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

- Acquired an office building in Stuttgart, Germany, at the end of Q3 for $43.4 million and subsequent to quarter-end, signed a purchase and sale agreement for an office building in Düsseldorf, Germany, for approximately $105 million, subject to certain closing conditions and adjustments, increasing year-to-date total acquisitions closed and under contract to over $1.0 billion, at an average cap rate of 6.7% and an average borrowing rate of 2.6%;
- Diversified tenant profile with our largest tenant, Deutsche Post, contributing 40% to the overall gross rental income ("GRI") at the end of Q3 2013, down from 65% at the end of 2012;
- Active leasing program resulted in positive absorption of approximately 49,700 square feet of space in Q3, increasing year-to-date total to approximately 169,300 square feet;
- Deutsche Post agreed to extend leases on 619,000 square feet of space and to waive 2014 termination rights on 145,000 square feet of space.

	Three months ended September 30,		Nine months ended September 30,	
	2013[1]	2012[1]	**2013**[1]	2012[1]
Operations				
Occupancy rate (period-end)	**86%**[2]	82%		
In-place rent per square foot	**$ 11.37**	$ 7.60		
Operating results				
Investment properties revenue	**$ 56,915**	$ 33,765	**$ 157,692**	$ 102,735
Net rental income	**39,479**	21,741	**102,981**	63,382
Funds from operations ("FFO")[3]	**23,001**	12,443	**60,187**	35,972
Adjusted funds from operations ("AFFO")[4]	**21,371**	11,862	**55,748**	34,277
Distributions				
Declared distributions and interest on Exchangeable Notes	**$ 21,919**	$ 11,559[6]	**$ 58,115**	$ 33,111[6]
Distributions paid and payable in cash (including interest on Exchangeable Notes)[5]	**18,814**	10,960	**50,956**	32,070
Financing				
Weighted average interest rate (period-end)	**3.44%**	4.12%	**3.44%**	4.12%
Interest coverage ratio ("ICR")[6]	**3.39 times**	3.08 times	**3.40 times**	2.96 times
Per unit amounts				
Basic:[7]				
FFO[3]	**$ 0.21**	$ 0.22	**$ 0.63**	$ 0.65
AFFO[4]	**0.20**	0.21	**0.58**	0.62
Distribution rate	**0.20**	0.20	**0.60**	0.60
Basic (excluding impact of undeployed cash):				
FFO[3]	**0.24**	0.25	**0.71**	0.75
AFFO[4]	**0.22**	0.24	**0.67**	0.72
Weighted average number of units outstanding	**109,116,985**	57,795,412	**95,916,394**	55,134,905

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) Space for which the Trust receives head lease payments is reflected as vacant space; increase in occupancy to 91%, if such head lease space would be reflected as occupied space.
(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) Includes interest on Exchangeable Notes which were fully exchanged in April and September 2012.
(6) Interest coverage ratio – The calculation of ICR reconciled to IFRS measures can be found on page 28.
(7) 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 of the Trust for the year ended December 31, 2012 and the unaudited interim condensed financial statements of the Trust for the period ended September 30, 2013.

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

This management's discussion and analysis has been dated as at November 7, 2013, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

- "Debentures", meaning the 5.5% convertible unsecured subordinated debentures of the Trust due July 31, 2018;
- "Exchangeable Notes", meaning the Exchangeable Notes, Series A and the Exchangeable Notes, Series B issued by a subsidiary of Dundee International REIT;
- "GLA", meaning gross leasable area;
- "GRI", meaning gross rental income;
- "Initial Properties", meaning the income-producing properties we acquired on August 3, 2011; and
- "Units", meaning the Units of the Trust.

Certain information has been obtained from CB Richard Ellis Germany ("CBRE"), a commercial firm that provides information relating to the German real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

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 November 7, 2013, 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 Dundee Realty Corporation (“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 at September 30, 2013, our portfolio consisted of 299 properties, comprising approximately 15.5 million square feet of GLA located in Germany.

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

OUR OBJECTIVES

We are committed to:

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

Distributions

We currently pay monthly distributions to unitholders of 6.667 cents per unit, or 80 cents per unit on an annual basis. At September 30, 2013, approximately 12.2% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan (“DRIP”).

			2012									2013
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Distribution rate ($)	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667
Month-end closing price ($)	11.15	10.29	10.93	11.39	10.85	10.64	11.00	10.25	9.85	9.28	8.91	9.41

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 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 September 30, 2013, this category included 276 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.

Acquisitions 2012 and 2013

As at September 30, 2013, this category included 23 office properties acquired in 2012 and during the first nine months of 2013. 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	674,342	4	6
Cologne	783,967	5	6
Düsseldorf	1,569,104	10	10
Frankfurt	1,205,891	8	11
Hamburg	1,291,827	8	13
Hannover	959,385	6	4
Munich	674,443	4	8
Nuremberg	640,567	4	6
Stuttgart	729,123	5	6
Other	7,015,651	46	30
Total	**15,544,300**	**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 Q3 2013, Deutsche Post's GRI was further reduced to less than 40% of the Trust's overall GRI compared to over 65% at the end of 2012.

Tenant composition	Total GRI (%)
Deutsche Post	39.6
ERGO Direkt	3.2
Imtech	2.5
AIG Europe Limited	2.2
Google Germany GmbH	2.1
BNP Paribas Fortis SA/NV	2.1
State of Bavaria/Technische Universität München	1.6
Maersk Deutschland A/S & Co. KG	1.5
Jobcenter Berlin Mitte – Federal Employment Agency	1.4
Deutsche Telekom	1.4
Other third-party tenants	42.4
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 and generated revenue of over €27 billion in the first six months of 2013 alone.[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 Deutsche Postbank ("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. Our portfolio features approximately 191 Postbank branches, allowing for the delivery of integrated financial and postal services. Leases for 15 Postbank branches are direct leases and not included in the leases with Deutsche Post. 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

ERGO Direkt Lebensversicherungs AG ("ERGO")

ERGO is the second 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.(2) 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 generates approximately 3.2% of the REIT's overall GRI as at September 30, 2013.

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.(3) 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 contributes approximately 2.5% of the REIT's overall GRI as at September 30, 2013.

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.(4) AIG occupies approximately 60% of the space in Werfthaus, our property located at Speicherstrasse 55 in Frankfurt, and currently generates approximately 2.2% of the REIT's overall GRI as at September 30, 2013.

Google Germany GmbH ("Google")

Google is an American multinational corporation specializing in internet-related services and products and employs over 30,000 people worldwide.(5) Google Hamburg is the company's commercial headquarters for Germany, Austria, Switzerland and the Nordics and occupies approximately 56% of the GLA in ABC Bogen, our property located in the heart of Hamburg at ABC Strasse 19. Google currently generates approximately 2.1% of the REIT's overall GRI as at September 30, 2013.

