015	2016	2017	2018 to 2039	Total
Initial Properties	1,861,532	349,550	665,403	665,075	156,751	174,498	7,761,635	11,634,444
Acquisition Properties	84,919	25,113	116,472	343,914	586,671	519,656	2,509,785	4,186,530
Total	1,946,451	374,663	781,875	1,008,989	743,422	694,154	10,271,420	15,820,974

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 49% of the portfolio's GLA and account for 35% of the portfolio's GRI.

Rent adjustment

The rents under the Deutsche Post leases are subject to automatic adjustments (up or down) in relation to the CPI for Germany. If the consumer price index for Germany changes by more than 4.3 index points as compared to the index at the commencement of the applicable lease or the previous rent adjustment, the rent payable under the Deutsche Post leases is automatically adjusted by 100% of the index change of 4.3 points, with effect as of the time of the index change. Based on the index at the last CPI adjustment date, the index will have to reach 107.2 index points before the next adjustment will become effective. CPI numbers from March 2014 indicate that the CPI has reached 106.7 index points.

Termination rights and head lease

In general, the Deutsche Post leases have a fixed term of ten years, expiring on June 30, 2018. Certain leases entitle Deutsche Post to terminate space in 2012, 2014 and 2016, subject to certain limitations and requirements. The rights of Deutsche Post to terminate a Deutsche Post lease are limited by various tests which apply collectively to the Deutsche Post leases and the leases in respect of the remaining properties forming the portfolio that the vendor acquired from Deutsche Post in July 2008 (the "Caroline DP Leases"), considered as a whole. Deutsche Post exercised or waived their termination rights with respect to 2012 and 2014.

Deutsche Post may terminate Deutsche Post leases and Caroline DP Leases aggregating no more than 10% of the total annual Reference Rent payable under all of the Deutsche Post leases and Caroline DP Leases on June 30, 2016. The “Reference Rent” for a lease is an amount set out in a specified notarial deed and may differ from the actual rent payable under the lease. To the extent that Deutsche Post waives or does not exercise all of its available early termination rights with respect to any particular effective termination date, the unused portion may be carried forward, provided that Deutsche Post cannot terminate Deutsche Post leases and Caroline DP Leases aggregating more than 20% of the total Reference Rent of all Deutsche Post leases and Caroline DP Leases, considered as a whole, during any lease year. At the time of delivering their 2014 termination notices, Deutsche Post waived their right to terminate 145,000 square feet of space for a minimum period of one year. Of this total space, Deutsche Post entered into a new five-year lease comprising 42,900 square feet. An additional 52,400 square feet are subject to active sales negotiations. At this point in time, we are not aware of Deutsche Post’s intention with regards to this space.

Subsequent to Deutsche Post’s delivery of their 2014 termination notices in June and August 2013, they extended a number of the terminated leases covering 681,000 square feet. The extensions range from one to 12 months, with an average term of six months. In addition, Deutsche Post entered into a lease for approximately 29,000 square feet of the terminated space for a three-year term.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

	For the three months ended March 31, 2014	For the year ended December 31, 2013
Balance at beginning of period	**$ 2,390,244**	$ 1,182,757
Additions		
Acquisitions	**121,281**	1,075,558
Building improvements	**2,365**	5,821
Lease incentives and initial direct leasing costs	**1,687**	6,055
Amortization of lease incentives	**(379)**	(616)
Disposals	**(23)**	(23,943)
Reclassified to assets held for sale	**(10,403)**	(21,147)
Fair value adjustments	**(7,301)**	(57,032)
Foreign currency translation	**93,282**	222,791
Balance at end of period	**$ 2,590,753**	$ 2,390,244

The fair value of our investment property portfolio at March 31, 2014 was $2.6 billion. Since December 31, 2013, the value of our investment properties increased by $200.5 million. The largest item contributing to the increase in the value is the acquisition of two properties for $121.3 million (including transaction costs).

During the three months ended March 31, 2014, we also invested $4.1 million in building improvements, lease incentives and initial direct leasing costs. We also reduced the value of acquired properties by $7.3 million, representing capitalized transaction costs. Due to appreciation of the euro against the Canadian dollar since December 31, 2013, the investment property value increased by $93.3 million, representing unrealized foreign exchange gain.

Investment properties held for sale

	For the three months ended March 31, 2014	For the year ended December 31, 2013
Balance at beginning of period	**$ 21,147**	$ -
Building improvements	**7**	-
Lease incentives and initial direct leasing costs	**(134)**	-
Disposals	**(19,025)**	-
Investment properties reclassified as held for sale	**10,403**	21,147
Fair value adjustments	**1,078**	-
Foreign currency translation	**1,085**	-
Balance at end of period	**$ 14,561**	$ 21,147

At December 31, 2013, the REIT had reclassified six properties, valued at $21.1 million as assets held for sale on the balance sheet, as we had entered into agreements to sell them. During the three months ended March 31, 2014, we disposed of five of these properties for net proceeds of $18.6 million and have entered into agreements to dispose of five more properties, all considered to be non-core holdings, with a total fair value of $10.4 million. As at March 31, 2014, these additional five properties plus the one property that did not close in the quarter have a total value of $14.6 million, and have been reclassified as assets held for sale on the balance sheet and excluded from the value of investment properties, as the REIT has committed to a plan for sale for these properties.

The REIT's management is responsible for determining fair value measurements included in the financial statements, including fair values of investment properties, which are valued on a highest-and-best-use basis. Fair values for investment properties are calculated using both the direct income capitalization and discounted cash flow ("DCF") methods.