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.(6) BNP Paribas Fortis occupies approximately 55% of the space in Cäcilienkloster in Cologne as well as 8% in Z-UP in Stuttgart and currently generates approximately 2.1% of the REIT's overall GRI as at September 30, 2013.

State of Bavaria/Technische Universität München

The Technische Universität München ("TUM") is one of Europe's top universities. TUM comprises 13 faculties which focus on engineering, medicine, natural and life sciences, business and education. Approximately 32,500 students are currently enrolled at TUM.(7) 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 currently generates approximately 1.6% of the REIT's overall GRI as at September 30, 2013.

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 and generated over US$59 billion in revenues in 2012.(8) Maersk occupies approximately 70% of the GLA in Humboldt House, our property located at Am Sandtorkai 37 in Hamburg. Maersk generates approximately 1.5% of the REIT's overall GRI as at September 30, 2013.

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

Jobcenter Berlin Mitte

Jobcenter Berlin Mitte is part of the Federal Employment Agency, the largest provider of labour market services in Germany. The Federal Employment Agency has a network of more than 700 agencies and branch offices nationwide.[9] Jobcenter Berlin Mitte occupies approximately 52% of the GLA in Löwenkontor, our property located at Beuthstrasse 6–8 and Seydelstrasse 2–5 in Berlin. Jobcenter Berlin Mitte currently generates approximately 1.4% of the REIT's overall GRI as at September 30, 2013.

Deutsche Telekom

Deutsche Telekom is one of the world's leading telecommunications and information technology services companies. In 2012, Deutsche Telekom Group generated revenue of approximately €58 billion, and had approximately 230,000 employees worldwide as at December 2012.[10] Deutsche Telekom currently generates approximately 1.4% of the REIT's overall GRI as at September 30, 2013.

(9) As disclosed at Jobcenter Berlin Mitte's web site at www.arbeitsagentur.de
(10) As disclosed at Deutsche Telekom's web site at www.telekom.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's economy and investor confidence increased for a third consecutive month in October 2013. Germany's labour market is very robust and its unemployment rate at 6.6%[1] at the end of September 2013 remains near all-time lows since Germany's reunification in 1989. In addition, the Ifo Business Climate Index rose for the fifth time in succession in September 2013, an indicator of satisfaction with the current business situation.[2]

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.

The office sector remains the dominant asset class for investments, with over 44% of all transactions during the first three quarters in 2013 taking place in this category. In total, approximately €8.3 billion was invested in German office properties in 2013, an increase of 28% compared to the same period in 2012. The five largest real estate markets in Germany continue to account for the majority of the overall investment volume, with more than half of all the transactions taking place in Berlin, Düsseldorf, Frankfurt, Hamburg and Munich.[3]

The underlying fundamentals in the office sector remain strong. The stability in the office market is supported by a relatively moderate degree of new space coming to market and take-up for the redevelopment of vacant office space for alternative use. Overall office vacancies in the five largest markets remained unchanged year-over-year at 9.9% at September 30, 2013.[4]

(1) Bundesagentur für Arbeit, Germany's federal labour market agency
(2) Ifo Business Survey for September 2013
(3) CBRE MarketView, Germany Investment Quarterly Q3 2013
(4) CBRE Office Market Overview Q3 2013

FINANCIAL OVERVIEW

The third quarter was a quarter of solid results with FFO and AFFO increasing to $23.0 million and $21.4 million, respectively, reflecting the impact of acquisitions. On a per unit basis, FFO and AFFO were 21 cents and 20 cents, respectively. Over the course of the quarter, we had on average approximately $109 million of excess undeployed cash. Excluding the impact of undeployed cash, FFO and AFFO per unit would have been 24 cents and 22 cents, respectively.

During Q3 2013, we continued to make progress in transforming our portfolio. The Trust's focus on asset management through its local operations team in Europe is highlighted by continued occupancy improvements during the quarter. We recorded positive absorption of approximately 49,700 square feet in Q3, increasing our year-to-date total absorption to approximately 169,300 square feet. Overall occupancy increased to 86.2% from 83.2% at the beginning of the year, due to positive absorption as well as higher in-place occupancy rates in our acquired properties.

Year-over-year, in-place rents increased from $7.60 (€6.01) per square foot to $11.37 (€8.17) in Q3 2013, largely due to high-quality acquisitions. At $11.76 per square foot, average market rents in our portfolio remain approximately 3.4% above in-place rents.

Deutsche Post committed to remain in approximately 764,000 square feet of space pertaining to its 2014 early termination rights and exercised its termination rights with respect to 1.1 million square feet, or approximately 5.1% of the Trust's current GRI. As a result of working closely with Deutsche Post and focusing on better understanding its space requirements, we have retained it as a tenant in many of our properties for extended terms. Of the 1.1 million square feet of terminated space, we have plans to re-lease, redevelop or sell approximately 519,000 square feet. This leaves a balance of approximately 641,000 square feet to be dealt with going forward through similar actions.

The Trust continued to be active on the financing front, leading to further decreases in the Trust's average interest rate to 3.44% at the end of Q3 2013, from 3.98% at the end of 2012. The average term to maturity of the Trust's debt increased to 4.8 years in Q3 2013 from 4.4 years at December 31, 2012, and its interest coverage ratio increased from 3.0 times at the end of 2012 to 3.4 times at the end of Q3 2013, mainly reflecting lower interest rates on new mortgages. Our leverage stood at 55% (53% excluding cash) at September 30, 2013, and increased from 52% (45% excluding cash) at the end of 2012, largely due to new mortgage financings placed on acquisitions completed in 2013 at higher loan-to-values than our portfolio at the beginning of the year.

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

OUTLOOK

Year-to-date, we have been one of the most active investors in office properties in Germany. We completed $907 million of acquisitions during the first three quarters of 2013 and, subsequent to quarter-end, signed a purchase and sale agreement for a property located in Düsseldorf for approximately $105 million, subject to certain closing conditions and adjustments. This increases the year-to-date total acquisitions closed or under contract to over $1.0 billion, at an average cap rate of 6.7% and an average borrowing rate of 2.6%.

The economic metrics in Germany remain positive. The country continues to see increased global investment interest, a trend that is likely to continue. In total, approximately €8.3 billion was invested in German office properties in 2013, an increase of 28% compared to the same period in 2012. Spreads between cap rates and borrowing costs remain compelling. At the recent Expo Real in Munich, the biggest real estate trade fair in Europe, the mood was very upbeat, which only served to reinforce our ongoing commitment to Germany.

All in all, our current pipeline of opportunities remains strong as we continue to transform our portfolio and expand our platform.

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

Occupancy

Overall occupancy rates increased from 83.2% at the end of 2012 to 86.2% at the end of September 2013. Properties that we acquired in 2012 and 2013 now make up a significantly larger portion of our overall portfolio. On average, these properties have higher occupancy rates compared to our Initial Properties. In addition, occupancy rates in our Initial Properties also increased.

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, 2012 and September 30, 2013 and excludes properties that were acquired or sold during the first nine months of 2013.

	Total portfolio		Comparative portfolio	
(percent)	**September 30, 2013**[1]	December 31, 2012[1]	**September 30, 2013**[1]	December 31, 2012[1]
Initial Properties	**83.3**	82.1	**83.3**	82.4
Acquisitions 2012 and 2013	**95.7**	94.5	**95.9**	94.5
Total	**86.2**	83.2	**84.4**	83.4

(1) Space for which the Trust receives head lease payments is reflected as vacant space.

The improvement in the occupancy rate in our Initial Properties since the beginning of the year resulted from positive absorption as well as the sale of properties with low occupancy.

Until June 2014, the Trust receives payments pursuant to a head lease for space terminated by Deutsche Post in 2012. Due to these payments, it effectively receives rent for approximately 91% of the space in the overall portfolio as at September 30, 2013.

Vacancy schedule

The tables below highlight our leasing activity for the three-month and nine-month periods ended September 30, 2013. During the third quarter of 2013, our overall space available for lease decreased by 57,860 square feet to 2,140,844 square feet. The Trust recorded positive absorption of 49,733 square feet during the quarter as a result of our active leasing program.

	For the three months ended September 30, 2013		
(in square feet)	Initial Properties	Acquired properties	Total
Available for lease July 1, 2013	2,035,558	163,146	2,198,704
Change in vacancy due to dispositions	(9,364)	-	(9,364)
Remeasurements	2,785	(1,548)	1,237
Subtotal – Available for lease	2,028,979	161,598	2,190,577
Expiries	131,660	20,436	152,096
Early termination and bankruptcies	22,021	-	22,021
New leases	(51,992)	-	(51,992)
Renewals	(91,575)	(20,034)	(111,609)
Future leases	(54,698)	(5,551)	(60,249)
Available for lease September 30, 2013	1,984,395	156,449	2,140,844

(in square feet)	For the nine months ended September 30, 2013 Initial Properties	Acquired properties	Total
Available for lease January 1, 2013	2,182,694	62,830	2,245,524
Change in vacancy due to acquisitions	-	148,771	148,771
Change in vacancy due to dispositions	(85,095)	-	(85,095)
Remeasurements	12,770	(11,795)	975
Subtotal – Available for lease	2,110,369	199,806	2,310,175
Expiries	288,811	67,080	355,891
Early termination and bankruptcies	24,541	5,454	29,995
New leases	(101,378)	(28,501)	(129,879)
Renewals	(179,513)	(49,454)	(228,967)
Future leases	(158,435)	(37,936)	(196,371)
Available for lease September 30, 2013	1,984,395	156,449	2,140,844

In-place rental rates

The following table provides a comparison between in-place rents and market rents in our portfolio as at September 30, 2013. 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 $8.20 per square foot/year at the end of 2012 to approximately $11.37 at September 30, 2013, largely due to acquisitions completed in 2013. The majority of the leases in the properties acquired in 2012 and 2013 include rent adjustment clauses linked to an increase in the consumer price index ("CPI"). Overall, average market rents for our portfolio remain approximately 3.4% above in-place rents at September 30, 2013.

For acquisitions completed in 2012 and 2013, 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 September 30, 2013			
(per square foot/year)	In-place rent	Market rent	In-place rent	Market rent
Initial Properties – Deutsche Post	$ 7.75	$ 8.49	€ 5.57	€ 6.10
Initial Properties – Third party	7.61	8.75	5.47	6.28
Total Initial Properties	7.73	8.54	5.55	6.14
Acquisitions 2012 and 2013	21.76	20.91	15.63	15.02
Overall	$ 11.37	$ 11.76	€ 8.17	€ 8.45

At September 30, 2013, the weighted average remaining lease term ("WALT") of all leases was approximately 4.9 years. The WALT of 6.0 years for acquisitions completed in 2012 and 2013 is higher than the WALT for the Initial Properties.

(years)	**WALT at September 30, 2013**	WALT at December 31, 2012
Initial Properties – Deutsche Post	**4.4**[(1)]	5.6
Initial Properties – Third party	**5.2**	4.3
Total Initial Properties	**4.5**	5.3
Acquisitions 2012 and 2013	**6.0**	7.4
Overall	**4.9**	5.5

(1) WALT at September 30, 2013 reflects a shortened lease term for properties for which the Trust received termination notices in connection with Deutsche Post's 2014 termination rights.

Leasing and tenant profile

Lease rollover profile

The following table outlines our lease maturity profile by asset type as at September 30, 2013. During the remainder of 2013, 48,724 square feet of our leases expire, accounting for approximately 0.3% of the overall space.

(in square feet)	Current vacancy	Month-to-month	2013	2014	2015	2016	2017 to 2039	Total
Initial Properties	1,984,395	336,706	31,407	1,302,333	233,029	128,144	7,875,163	11,891,177
Acquisitions 2012 and 2013	156,449	37,945	17,317	161,218	386,928	379,437	2,513,829	3,653,123
Total	2,140,844	374,651	48,724	1,463,551	619,957	507,581	10,388,992	15,544,300

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 51% of the portfolio's GLA and account for 40% 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 4.7 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 4.7 points, with effect as of the time of the index change. The hurdle rate for an upward adjustment was last reached in December 2011. At that time, the German CPI reached 102.9 index points. CPI numbers from September 2013 indicate that CPI has increased to 106.1 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 June 2012, 2014 and 2016, subject to certain limitations and requirements. The right of Deutsche Post to terminate a Deutsche Post lease is 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 may terminate Deutsche Post leases and Caroline DP Leases aggregating no more than 20% of the total annual Reference Rent payable under all of the Deutsche Post leases and Caroline DP Leases on June 30, 2014, and no more than an additional 10% of such rent 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 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.

2012 Termination rights

With respect to its 2012 termination rights, Deutsche Post terminated 17 leases and, subsequently, terminated one additional lease, which became effective as at July 1, 2013 and for which we receive an additional payment under the head lease. The Trust has been successful in re-leasing and selling over one-third of the space to date. With respect to its 2012 termination rights, Deutsche Post has exercised all of its available early termination rights.

In light of the 2012 terminations, the vendor of the Initial Properties has set aside an amount of €17.3 million to lease the vacant space resulting from all 2012 terminations for the period commencing on July 1, 2012 to, and including, June 30, 2014. The Trust receives a portion of this amount each month for two years until June 2014. In addition, the vendor committed to pay an additional €0.2 million in connection with the termination of one additional lease, which became effective as at July 1, 2013.

2014 Termination rights

Deutsche Post's 2014 termination rights comprised approximately 1.9 million square feet, or 9.2% of the REIT's current GRI. The tenant exercised such right in respect of 1.1 million square feet, or approximately 5.1% of the REIT's current GRI, and committed to remain in approximately 0.8 million square feet of space. Of this space, leases for over 0.6 million square feet were amended by extending the term for five years commencing July 1, 2014, and the termination rights were waived with respect to the balance of the space. As part of the lease extensions, we agreed to provide Deutsche Post with an annual rent reduction of €1.7 million per year, effective as of July 1, 2014. Based on recent inflation rates in Germany, we anticipate that prior to July 1, 2014, this reduction in annual rent will be substantially offset by CPI rent adjustments provided in the terms of the Deutsche Post leases. In addition, the REIT will make a one-time payment to Deutsche Post of €1.45 million to be used to improve the buildings and the tenant's space.