Acquisitions

On February 14, 2014, we completed the acquisition of Werner-Eckert-Straße 8, 10, 12 in Munich for $22.1 million (excluding transaction costs). The property comprises approximately 64,741 square feet of GLA, has an occupancy rate of 91% and had a weighted average remaining lease term of 3.4 years at the time of acquisition.

On March 31, 2014, we completed the acquisition of My Falkenried, located at Strassenbahnring 15, 17–19, Hoheluftchausee 18–20 and Lehmweg 8, 8a, 7 in Hamburg for $92.2 million (excluding transaction costs). The property comprises approximately 221,241 square feet of GLA, has an occupancy rate of 100% and had a weighted average remaining lease term of 4.0 years at the time of acquisition.

Office property	Acquired GLA (sq. ft.)	Occupancy at acquisition (%)	Purchase price[1]	Date acquired
Werner-Eckert-Straße 8, 10, 12, Munich	64,741	91	$ 22,120	February 14, 2014
My Falkenried, Hamburg	221,241	100	92,183	March 31, 2014
Total	285,982	98	$ 114,303	

(1) Excludes transaction costs.

Dispositions

The REIT completed the sale of five properties in the first quarter of 2014, for an aggregate sales price of approximately $19.3 million, which represented 120% of their book value. A portion of the net proceeds of $9.9 million was used to reduce our term loan credit facility. As at March 31, 2014, the REIT has committed to a plan of disposition for six properties from Initial Properties with a total fair value of $14.6 million and has reclassified these properties as assets held for sale.

Building improvements

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. During the three months ended March 31, 2014, we spent $2.4 million in building improvements. In general, building improvements are non-recoverable from the tenants unless specifically provided for in the lease agreement.

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.

During the current quarter we adopted the interpretation of the IFRS Interpretations Committee regarding the accounting treatment of incremental leasing costs governed by IAS 17. In compliance with the interpretation, incremental leasing costs are now expensed during the period incurred. Prior to 2014, during the year ended December 31, 2013, incremental leasing costs were capitalized to investment properties; however, as the interpretation represents a change in accounting policy we have restated all affected prior periods to give effect of this interpretation. This interpretation does not affect the accounting treatment of leasing costs paid to third parties, which will continue to be capitalized in accordance with IAS 17.

During the three months ended March 31, 2014, we incurred $1.7 million of lease incentives and initial direct leasing costs. As at March 31, 2014, we had outstanding leasing cost commitments of $12.8 million, on average for lease terms in excess of ten years.

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.

As at March 31, 2014, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
Less than 1 year	$ 793
1–5 years	1,617
Longer than 5 years	-
Total	$ 2,410

During the three-month period ended March 31, 2014, the Trust paid $0.2 million in minimum lease payments, which have been included in comprehensive income for the period.

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.

As at March 31, 2014, we had $45.0 million of cash on hand. After reserving for current payables and operating requirements, approximately $20.0 million is available for general purposes. Our debt-to-book value excluding cash, at March 31, 2014, is 56%. Excluding cash and convertible debentures, our debt-to-book value is 50%.

Financing activities

We finance our ownership of assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures.

New debt

During the three months ended March 31, 2014, we obtained the following new mortgage:

Property		Mortgage ($000s)		Mortgage (€000s)	Face rate	Date of funding	Date of maturity
Werner-Eckert-Straße 8, 10, 12, Munich	$	13,237	€	8,700	1.98%	March 28, 2014	March 31, 2019
Total	$	13,237	€	8,700			

On March 4, 2014, the Trust committed to a mortgage agreement with a principal balance of €36.8 million ($55.8 million) at a fixed rate of 2.33% per annum, maturing on February 26, 2021, in connection with the acquisition of My Falkenried in Hamburg. As of March 31, 2014, this mortgage remains undrawn as the Trust used cash on hand and the revolving credit facility to close the acquisition. On April 29, 2014, the mortgage was drawn down in full.

Revolving credit facility

On March 31, 2014, the Trust drew €25.0 million ($38.1 million) on the revolving credit facility to finance the acquisition of My Falkenried in Hamburg. The revolving credit facility was repaid with the proceeds from the mortgage on My Falkenried, which was drawn on April 29, 2014.

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 operate within a targeted debt-to-book value range of 50% to 60% (net of cash). The increase in the debt-to-book value ratio at March 31, 2014 compared to December 31, 2013 reflects the increase in mortgage debt in the first quarter of 2014 related to an acquisition, as well as a lower level of cash on hand compared to December 31, 2013.

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

	For the three months ended March 31, 2014	For the year ended December 31, 2013
Financing activities		
Weighted average interest rate[1]	**3.35%**	3.37%
Level of debt (debt-to-book value, net of cash, net of convertible debentures)[2]	**50%**	48%
Level of debt (debt-to-book value, net of cash)[2]	**56%**	54%
Interest coverage ratio[2]	**3.41 times**	3.40 times
Debt-to-EBITDFV (years)[2][3]	**9.0**	8.7
Proportion of total debt due in current year	**5.5%**	1.4%
Debt – average term to maturity (years)	**4.2**	4.6
Variable rate debt as percentage of total debt	**4%**	5%

(1) Weighted average interest rate is calculated as the weighted average face rate of all interest bearing debt.
(2) Level of debt, interest coverage ratio and debt-to-EBITDFV are non-GAAP measures. Calculations for each reconciled to IFRS balances can be found commencing on page 28.
(3) Calculated as total debt divided by adjusted EBITDFV.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio for the first three months of 2014 is 3.41 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 9.0 years and reflects the approximate amount of time to pay off all debt from operating cash flows.

				March 31, 2014				December 31, 2013
		Variable		Fixed	Total	Variable	Fixed	Total
Term loan credit facility[2]	$	60,992	$	399,659[1]	$ 460,651	$ 64,368	$ 384,604[1]	$ 448,972
Revolving credit facility[3]		-		38,068	38,068	-	-	-
Mortgage debt[2]		-		865,756	865,756	-	825,014	825,014
Debentures[2]	$	-	$	150,822	$ 150,822	$ -	$ 150,326	$ 150,326
Total		**60,992**		**1,454,305**	**1,515,297**	64,368	1,359,944	1,424,312
Percentage		**4%**		**96%**	**100%**	5%	95%	100%

(1) As at March 31, 2014, 87% of the term loan credit facility is subject to an interest rate swap in place until August 3, 2016 pursuant to the term loan credit facility agreement and has been presented as fixed rate debt.

(2) Balance shown is net of deferred financing costs and mark-to-market adjustments.

(3) The revolving credit facility is a variable rate facility that was used on a temporary basis to close the My Falkenried acquisition on March 31, 2014. On April 30, 2014, using the proceeds from the fixed rate mortgage for $55.8 million on My Falkenried, the revolving credit facility was repaid in full.

Amounts recorded as at March 31, 2014 for the Debentures are net of $5.5 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

Concurrent with the closing of our initial public offering, we obtained a term loan credit facility (the "Facility") from a syndicate of German and French banks for gross proceeds of €328.5 million ($448.4 million). During the three months ended March 31, 2014, we repaid $9.9 million (€6.4 million) in connection with the disposition of five properties. As at March 31, 2014, the remaining principal balance on the term loan credit facility was $467.9 million (€307.3 million), of which $6.6 million (€4.4 million) has been allocated to assets held for sale. The initial 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 a margin of 200 basis points and agency fees of 10 basis points. Pursuant to the requirements of the Facility, we 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 the interest rate does not exceed 5% on that portion.

As at March 31, 2014, as a result of the REIT's commitment to dispose of six properties from the Initial Properties and thereby reclassifying those properties to assets held for sale, the related portions of the Facility secured by these six properties, valued at $6.6 million (€4.4 million), were also reclassified as liabilities related to assets held for sale.

As at March 31, 2014, the weighted average rate of the Facility was 4.12%. Including financing costs, the effective interest rate under the Facility was 4.14%. At December 31, 2013, the weighted average rate was 4.09% and the effective rate was 4.13%.

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 ratio does not exceed 59% during the first three years the loan is outstanding and 54% during the final two years. As at March 31, 2014, we were in compliance with these covenants.

Under the terms of the Facility, we are required to pay additional interest of 1% per annum beginning on August 3, 2013 on €100 million plus a 15% prepayment amount, less any amounts repaid. Mandatory repayments of between 110% and 125% (with the average being 115%) of the principal allocated to a particular Initial Property are required for any Initial Property sold or refinanced by the Trust. Since the initial public offering, the Trust has repaid $30.1 million (€21.2 million) in principal payments including prepayment amounts on various property dispositions. Opportunities to repay the balance of €93.8 million will come from maximizing the leverage on new acquisitions and from additional dispositions of non-core properties.

Revolving credit facility

On October 9, 2013, the Trust entered into a credit agreement with a Canadian bank to provide a revolving credit facility not to exceed €25 million. The interest rate on Canadian dollar advances is prime plus 200 basis points and/or bankers' acceptance rates plus 300 basis points. The interest rate for euro advances is 300 basis points over the three-month EURIBOR rate. The revolving credit facility has a term of two years. As at March 31, 2014, €25.0 million ($38.1 million) was drawn to finance the acquisition of My Falkenried in Hamburg. The revolving credit facility was repaid with the proceeds from the mortgage on My Falkenried, which was drawn on April 29, 2014.

Convertible debentures

As at March 31, 2014, the total principal amount of Debentures outstanding was $161 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 $1,000 principal amount of the Debentures is convertible at any time by the holder into 76.9231 Units, 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 Trust, 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.

The conversion feature of the Debentures is remeasured in each reporting period to fair value, with changes in fair value recorded in comprehensive income. During the three-month period ended March 31, 2014, the fair value attributed to the conversion feature increased by $0.3 million.

The table below highlights our debt maturity profile:

	Debt maturities	Scheduled principal repayments on non-matured debt	Total
Remainder of 2014	€ 25,000	€ 11,266	€ 36,266
2015	14,336	18,037	32,373
2016	290,405	14,906	305,311
2017	62,008	10,997	73,005
2018	334,102	6,317	340,419
2019 and thereafter	208,553	13,614	222,167
Total	€ 934,404	€ 75,137	€ 1,009,541

Equity

The table below highlights our outstanding equity:

	Unitholders' equity			
	March 31, 2014		December 31, 2013	
	Number of Units	**Amount**	Number of Units	Amount
Units	**110,190,817**	**$ 1,075,187**	109,698,977	$ 1,034,005

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 securities exchangeable for Units, 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.

The Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the grant of deferred trust units and income deferred units to trustees, officers, employees, affiliates and their service providers, including DAM, our asset manager.

The following table summarizes the changes in our outstanding equity:

	Units
Total Units outstanding on December 31, 2013	109,698,977
Units issued pursuant to the DUIP	31,730
Units issued pursuant to the DRIP[1]	460,110
Total units outstanding on March 31, 2014	110,190,817
Units issued pursuant to the DRIP on April 15, 2014	141,462
Total units outstanding on April 30, 2014	110,332,279

(1) Distribution Reinvestment and Unit Purchase Plan.