We are continuing discussions with Deutsche Post and Postbank, in particular with respect to Postbank remaining as a direct tenant in a large number of the locations in which they presently sublet space from Deutsche Post.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

The fair value of our investment property portfolio at September 30, 2013 was $2.2 billion. Since December 31, 2012, the value of our investment properties increased by $1.0 billion. The largest item contributing to the increase in the value is the acquisition of 17 properties for $906.9 million, excluding transaction costs. During the nine months ended September 30, 2013, we also invested $8.9 million in building improvements and lease incentive costs. During the same period, we disposed of 11 properties which had a fair value of $15.0 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 $11.8 million. For the nine months ended September 30, 2013, in accordance with IFRS accounting rules, we fair valued our investment properties. As the fair values did not change from December 31, 2012, we effectively reduced the value of acquired properties by $56.6 million, representing the capitalized transaction costs during the period associated with 17 property acquisitions, and by a further $1.5 million in capitalized leasing costs. Additionally, a loss of $0.3 million was recognized for properties sold or under contract for sale during the period. The value of our investment properties was further reduced by $1.1 million related mainly to straight-line rent adjustments during the period. These fair value adjustments were offset by a foreign currency translation gain of $105.7 million due to the appreciation of the euro against the Canadian dollar since December 31, 2012.

The table below highlights the change in fair value in our portfolio.

	September 30, 2013	December 31, 2012	Change
Initial Properties	**$ 966,575**	$ 904,610	$ 61,965
2012 Acquisitions	**278,886**	262,943	15,943
Comparative properties[(1)]	**1,245,461**	1,167,553	77,908
2013 Acquisitions	**939,899**	-	939,899
Dispositions	**-**	15,204	(15,204)
Total portfolio	**$ 2,185,360**	$ 1,182,757	$ 1,002,603

(1) Comparative properties are properties owned by the Trust at September 30, 2013 and December 31, 2012.

Acquisitions

On September 30, 2013, we completed the acquisition of Oasis III, a property located at Leitzstrasse 45 in Stuttgart, for $43.4 million (excluding transaction costs). The property comprises approximately 170,000 square feet of GLA, is fully occupied and had a weighted average remaining lease term of 5.5 years at the time of acquisition.

During the first nine months of 2013, we completed the following acquisitions:

Office property	Acquired GLA (sq. ft.)	Occupancy at acquisition (%)	Purchase price[(1)]	Date acquired
Hammer Strasse 30–34, Hamburg	172,300	100	$ 56,328	January 31, 2013
Neue Mainzer Strasse 28 (K26), Frankfurt	123,300	90	82,351	February 15, 2013
Dillwächterstrasse 5 and Tübinger Strasse 11, Munich	81,900	99	24,579	March 2, 2013
Schlossstrasse 8a–8g, Hamburg	165,200	85	42,885	March 12, 2013
ABC Strasse 19 (ABC Bogen), Hamburg	158,400	96	93,585	March 12, 2013
Moskauer Strasse 25, 27, Düsseldorf	217,200	95	62,350	March 12, 2013
Cäcilienkloster 2, 6, 8, 10, Cologne	200,900	100	95,820	March 12, 2013
Vordernbergstrasse 6/Heilbronner Strasse 35 (Z-UP), Stuttgart	88,600	84	38,354	March 13, 2013
Bertoldstrasse 48, 50/Sedanstrasse 7, Freiburg	121,100	100	40,251	March 13, 2013
Lörracher Strasse 16–16a, Freiburg	56,000	100	10,699	March 13, 2013
Westendstrasse 160, 162/Barthstrasse 24, 26, Munich	122,200	82	30,619	March 13, 2013
Am Stadtpark 2/Bayreuther Strasse 33 (Parcside), Nuremberg	94,600	99	33,308	March 13, 2013
Speicherstrasse 55 (Werfthaus), Frankfurt	151,800	100	81,113	March 14, 2013
Reichskanzler-Müller-Strasse 21, 23, 25, Mannheim	100,500	95	29,984	March 14, 2013
Löwenkontor, Berlin	258,000	95	54,960	April 30, 2013
Marsstrasse 20–22, Munich	238,700	95	86,296	June 28, 2013
Leitzstrasse 45 (Oasis III), Stuttgart	170,000	100	43,430	September 30, 2013
Total	2,520,700	95	$ 906,912	

(1) Excludes transaction costs.

Dispositions

The REIT completed the sale of one property during the three months ended September 30, 2013, for a sales price of approximately $1.4 million. Part of the net proceeds of $1.1 million was used to reduce our term loan credit facility. During the first nine months of 2013, we completed the sale of 11 small properties for an aggregate sales price of $15.0 million.

Building improvements

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. During the three and nine months ended September 30, 2013, we spent $2.7 million and $3.8 million, respectively, 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 three and nine months ended September 30, 2013, we incurred $1.6 million and $2.8 million, respectively, of lease incentives and $1.0 million and $2.4 million, respectively, of initial direct leasing costs. As at September 30, 2013, we had outstanding leasing cost commitments of $7.4 million.

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 September 30, 2013, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
Less than 1 year	$ 786
1–5 years	1,848
Longer than 5 years	79
Total	$ 2,713

During the three-month and nine-month periods ended September 30, 2013, the Trust paid $0.2 million and $0.5 million in minimum lease payments, respectively, 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 September 30, 2013, we had $115.8 million of cash on hand. After reserving for current payables and operating requirements and after drawing down the mortgage on our property located at Leitzstrasse 45 (Oasis III) by the middle of November 2013, approximately $120 million is available for general purposes. Our debt-to-book value at September 30, 2013 is 55%. Excluding our convertible debentures, our debt-to-book value is 49%.

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.

Equity issues

On March 5, 2013, we completed a public offering of 23,230,000 Units, including an over-allotment option, at a price of $10.90 per unit.

On June 6, 2013, we completed a public offering of 11,700,000 Units at a price of $10.70 per unit. On June 24, 2013, the Trust issued an additional 1,445,000 Units at a price of $10.70 per unit pursuant to the exercise by the underwriters of a portion of their over-allotment option.