For the three months ended March 31, 2014, 31,730 Units were issued pursuant to the Deferred Unit Incentive Plan (December 31, 2013 – 17,632 Units) to senior management.

Distribution policy

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. In order to manage the exposure to currency risk of unitholders and holders of Debentures, the Trust has entered into foreign exchange forward contracts.

For the quarter ended March 31, 2014, distributions declared amounted to $22.0 million. Of this amount, $3.9 million was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 82.1%.

	Three months ended March 31, 2014		
	Declared amounts	4% bonus distribution	Total
2014 distributions			
Paid in cash or reinvested in Units	$ 14,660	$ 107	$ 14,767
Payable at March 31, 2014	7,346	-	7,346
Total distributions	$ 22,006	$ 107	$ 22,113
2014 reinvestment			
Reinvested to March 31, 2014	$ 2,675	$ 107	$ 2,782
Reinvested on April 15, 2014	1,255	50	1,305
Total distributions reinvested	$ 3,930	$ 157	$ 4,087
Distributions paid in cash	$ 18,076		
Reinvestment to distribution ratio	17.9%		
Cash payout ratio	82.1%		

We currently pay monthly distributions to unitholders of $0.06667 per unit, or $0.80 per unit on an annual basis. At March 31, 2014, approximately 17.1% of our total Units were enrolled in the DRIP.

Foreign currency contracts

At March 31, 2014, we had various currency forward contracts in place to sell euros for Canadian dollars for the next 36 months. On settlement of a contract, we realize a gain or loss on the difference between the forward rate and the spot rate. We also mark the contracts to market quarterly and recorded an unrealized loss of $5.9 million for the three months ended March 31, 2014. The Trust currently has foreign exchange forward contracts to sell €130.2 million in total from April 2014 to March 2017 at an average exchange rate of $1.3787 per euro.

Other

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.

	Three months ended March 31,	
	2014	2013
Net income (loss)	**$ 12,492**	$ (19,164)
Cash flow from operating activities	**21,707**	30,270
Lease incentives and initial direct leasing costs	**1,553**	683
Change in non-cash working capital	**2,798**	(14,445)
Adjusted cash flows from operating activities	**26,058**	16,508
Distributions paid and payable	**22,006**	16,013
Adjusted surplus of cash flow from operating activities over distributions paid and payable	**4,052**	495
Shortfall of net income (loss) over distributions paid and payable	**(9,514)**	(35,177)
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	**(299)**	14,257

Adjusted cash flow from operating activities exceeded distributions paid and payable for the three months ended March 31, 2014 by $4.1 million and distributions paid and payable exceeded net income by $9.5 million for the same period. This compares to a surplus of $0.5 million of adjusted cash flow from operations over distributions paid and payable for the three months ended March 31, 2013 and a shortfall of $35.2 million of net income over distributions paid and payable for the same period in 2013. As a general rule, 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 in establishing our distribution policy. The shortfall in net income for each period reflects mainly fair value adjustments to financial instruments and investment properties. These non-cash items do not impact cash flows and are not considered in our distribution policy.

Asset management fee

On August 3, 2011, DAM elected to receive the base asset management fees payable on the Initial Properties acquired on August 3, 2011 by way of deferred trust units under the Asset Management Agreement for up to $3.5 million per year for the next five years. These deferred trust units vest 20% annually, commencing on the fifth anniversary date of being granted. On termination of the Asset Management Agreement, unvested trust units will vest immediately.

During the three months ended March 31, 2014, asset management expenses pertaining to the Initial Properties were $0.6 million. A total of 84,194 deferred units were granted during the period as compensation for the fees. An additional 30,343 deferred units were granted on April 1, 2014 pertaining to the asset management fee for the month of March 2014. As at April 1, 2014, 1,026,614 unvested deferred and income deferred units were outstanding with respect to the Asset Management Agreement. The asset management fees were recorded based on the fair value of the deferred units issued, with an appropriate discount applied to reflect the restricted period of exercise.

In addition, the Trust paid in cash an asset management fee of $1.1 million for the three-month period ended March 31, 2014, for properties acquired since the acquisition of our Initial Properties. It further paid a financing fee of $0.1 million related to mortgage financings completed during the quarter, and acquisition fees of $0.7 million related to properties acquired during the quarter.

OUR RESULTS OF OPERATIONS

	Three months ended March 31,			
		2014[1]		2013[1]
Investment properties revenue	**$**	**67,133**	$	46,364
Investment properties operating expenses		**21,333**		19,053
Net rental income		**45,800**		27,311
Other income				
Interest and other income		**56**		398
Share of net income from equity accounted investments		**3**		7
		59		405
Other expenses				
Portfolio management		**(1,278)**		(876)
General and administrative		**(3,650)**		(2,450)
Depreciation and amortization		**(25)**		(15)
Interest expense		**(12,014)**		(7,077)
		(16,967)		(10,418)
Fair value adjustments, loss on sale of investment properties and other activities				
Fair value adjustments to investment properties		**(6,223)**		(45,670)
Internal direct leasing costs		**(512)**		(552)
Loss on sale of investment property		**(476)**		(261)
Fair value adjustments to financial instruments		**(8,168)**		4,388
		(15,379)		(42,095)
Income (loss) before taxes		**13,513**		(24,797)
Current income taxes		**195**		331
Deferred income taxes (recovery)		**826**		(5,964)
Provision for (recovery of) income taxes		**1,021**		(5,633)
Net income (loss)		**12,492**		(19,164)
Foreign currency translation adjustments		**46,513**		(11,801)
Comprehensive income (loss)	**$**	**59,005**	$	(30,965)

(1) Results from operations were converted into Canadian dollars from euros using the following average exchange rates: the three-month period ended March 31, 2014 was converted at $1.5121:€1; for 2013, the three-month period ended March 31, 2013 was converted at $1.3319:€1.