New debt

During the nine months ended September 30, 2013, we obtained the following new mortgages:

Property	Mortgage ($000s)	Mortgage (€000s)	Face rate	Date of funding	Date of maturity
Hammer Strasse 30–34, Hamburg	$ 33,797	€ 24,900	2.41%	January 31, 2013	January 31, 2018
Neue Mainzer Strasse 28 (K26), Frankfurt	50,725	37,700	2.92%	February 15, 2013	December 31, 2022
Dillwächterstrasse 5 and Tübinger Strasse 11, Munich	14,693	11,000	2.68%	March 2, 2013	February 29, 2020
Schlossstrasse 8 and ABC Bogen	80,373	60,200	2.32%	March 12, 2013	March 12, 2018
Moskauer Strasse 25, 27 and Cäcilienkloster 2, 6, 8, 10	98,597	73,850	2.08%	March 12, 2013	March 7, 2018
Werfthaus and Reichskanzler-Müller-Strasse 21, 23, 25	68,455	51,400	3.32%	March 14, 2013	March 14, 2023
Z-UP, Bertoldstrasse 48, 50, Lörracher Strasse 16, Westendstrasse 160, 162, and Parcside	95,109	71,500	2.63%	March 13, 2013	March 31, 2021
Löwenkontor, Berlin	36,611	27,600	2.37%	April 30, 2013	March 29, 2018
Marsstrasse 20–22, Munich	51,969	38,000	2.69%	August 26, 2013	June 30, 2020
Total	$ 530,329	€ 396,150			

On August 26, 2013, the Trust drew down a mortgage with a principal balance of €38.0 million ($52.0 million) at a fixed interest rate of 2.69% per annum, maturing on June 30, 2020, in connection with the acquisition of Marsstrasse 20–22 in Munich.

On October 28, 2013, the Trust finalized the terms of a mortgage agreement with a principal balance of €18.8 million ($26.0 million) at a fixed interest rate of 2.73% per annum for a term of five years in connection with its acquisition of Oasis III in Stuttgart. The Trust used cash on hand at September 30, 2013 to close the acquisition, and will draw down the mortgage on November 15, 2013.

Debt

Debt strategy

Our debt strategy is to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of our portfolio. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. We also intend to enter into long-term loans at fixed rates when borrowing conditions are favourable. This strategy will be complemented with the use of unsecured convertible debentures and floating rate credit facilities. We intend to target a debt level including convertible debentures in a range of 55% to 60% of the purchase price of the properties.

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

	September 30, 2013	December 31, 2012
Financing activities		
Weighted average interest rate[1]	**3.44%**	3.98%
Level of debt (debt-to-book value)[2]	**55%**	52%
Level of debt (debt-to-book value, net of cash)[2]	**53%**	45%
Interest coverage ratio[2]	**3.40 times**	3.03 times
Debt-to-EBITDFV (years)[2][3]	**9.0**	8.5
Proportion of total debt due in current year	**1.2%**	0.4%
Debt – average term to maturity (years)	**4.8**	4.4
Variable rate debt as percentage of total debt	**6%**	11%

(1) Average interest rate (face rate) is calculated as the weighted average interest 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.

The higher debt-to-book value ratio at September 30, 2013 reflects the increase in mortgages in the first nine months of 2013 related to acquisitions, as well as a lower level of cash on hand compared to December 31, 2012.

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 nine months of 2013 is 3.4 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 debt-to-EBITDFV ratio for the first nine months of 2013 is 9.0 years and reflects the approximate amount of time to pay off all debt.

	September 30, 2013			December 31, 2012		
	Variable	**Fixed**	**Total**	Variable	Fixed	Total
Term loan credit facility[2]	**$ 75,487**	**$ 365,242[1]**	**$ 440,729**	$ 82,512	$ 344,028[1]	$ 426,540
Mortgage debt[2]	**-**	**696,842**	**696,842**	-	151,862	151,862
Debentures[2]	**-**	**149,839**	**149,839**	-	148,428	148,428
Total	**$ 75,487**	**$ 1,211,923**	**$ 1,287,410**	$ 82,512	$ 644,318	$ 726,830
Percentage	**6%**	**94%**	**100%**	11%	89%	100%

(1) As at September 30, 2013, 83% 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.

Amounts recorded as at September 30, 2013 for the Debentures are net of $6.1 million of premiums allocated to their conversion features on issuance. The premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Term loan credit facility

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 nine months ended September 30, 2013, we repaid $11.8 million (€8.7 million), consisting of $9.0 million (€6.7 million) in connection with the disposition of 11 properties and a lump sum repayment of $2.8 million (€2.0 million) in August 2013, in addition to the $3.4 million (€2.7 million) repaid in 2012 with respect to the disposition of five properties, including a prepayment amount. As at September 30, 2013, the remaining principal balance on the term loan credit facility was $441.4 million (€317.1 million). 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 interest does not exceed 5% of that portion. As a result of loan repayments, 83% of the Facility is fixed by the interest rate swap at September 30, 2013.

As at September 30, 2013, the weighted average rate of the Facility is 4.09%. Including financing costs, the effective interest rate under the Facility is 4.12%. At December 31, 2012, the weighted average rate was 3.91% and the effective rate was 3.98%.

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 September 30, 2013, 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. From September 2012 to September 2013, the Trust has repaid $15.2 million (€11.4 million) in principal payments including prepayment amounts on various property dispositions. Opportunities to repay the balance of €103.6 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 an amended and restated credit agreement with a Canadian bank. Prior to the amendment, the Facility included a €10 million revolving credit facility and a €15 million senior secured credit facility to provide interim bridge financing for the acquisition of investment properties in Germany on a property-by-property basis, with a commitment to increase the senior facility by an additional €20 million. As a result of the amendment, the revolving credit facility was increased to an amount not to exceed €25 million and the senior credit facility was eliminated as we believe that there is sufficient mortgage debt available to us in Germany. 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. No amount has been drawn on this facility during the period.

Convertible debentures

As at September 30, 2013, 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 and nine-month periods ended September 30, 2013, the fair value attributed to the conversion feature decreased by $1.7 million and $4.1 million, respectively.

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

	Debt maturities	Scheduled principal repayments on non-matured debt	Total	%	Weighted average effective rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
Remainder of 2013	$ -	$ 3,421	$ 3,421	0.3	-	-
2014	-	17,830	17,830	1.4	-	-
2015	19,956	23,361	43,317	3.3	2.41	4.17
2016	424,003	18,978	442,981	33.9	4.12	4.09
2017	86,314	13,506	99,820	7.6	2.63	2.27
2018 and thereafter	675,993	24,988	700,981	53.5	3.73	3.28
Total	$ 1,206,266	$ 102,084	$ 1,308,350	100.0	3.77	3.51
Fair value adjustments			(5,577)			
Transaction costs			(15,363)			
Total			$ 1,287,410			

Equity

The table below highlights our outstanding equity:

				Unitholders' equity
	September 30, 2013		December 31, 2012	
	Number of Units	**Amount**	Number of Units	Amount
Units	**109,289,818**	**$ 979,721**	72,232,494	$ 596,078

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 DRC, our asset manager.

The following table summarizes the changes in our outstanding equity:

	Units
Total Units outstanding on December 31, 2012	72,232,494
Units issued pursuant to public offering	36,375,000
Units issued pursuant to the DUIP	4,250
Units issued pursuant to the DRIP[(1)]	678,074
Total units outstanding on September 30, 2013	109,289,818
Units issued pursuant to the DRIP on October 15, 2013	101,065
Total units outstanding on October 31, 2013	109,390,883

(1) Distribution Reinvestment and Unit Purchase Plan.