Statement of comprehensive income results

Net rental income

	Three months ended March 31,			
		2014		2013
Initial Properties	**$**	**21,627**	$	19,656
Acquisition Properties		**24,173**		7,655
Net rental income	**$**	**45,800**	$	27,311

For the three months ended March 31, 2014, net rental income was $45.8 million, representing an increase of $18.5 million compared to the same quarter in 2013. Excluding the $5.5 million positive impact of a stronger euro, net rental income increased by $13.0 million compared to the same quarter last year.

The table below summarizes our revenue and operating expenses in euros:

	Three months ended March 31,			
		2014		2013
Investment properties revenue	**€**	**44,397**	€	34,810
Investment properties operating expenses		**14,108**		14,305
Net rental income	**€**	**30,289**	€	20,505

Portfolio management

Our portfolio management team comprises the employees of our advisory subsidiaries in Germany and Luxembourg who are responsible for providing asset management services for the investment properties, including asset strategy and leasing activities.

Portfolio management expense was $1.3 million for the three-month period ended March 31, 2014, an increase of approximately $0.4 million compared to the same period in 2013, reflecting capacity increases in line with the growth of our business.

During the current quarter we adopted the interpretation of the IFRS Interpretations Committee regarding the accounting treatment of incremental leasing costs governed by IAS 17. In compliance with the interpretation, incremental leasing costs are now expensed during the period incurred. Prior to 2014, during the year ended December 31, 2013, incremental leasing costs were capitalized to investment properties; however, as the interpretation represents a change in accounting policy we have restated all affected prior periods to give effect of this interpretation. This interpretation does not affect the accounting treatment of leasing costs paid to third parties, which will continue to be capitalized in accordance with IAS 17.

A total of $0.5 million of incremental leasing staff costs incurred during the three-month period ended March 31, 2014 have been reclassified as internal direct leasing costs of the respective properties to better reflect the true nature of the costs and underlying services being provided. In the comparative period in 2013, leasing staff costs of $0.6 million were incurred, which were originally capitalized but have been restated to remain consistent with the policy adopted in the current period.

General and administrative

General and administrative expenses totalled $3.7 million for the three-month period ended March 31, 2014, representing an increase of $1.2 million over the same period last year. The increase mainly resulted from higher asset management fees, and regulatory and corporate compliance costs associated with the new acquisitions as well as the impact of a strengthening euro against the dollar.

Fair value adjustment to investment properties

For the three-month period ended March 31, 2014, a loss of $6.2 million was recognized compared to a loss of $45.7 million in the comparative quarter last year. The loss in the current quarter comprises a $7.3 million fair value loss related to transaction costs of properties acquired in the quarter and a $1.1 million fair value gain on properties sold and properties under contract for sale during the quarter. The loss in the comparative quarter in 2013 comprises $45.3 million related to transaction costs associated with properties acquired in that quarter and a $0.4 million valuation loss on properties sold.

Interest expense

Interest expense was $12.0 million for the three-month period ended March 31, 2014, an increase of $4.9 million compared to the same quarter last year. Excluding the unfavourable exchange rate impact of $1.1 million, interest expense increased by $3.8 million as a result of new mortgage debt placed on properties we acquired in 2013 and 2014. In addition, included in interest expense is a $0.1 million increase related to our revolving credit facility and a $0.4 million increase related to the term credit facility reflecting the additional 1% interest payable on $100 million (plus 15% prepayment amount) principal effective August 2013 and a higher underlying floating interest rate.

We currently have interest rate swaps in place that fix the interest rate payable on €262.8 million at an underlying rate of 1.89%. The REIT does not apply hedge accounting in relation to these swaps and, as a result, their impact is not included in interest expense but accounted for through the fair value adjustments as described below. During the quarter, $1.6 million of swap settlements were settled compared to $1.5 million in the same quarter last year. Excluding the impact of the strengthening of the euro, the swap settlement was slightly lower reflecting the increase in underlying interest rates. Including the swaps and the additional 1% interest rate on the Facility, the actual weighted average interest rate on the Facility as at March 31, 2014 is 4.12%. On an effective interest rate basis, the rate is 4.14%. Any adjustments arising from the interest rate swaps are reflected in the fair value adjustments to financial instruments and not in interest expense.

Fair value adjustment to financial instruments

For the three months ended March 31, 2014, we incurred an unrealized loss in the fair value of financial instruments of $8.2 million compared to a gain of $4.4 million in the comparative period. The fair value adjustments in the quarter mainly comprise the following components:

- a $1.3 million loss recognized on the fair value change in the interest rate swaps and cap as a result of the settlement of one contract in the quarter for $1.6 million and a decrease in the forward price of interest rates. A $1.1 million gain was recognized in the comparative quarter last year due to an increase in the forward price of interest rates;
- a $0.3 million fair value loss recognized on the conversion feature of the convertible debentures mainly reflecting an increase in the market price of our Units, compared to a gain of $0.9 million in the same period in 2013 reflecting a decrease in the price of our Units;
- an unrealized loss of $5.9 million was recognized related to our foreign currency forward contracts due to an appreciation of the euro compared to the Canadian dollar, versus a $2.3 million unrealized gain during the comparative quarter due to an appreciation of the Canadian dollar compared to the euro; and
- a $0.6 million loss was recognized related to our DUIP mainly reflecting an increase in the market price of our Units, compared to a gain of $0.1 million in the same period in 2013.

Income taxes

We recognized a current income tax expense of $0.2 million for the three-month period ended March 31, 2014, compared to current income tax expense of $0.3 million for the comparative period in 2013.

We also recognized a deferred income tax expense of $0.8 million for the three-month period ended March 31, 2014, compared to a deferred income tax recovery of $6.0 million for the comparative period in 2013. The difference is mainly a result of the deferred income tax impact associated with the loss carry-forwards, fair value adjustments related to investment properties net of tax depreciation, and fair value changes related to financial instruments.

Impact of foreign exchange

Exchange rate fluctuations between the Canadian dollar and the euro impact the Trust's reported revenues, expenses, income, cash flows, assets and liabilities. The table below summarizes changes in the exchange rates.

	Three months ended March 31,		
	2014	2013	Change
Average exchange rate (Cdn. dollars to one euro)	**1.512**	1.332	13.5%
Exchange rate at period-end (Cdn. dollars to one euro)	**1.523**	1.304	16.8%

Comprehensive income was impacted by a foreign currency translation gain of $46.5 million for the three-month period ended March 31, 2014. The exchange rates increased from $1.466:€1 as at December 31, 2013 to $1.523:€1 as at March 31, 2014. The quarterly results of our euro-denominated operations included in net income were translated at an average exchange rate of $1.512:€1 compared to $1.332:€1 in the same quarter last year.

Funds from operations and adjusted funds from operations

	Three months ended March 31,	
	2014	2013
Net income	**$ 12,492**	$ (19,164)
Add (deduct):		
Share of net income from equity accounted investments	**(36)**	-
Amortization of lease incentives	**379**	137
Internal direct leasing costs	**512**	552
Net loss on sale of investment property	**476**	261
Tax on gains on sale of investment property	**66**	142
Deferred income taxes	**826**	(5,964)
Term debt swap settlement	**(1,603)**	(1,487)
Loss on settlement of foreign currency contracts	**(2,747)**	34
Fair value adjustments to investment properties	**6,223**	45,670
Fair value adjustments to financial instruments	**8,168**	(4,388)
FFO	**$ 24,756**	$ 15,793
Add (deduct):		
Amortization of financing costs	**$ 812**	$ 447
Accretion of debenture conversion feature	**265**	244
Amortization of fair value adjustment of assumed debt	**(98)**	(138)
Deferred unit compensation expense	**339**	266
Deferred asset management fees	**642**	522
Straight-line rent	**32**	(179)
	26,748	16,955
Deduct:		
Normalized leasing costs and tenant incentives	**(2,061)**	(1,229)
Normalized non-recoverable recurring capital expenditures	**(1,603)**	(956)
AFFO	**$ 23,084**	$ 14,770

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. The diluted weighted average number of Units assumes the conversion of the Debentures and incremental unvested deferred trust units related to the Deferred Unit Incentive Plan represented by 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 and AFFO calculations for the three months ended March 31, 2014 are noted in the table below. Diluted FFO and AFFO includes interest and amortization adjustments related to the Debentures of $2.7 million for the three months ended March 31, 2014.

	Three months ended March 31,	
	2014	2013
Weighted average Units outstanding for basic per unit amounts	**109,987,243**	79,267,113
Weighted average Units outstanding for diluted per unit amounts	**123,638,848**	92,382,159

Over the course of the quarter, the REIT had approximately $82 million on average of excess undeployed cash available for acquisitions. We estimate that these funds, if invested, would generate a return on equity of approximately 9.5%, which is consistent with historic returns for acquired investment properties, and would have contributed $2.0 million to FFO and AFFO for the quarter ended March 31, 2014.

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 net income or cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Dundee International REIT's needs.

	Three months ended March 31,	
	2014	2013
FFO	**$ 24,756**	$ 15,793
FFO per unit – basic	**$ 0.23**	$ 0.20
FFO per unit – diluted	**$ 0.22**	$ 0.20

Excluding the impact of undeployed cash:

FFO per unit – basic	**$ 0.24**	$ 0.24
FFO per unit – diluted	**$ 0.24**	$ 0.24

Total FFO for the quarter was $24.8 million, an increase of $9.0 million or 56.8% over the prior year comparative quarter, reflecting the impact of acquisitions completed subsequent to the first quarter of 2013. FFO on a per unit basis increased to $0.23 per unit from $0.20 per unit over the prior year comparative quarter. Diluted FFO on a per unit basis increased to $0.22 per unit from $0.20 per unit over the prior year comparative quarter. Assuming this excess cash had been invested, basic and diluted FFO per unit would have been $0.24 per unit for the quarter.

Adjusted funds from operations

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.

	Three months ended March 31,	
	2014	2013
AFFO	**$ 23,084**	$ 14,770
AFFO per unit – basic	**$ 0.21**	$ 0.19

Excluding the impact of undeployed cash:

AFFO per unit – basic	**$ 0.23**	$ 0.23

Total AFFO for the quarter was $23.1 million, an increase of $8.3 million or 56.3% over the prior year comparative quarter reflecting the impact of acquisitions completed subsequent to the first quarter of 2013. AFFO on a per unit basis increased from $0.19 per unit to $0.21 per unit over the prior year comparative quarter. Assuming this excess cash had been invested, AFFO per unit would have been $0.23 per unit for the quarter.