On March 5, 2013, the Trust completed a public offering of Units pursuant to which the Trust issued 23,230,000 Units at a price of $10.90 per unit for total gross proceeds of $253.2 million.

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

For the nine months ended September 30, 2013, 4,250 Units were issued pursuant to the Deferred Unit Incentive Plan (December 31, 2012 – 12,875 Units).

Distributions

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining our distributions. We also exclude the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. We exclude the impact of transaction costs expensed on business combinations as these are considered to be non-recurring. 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 September 30, 2013, distributions declared amounted to $21.8 million. Of this amount, $3.0 million, or approximately 13.8%, was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 86.2%. Distributions declared for the nine months ended September 30, 2013 were $57.9 million. Of this amount, $6.9 million, or approximately 12.0%, was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 88.0%.

	Three months ended September 30, 2013			Nine months ended September 30, 2013		
	Declared amounts	4% bonus distribution	Total	Declared amounts	4% bonus distribution	Total
2013 distributions						
Paid in cash or reinvested in Units	$ 14,548	$ 85	$ 14,633	$ 50,588	$ 241	$ 50,829
Payable at September 30, 2013	7,286	-	7,286	7,286	-	7,286
Total distributions	$ 21,834	$ 85	$ 21,919	$ 57,874	$ 241	$ 58,115
2013 reinvestment						
Reinvested to September 30, 2013	$ 2,134	$ 85	$ 2,219	$ 6,032	$ 241	$ 6,273
Reinvested on October 15, 2013	886	35	921	886	35	921
Total distributions reinvested	$ 3,020	$ 120	$ 3,140	$ 6,918	$ 276	$ 7,194
Distributions paid in cash	$ 18,814			$ 50,956		
Reinvestment to distribution ratio	13.8%			12.0%		
Cash payout ratio	86.2%			88.0%		

We currently pay monthly distributions to unitholders of $0.06667 per unit, or $0.80 per unit on an annual basis. At September 30, 2013, approximately 12.2% of our total Units were enrolled in the DRIP.

Foreign currency contracts

At September 30, 2013, we had various currency forward contracts in place to sell euros for Canadian dollars for the next 33 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 $2.5 million and $8.1 million for the three- and nine-month periods ended September 30, 2013, respectively. The Trust currently has foreign exchange forward contracts to sell €5.6 million each month from October 2013 to June 2014, €5.2 million each month from July 2014 to May 2015, €3.9 million in June 2015, €2.4 million each month from July 2015 to September 2015, €2.1 million each month from October 2015 to May 2016, and €1.8 million in June 2016, at an average exchange rate of $1.338 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 September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Net income (loss)	**$ 17,692**	$ 3,663	**$ 7,535**	$ 19,603
Cash flow from operating activities	**12,371**	12,067	**55,430**	35,608
Distributions paid and payable	**21,834**	11,559	**57,874**	33,111
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	**(9,463)**	508	**(2,444)**	2,497
Shortfall of net income over distributions paid and payable	**(4,142)**	(7,896)	**(50,339)**	(13,508)

Distributions paid and payable exceeded cash flow from operations by $2.4 million for the nine months ended September 30, 2013, and distributions paid and payable exceeded net income by $50.3 million for same period. This compares to a surplus of $2.5 million of cash flow from operations over distributions paid and payable and a shortfall of $13.5 million of net income over distributions paid and payable for the respective period in 2012. Distributions paid and payable exceeded cash flow from operating activities for the three months ended September 30, 2013 by $9.5 million and distributions paid and payable exceeded net income by $4.1 million for same period. This compares to a surplus of $0.5 million of cash flow from operations over distributions paid and payable for the three months ended September 30, 2012 and a shortfall of $7.9 million of net income over distributions paid and payable for the same period in 2012. Net income for the period reflects 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. In establishing distribution payments, we do not take fluctuations in working capital into consideration and we use a normalized amount as a proxy for leasing and building improvement costs.

Asset management fee

On August 3, 2011, DRC 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- and nine-month periods ended September 30, 2013, asset management expenses pertaining to the Initial Properties were $0.5 million and $1.6 million, respectively. A total of 77,160 and 259,393 deferred units were granted during the respective periods as compensation for the fees. An additional 30,102 deferred units were granted on October 1, 2013 pertaining to the asset management fee for the month of September 2013. As at October 1, 2013, 794,382 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 an asset management fee of $1.0 million and $2.3 million, respectively, for the three- and nine-month periods ended September 30, 2013, for properties acquired since the acquisition of our Initial Properties. It further paid a financing fee of $0.1 million and $0.2 million related to new equity offerings in each of the three- and nine-month periods, and acquisition fees of $0.4 million and $5.0 million related to properties acquired during the three- and nine-month periods, respectively.

OUR RESULTS OF OPERATIONS

		Three months ended September 30,				Nine months ended September 30,		
		2013[(1)]		2012[(1)]		**2013**[(1)]		2012[(1)]
Investment properties revenue	**$**	**56,915**	$	33,765	**$**	**157,692**	$	102,735
Investment properties operating expenses		**17,436**		12,024		**54,711**		39,353
Net rental income		**39,479**		21,741		**102,981**		63,382
Other income and expenses								
Portfolio management		**(1,006)**		(1,096)		**(2,764)**		(3,182)
General and administrative		**(3,399)**		(1,856)		**(8,894)**		(4,941)
Fair value adjustments to investment properties		**(4,487)**		(2,574)		**(59,435)**		(6,479)
Depreciation and amortization		**(33)**		(35)		**(72)**		(46)
Loss on sale of investment properties		**(79)**		(62)		**(592)**		(62)
Share of income (loss) from equity accounted investment		**(2)**		(13)		**18**		10
Interest and other income		**351**		59		**1,195**		214
Interest expense		**(10,441)**		(6,531)		**(27,218)**		(21,279)
Fair value adjustments to financial instruments		**(1,808)**		(5,950)		**(1,990)**		(8,478)
Income before income taxes		**18,575**		3,683		**3,229**		19,139
Income taxes								
Current income taxes (recovery)		**(100)**		77		**547**		142
Deferred income taxes (recovery)		**983**		(57)		**(4,853)**		(606)
Provision for (recovery) of income taxes		**883**		20		**(4,306)**		(464)
Net income		**17,692**		3,663		**7,535**		19,603
Foreign currency translation adjustment		**18,670**		(11,759)		**51,183**		(25,146)
Comprehensive income (loss)	**$**	**36,362**	$	(8,096)	**$**	**58,718**	$	**(5,543)**

(1) Results from operations were converted into Canadian dollars from euros using the following average exchange rates: the three-month and nine-month periods ended September 30, 2013 were converted at $1.376:€1 and $1.349:€1, respectively; for 2012, the three-month and nine-month periods ended September 30, 2012 were converted at $1.245:€1 and $1.285€1, respectively.