Our calculation of AFFO includes an estimated amount of normalized non-recoverable capital expenditures, as well as 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 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.

FFO and AFFO are 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.

	Three months ended March 31,	
	2014	2013
Cash generated from operating activities	**$ 21,707**	$ 30,270
Add (deduct):		
Change in non-cash working capital	**2,798**	(14,445)
Internal direct leasing costs	**512**	552
Share of general and administrative expenses from equity accounted investments	**(57)**	(8)
Unrealized loss (gain) on settlement of foreign exchange contracts	**169**	(239)
Tax on gains on sale of investment property	**66**	142
Investment in lease incentives and initial direct leasing costs	**1,553**	683
Normalized leasing costs and tenant incentives	**(2,061)**	(1,229)
Normalized non-recoverable recurring capital expenditures	**(1,603)**	(956)
AFFO	**$ 23,084**	$ 14,770

QUARTERLY INFORMATION

The following tables show quarterly information since April 1, 2012:

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Investment properties revenue	$ 67,133	$ 62,528	$ 56,915	$ 54,413	$ 46,364	$ 35,926	$ 33,765	$ 34,896
Investment properties operating expenses	21,333	20,656	17,436	18,222	19,053	13,869	12,024	13,992
Net rental income	45,800	41,872	39,479	36,191	27,311	22,057	21,741	20,904
Other income								
Interest and other income	56	352	351	446	398	289	59	63
Share of net losses from equity accounted investments	3	10	(2)	13	7	11	(13)	12
	59	362	349	459	405	300	46	75
Other expenses								
Portfolio management	(1,278)	(409)	(1,006)	(882)	(876)	(1,019)	(1,096)	(1,051)
General and administrative	(3,650)	(3,332)	(3,399)	(3,045)	(2,450)	(1,638)	(1,856)	(1,598)
Amortization and depreciation	(25)	(16)	(33)	(24)	(15)	(7)	(35)	(11)
Interest expense	(12,014)	(11,288)	(10,441)	(9,700)	(7,077)	(6,100)	(6,531)	(6,629)
	(16,967)	(15,045)	(14,879)	(13,651)	(10,418)	(8,764)	(9,518)	(9,289)
Fair value adjustments, loss on sale of investment properties and other activities								
Fair value adjustments to investment properties	(6,223)	891	(3,901)	(8,352)	(45,670)	(16,870)	(2,574)	(3,010)
Internal direct leasing costs	(512)	(679)	(586)	(374)	(552)	-	-	-
Loss on sale of investment property	(476)	(550)	(79)	(252)	(261)	(258)	(62)	-
Fair value adjustments to financial instruments	(8,168)	(9,460)	(1,808)	(4,570)	4,388	(6,736)	(5,950)	130
	(15,379)	(9,798)	(6,374)	(13,548)	(42,095)	(23,864)	(8,586)	(2,880)
Income (loss) before taxes	13,513	17,391	18,575	9,451	(24,797)	(10,271)	3,683	8,810
Current income taxes	195	142	(100)	316	331	84	77	29
Deferred income taxes (recovery)	826	2,019	983	128	(5,964)	(1,668)	(57)	(334)
Provision for (recovery of) income taxes	1,021	2,161	883	444	(5,633)	(1,584)	20	(305)
Net income (loss)	$ 12,492	$ 15,230	$ 17,692	$ 9,007	$ (19,164)	$ (8,687)	$ 3,663	$ 9,115
Depreciation of property and equipment	-	-	-	-	-	9	38	16
Share of net losses (gains) from equity accounted investments	(36)	3	-	-	-	-	-	-
Amortization of lease incentives	379	259	108	112	137	9	8	-
Internal direct leasing costs	512	679	586	374	552	-	-	-
Interest on Exchangeable Notes	-	-	-	-	-	-	406	632
Loss on sale of investment property	476	550	79	252	261	258	62	-
Tax on gains on sale of investment property	66	(33)	(126)	79	142	-	-	-
Deferred income taxes	826	2,019	983	128	(5,964)	(1,668)	(57)	(334)
Term debt swap settlement	(1,603)	(1,585)	(1,574)	(1,533)	(1,487)	(1,660)	(1,155)	(1,038)
Gain (loss) on settlement of Forex contracts	(2,747)	(1,456)	(456)	52	34	481	954	496
Fair value adjustments to investment properties	6,223	(891)	3,901	8,352	45,670	16,870	2,574	3,010
Fair value adjustments to financial instruments	8,168	9,460	1,808	4,570	(4,388)	6,736	5,950	(130)
FFO	$ 24,756	$ 24,235	$ 23,001	$ 21,393	$ 15,793	$ 12,348	$ 12,443	$ 11,767
FFO per unit – basic	$ 0.23	$ 0.22	$ 0.21	$ 0.22	$ 0.20	$ 0.19	$ 0.22	$ 0.21
FFO per unit – diluted	0.22	0.22	0.21	0.21	0.20	0.19	0.21	0.21
Funds from operations	$ 24,756	$ 24,235	$ 23,001	$ 21,393	$ 15,793	$ 12,348	$ 12,443	$ 11,767
Amortization of financing costs	812	794	744	666	447	366	279	273
Accretion of debenture conversion feature	265	260	254	250	244	240	235	230
Amortization of fair value adjustment of debt	(98)	(92)	(88)	(84)	(138)	(26)	(76)	(78)
Deferred compensation expense	339	313	356	378	266	138	180	158
Deferred asset management expense	642	539	529	523	522	502	504	488
Straight-line rent	32	(440)	(268)	(623)	(179)	(56)	(78)	18
	26,748	25,609	24,528	22,503	16,955	13,512	13,487	12,856
Normalized leasing costs and tenant incentives	(2,061)	(1,884)	(1,776)	(1,629)	(1,229)	(1,025)	(1,025)	(1,025)
Normalized non-recoverable recurring capital expenditures	(1,603)	(1,466)	(1,381)	(1,267)	(956)	(600)	(600)	(600)
AFFO	$ 23,084	$ 22,259	$ 21,371	$ 19,607	$ 14,770	$ 11,887	$ 11,862	$ 11,231
AFFO per unit – basic	$ 0.21	$ 0.20	$ 0.20	$ 0.20	$ 0.19	$ 0.19	$ 0.21	$ 0.20
AFFO per unit – diluted	0.20	0.20	0.20	0.20	0.19	0.19	0.21	0.20
Weighted average number of Units:								
Basic	109,987,243	109,482,435	109,116,985	99,037,061	79,267,113	64,064,093	57,795,412	55,697,600
Diluted	123,638,848	123,028,441	122,552,770	112,358,396	92,382,159	77,017,591	70,666,219	68,474,767
Quarterly average exchange rate ($:€1)	1.512	1.430	1.376	1.337	1.332	1.286	1.245	1.296

NON-GAAP MEASURES

The following additional non-GAAP measures are important measures used by management in evaluating the Trust's underlying operating performance and debt management. These non-GAAP measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

Level of debt (debt-to-gross book value)

Management believes this non-GAAP measurement is an important measure in the management of our debt levels. Level of debt as shown below is determined as total debt, divided by total assets.

	March 31, 2014	December 31, 2013
Non-current debt[1]	**$ 1,431,379**	$ 1,403,956
Current debt	**83,918**	20,356
Total debt	**1,515,297**	1,424,312
Unamortized discount component of convertible debentures	**5,538**	5,803
Total adjusted debt	**1,520,835**	1,430,115
Less cash	**45,010**	106,292
Total adjusted debt, net of cash	**1,475,825**	1,323,823
Total assets	**2,687,989**	2,558,674
Less cash	**45,010**	106,292
Total assets, net of cash	**$ 2,642,979**	$ 2,452,382
Debt-to-gross book value	**57%**	56%
Debt-to-gross book value, net of cash	**56%**	54%
Debt-to-gross book value, net of cash, net of convertible debentures	**50%**	48%

(1) Non-current debt includes convertible debentures valued at $150,822 and $150,326 at March 31, 2014 and December 31, 2013, respectively.

Interest coverage ratio

Management believes this non-GAAP measurement is an important measure in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio as shown below is calculated as net rental income plus interest and fee income, less general and administrative expenses and portfolio management expenses, all divided by interest expense on total debt.

	March 31, 2014	December 31, 2013
Net rental income	**$ 45,800**	$ 144,853
Add: Interest and other income	**56**	1,547
Less: General and administrative expenses	**3,650**	12,226
Less: Portfolio management expenses	**1,278**	3,173
	40,928	131,001
Interest expense	**12,014**	38,506
Interest coverage ratio	**3.41**	3.40

Debt-to-EBITDFV

Management believes this non-GAAP measurement is an important measure in determining the time it takes the Trust, based on its operating performance, to repay our debt. Debt-to-EBITDFV as shown below is calculated as total debt divided by the sum of net income for the quarter adjusted for fair value adjustments to investment properties and financial instruments, gain/loss on sale of investment properties, interest expense, depreciation and income taxes. A further adjustment is made for properties acquired during the quarter to reflect net rental income as if the properties were held for the full quarter.

	March 31, 2014	December 31, 2013
Non-current debt	**$ 1,431,379**	$ 1,403,956
Current debt	**83,918**	20,356
Total debt	**1,515,297**	1,424,312
Net income for the quarter	**12,492**	15,230
Fair value adjustments to investment properties	**6,223**	(891)
Fair value adjustments to financial instruments	**8,168**	9,460
Internal direct leasing costs	**512**	679
Loss on sale of investment property	**476**	550
Depreciation and amortization	**25**	16
Interest expense	**12,014**	11,288
Provision for income taxes	**1,021**	2,161
Adjusted net rental income of properties acquired in the quarter	**1,068**	1,296
EBITDFV	**41,999**	39,789
EBITDFV – adjusted for foreign exchange	**42,293**	40,788
Debt-to-EBITDFV (three months ended)	**35.8**	34.9
Debt-to-EBITDFV (years) annualized	**9.0**	8.7

SECTION III – DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

At March 31, 2014, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Trust, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Dundee International REIT is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the condensed consolidated financial statements in accordance with IFRS.

During the three months ended March 31, 2014, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

For an explanation of our disclosure controls and procedures, please refer to our 2013 Annual Report or our Annual Information Form dated March 31, 2014 filed on SEDAR (www.sedar.com).

SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

We are exposed to various risks and uncertainties, many of which are beyond our control. For a full list and explanation of our risks and uncertainties, please refer to our 2013 Annual Report or our Annual Information Form dated March 31, 2014 filed on SEDAR (www.sedar.com).

SECTION V – CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent liabilities. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amounts of the asset or liability affected. Dundee International REIT's critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 in the condensed consolidated financial statements and also in our annual consolidated financial statements for the year ended December 31, 2013.

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Accounting policy changes

Dundee International REIT's accounting policy changes are described in Note 3 to the condensed consolidated financial statements.

Additional information relating to Dundee International REIT, including our Annual Information Form dated March 31, 2014, is available on SEDAR at www.sedar.com.