Statement of comprehensive income results

Net rental income

		Three months ended September 30,				Nine months ended September 30,		
		2013		2012		**2013**		2012
Initial Properties	**$**	**20,117**	$	19,390	**$**	**59,093**	$	59,384
Acquisitions 2012 and 2013		**19,362**		2,351		**43,888**		3,998
Net rental income	**$**	**39,479**	$	21,741	**$**	**102,981**	$	63,382

For the three months ended September 30, 2013, net rental income was $39.5 million, representing an increase of $17.7 million compared to the same quarter in 2012. Excluding the $3.8 million positive impact of a stronger euro, net rental income would have increased by $14.0 million compared to the same quarter last year, mainly as a result of contributions from properties acquired since October 2012, slightly offset by revenue reductions related to property dispositions pertaining to the Initial Properties.

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

		Three months ended September 30,				Nine months ended September 30,		
		2013		2012		**2013**		2012
Investment properties revenue	**€**	**41,357**	€	27,116	**€**	**116,939**	€	79,968
Investment properties operating expenses		**12,670**		9,656		**40,572**		30,632
Net rental income	**€**	**28,687**	€	17,460	**€**	**76,367**	€	49,336

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 $1.0 million for the three-month period ended September 30, 2013, a decrease of approximately $0.1 million compared to the same period in 2012. For the nine-month period ended September 30, 2013, an expense of $2.8 million was recorded, representing a decrease of approximately $0.4 million compared to the same period in 2012. A total of $0.6 million and $1.5 million of leasing staff costs incurred during the three-month and nine-month periods ended September 30, 2013, respectively, have been capitalized as initial leasing costs of the respective properties to better reflect the true nature of the costs and underlying services being provided.

General and administrative

General and administrative expenses totalled $3.4 million and $8.9 million for the three- and nine-month periods ended September 30, 2013, respectively, representing increases of $1.5 million and $4.0 million over same periods last year. The increases resulted from higher asset management fees, and regulatory and corporate compliance costs associated with the new acquisitions.

Fair value adjustment to investment properties

For the three-month period ended September 30, 2013, a loss of $4.5 million was recognized compared to a loss of $2.6 million in the comparative quarter last year. The loss comprises $3.3 million related to transaction costs initially capitalized on the acquisition we completed during the quarter, capitalized leasing costs of $0.6 million, and straight-line rent of $0.9 million partially offset by a fair value gain of $0.4 million in connection with planned dispositions. For the nine-month period ended September 30, 2013, the fair value adjustment to investment properties amounted to a loss of $59.4 million compared to a loss of $6.5 million during the same period in 2012. The current year-to-date loss comprises capitalized transaction costs of $56.6 million primarily related to the acquisition of 17 assets during the first nine months of the year, capitalized leasing costs of $1.5 million, straight-line rent of $0.9 million and fair value adjustments of $0.3 million in connection with dispositions.

Interest expense

Interest expense was $10.4 million for the three-month period ended September 30, 2013, an increase of $3.9 million compared to the same quarter last year. Excluding the unfavourable exchange rate impact of $0.7 million, interest expense increased by $3.5 million as a result of new mortgage debt placed on properties we acquired in 2012 and 2013. Offsetting this increase was interest payable on Exchangeable Notes of $nil in the current quarter, compared to $0.4 million in the same quarter last year. The holder of the Exchangeable Notes exchanged its remaining Exchangeable Notes for REIT Units in September 2012. In addition, included in interest is $0.1 million in relation to stand-by charges and the amortization of initial costs relating to our revolving credit facility which was put in place in September 2012.

Interest expense was $27.2 million for the nine-month period ended September 30, 2013, an increase of $5.9 million compared to the same period last year. Excluding the unfavourable exchange rate impact of $0.9 million, interest expense increased by $9.5 million as a result of new mortgage debt placed on properties we acquired in 2012 and 2013. Offsetting this was a decrease in interest payable on Exchangeable Notes to $nil in the current nine-month period, compared to $2.6 million in the same period last year. In addition, interest on our Facility decreased by $2.3 million as the underlying three-month EURIBOR rates dropped to an average of 0.206% in 2013 from 0.942% in 2012.

We currently have interest rate swaps in place that fix the interest rate payable on €262.8 million at a 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 $1.2 million in the same quarter last year, reflecting the reduction in the underlying interest rates. During the nine-month period ended September 30, 2013, $4.6 million of interest swap settlements were settled compared to $2.6 million in the same period last year, reflecting the reduction in the underlying interest rates. Including the swaps and the additional 1% on the Facility, the actual weighted average interest rate on the Facility as at September 30, 2013 is 4.09%. On an effective interest rate basis, the rate is 4.12%. 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 September 30, 2013, we incurred an unrealized loss in the fair value of financial instruments of $1.8 million compared to a loss of $6.0 million in the comparative period. The fair value adjustments in the quarter mainly comprise the following components:

- a $1.2 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 an increase in the forward price of interest rates. A $4.3 million loss was recognized in the comparative quarter last year due to a decrease in the forward price of interest rates;
- a $1.7 million fair value gain recognized on the conversion feature of the convertible debentures mainly reflecting a decline in the market price of our Units, compared to a loss of $1.4 million in the same period in 2012;
- an unrealized loss of $2.5 million was recognized related to our foreign currency forward contracts due to an appreciation of the euro compared to the Canadian dollar, versus a $2.0 million unrealized gain during the comparative quarter due to a depreciation of the euro compared to the Canadian dollar; and
- a $2.1 million loss in the comparative quarter on the fair value adjustment on the Exchangeable Notes, which were settled in September 2012.

For the nine months ended September 30, 2013, we incurred an unrealized loss in the fair value of financial instruments of $2.0 million compared to an unrealized loss of $8.5 million during the same period in 2012. The fair value adjustments in the nine-month period mainly comprise the following components:

- a $1.3 million gain recognized on the fair value change in the interest rate swaps and cap as a result of the settlement of three contracts in the period for $4.6 million and an increase in the forward price of interest rates. A $13.5 million loss was recognized in the comparative period last year due to a decrease in the forward price of interest rates;
- a $4.1 million fair value gain recognized on the conversion feature of the convertible debentures mainly reflecting a decline in the market price of our Units, compared to a gain of $3.1 million in the same period in 2012;
- an unrealized loss of $8.1 million was recognized related to our foreign currency forward contracts due to an appreciation of the euro compared to the Canadian dollar, versus a $4.4 million unrealized gain during the comparative period due to a depreciation of the euro compared to the Canadian dollar; and
- a $2.3 million loss in the comparative nine-month period on the fair value adjustment on the Exchangeable Notes, which were settled in September 2012.

Income taxes

We recognized a current income tax recovery of $0.1 million and a current income tax expense of $0.5 million, respectively, for the three- and nine-month periods ended September 30, 2013, compared to current income tax expenses of $0.1 million and $0.1 million, respectively, for the comparative periods in 2012. The difference is mainly a result of current income taxes related to new acquisitions. We also recognized a deferred income tax expense of $1.0 million and a deferred income tax recovery of $4.9 million, respectively, for the three- and nine-month periods ended September 30, 2013, compared to deferred income tax recoveries of $0.1 million and $0.6 million, respectively, for the comparative periods in 2012. The differences are 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 September 30,			Nine months ended September 30,		
	2013	2012	Change	**2013**	2012	Change
Average exchange rate						
(Cdn. dollars to one euro)	**1.376**	1.245	10.5%	**1.349**	1.285	5.0%
Exchange rate at period-end						
(Cdn. dollars to one euro)	**1.392**	1.265	10.0%	**1.392**	1.265	10.0%

Comprehensive income was impacted by a foreign currency translation gain of $18.7 million and $51.2 million, respectively, for the three- and nine-month periods ended September 30, 2013. The exchange rates increased from $1.3118:€1 as at December 31, 2012 to $1.3920:€1 as at September 30, 2013. The quarterly results of our euro-denominated operations included in net income were translated at an average exchange rate of $1.3762:€1 compared to $1.2452:€1 in the same quarter last year. For the nine months ended September 30, 2013, results were translated at an average exchange rate of $1.3485:€1 compared to $1.2847:€1 in the same period last year.

Funds from operations and adjusted funds from operations

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Net income	**$ 17,692**	$ 3,663	**$ 7,535**	$ 19,603
Add (deduct):				
Depreciation of property and equipment	**-**	38	**-**	60
Amortization of lease incentives	**108**	8	**357**	8
Interest expense on Exchangeable Notes	**-**	406	**-**	2,558
Loss on sale of investment property	**79**	62	**592**	62
Tax on gains on sale of investment property	**(126)**	-	**95**	-
Deferred income taxes	**983**	(57)	**(4,853)**	(606)
Term debt swap settlement	**(1,574)**	(1,155)	**(4,594)**	(2,595)
Gain on settlement of foreign currency contracts	**(456)**	954	**(370)**	1,925
Fair value adjustments to investment properties	**4,487**	2,574	**59,435**	6,479
Fair value adjustments to financial instruments	**1,808**	5,950	**1,990**	8,478
FFO	**$ 23,001**	$ 12,443	**$ 60,187**	$ 35,972
Add (deduct):				
Amortization of financing costs	**$ 744**	$ 279	**$ 1,857**	$ 817
Accretion of debenture conversion feature	**254**	235	**748**	690
Amortization of fair value adjustment of assumed debt	**(88)**	(76)	**(310)**	(180)
Deferred unit compensation expense	**356**	180	**1,000**	490
Deferred asset management fees	**529**	504	**1,574**	1,405
Straight-line rent	**(268)**	(78)	**(1,070)**	(42)
	24,528	13,487	**63,986**	39,152
Deduct:				
Normalized leasing costs and tenant incentives	**(1,776)**	(1,025)	**(4,634)**	(3,075)
Normalized non-recoverable recurring capital expenditures	**(1,381)**	(600)	**(3,604)**	(1,800)
AFFO	**$ 21,371**	$ 11,862	**$ 55,748**	$ 34,277

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 include all Units. For the three- and nine-month periods ended September 30, 2012, the outstanding Units also include the aggregate number of Units issuable upon the exchange of Exchangeable Notes. All Exchangeable Notes were exchanged in 2012. 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 and nine months ended September 30, 2013 are noted in the table below. Diluted FFO and AFFO includes interest and amortization adjustments related to the Debentures of $2.7 million and $8.0 million for the three and nine months ended September 30, 2013, respectively.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Weighted average Units outstanding for basic per unit amounts	**109,116,985**	57,795,412	**95,916,394**	55,134,905
Weighted average Units outstanding for diluted per unit amounts	**122,552,770**	70,666,219	**109,208,290**	67,912,717

Over the course of the quarter, the REIT had approximately $109 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 10.0%, which is consistent with historic returns for acquired investment properties, and would have contributed $2.8 million to FFO and AFFO for the quarter ended September 30, 2013.

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 September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
FFO	**$ 23,001**	$ 12,443	**$ 60,187**	$ 35,972
FFO per unit – basic	**$ 0.21**	$ 0.22	**$ 0.63**	$ 0.65
FFO per unit – diluted	**$ 0.21**	$ 0.21	**$ 0.62**	$ 0.65
Excluding the impact of undeployed cash:				
FFO per unit – basic	**$ 0.24**	$ 0.25	**$ 0.71**	$ 0.75
FFO per unit – diluted	**$ 0.23**	$ 0.24	**$ 0.70**	$ 0.72

Total FFO for the quarter was $23.0 million, an increase of $10.6 million or 84.9% over the prior year comparative quarter (nine months ended September 30, 2013 – $60.2 million, an increase of $24.2 million or 67.3% over the prior year comparative period), reflecting the impact of acquisitions completed in 2012 and 2013. FFO on a per unit basis decreased to $0.21 per unit from $0.22 per unit (nine months ended September 30, 2013 – a decrease from $0.65 per unit to $0.63 per unit over the prior year comparative period), mainly reflecting higher units outstanding and undeployed cash held. Diluted FFO on a per unit basis remained consistent with the prior year period at $0.21 per unit (nine months ended September 30, 2013 – a decrease from $0.65 per unit to $0.62 per unit over the prior year comparative period reflecting undeployed cash held). Assuming this excess cash had been invested, diluted FFO per unit would have been $0.23 per unit for the quarter and $0.70 per unit for the nine-month period.

Adjusted funds from operations

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
AFFO	**$ 21,371**	$ 11,862	**$ 55,748**	$ 34,277
AFFO per unit – basic	**$ 0.20**	$ 0.21	**$ 0.58**	$ 0.62
Excluding the impact of undeployed cash:				
AFFO per unit – basic	**$ 0.22**	$ 0.24	**$ 0.67**	$ 0.72

Total AFFO for the quarter was $21.4 million, an increase of $9.5 million or 80.2% over the prior year comparative quarter (nine months ended September 30, 2013 – $55.7 million, an increase of $21.5 million or 62.6% over the prior year comparative period), reflecting the impact of acquisitions completed in 2012 and 2013. AFFO on a per unit basis decreased to $0.20 per unit from $0.21 per unit (nine months ended September 30, 2013 – a decrease from $0.62 per unit to $0.58 per unit over the prior year comparative period), mainly reflecting higher units outstanding and undeployed cash held. Assuming this excess cash had been invested, AFFO per unit would have been $0.22 per unit for the quarter and $0.67 per unit for the nine-month period.

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

Our calculation of AFFO includes an estimated amount of normalized non-recoverable 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 September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Cash generated from operating activities	**$ 12,371**	$ 12,067	**$ 55,430**	$ 35,608
Add (deduct):				
Change in non-cash working capital	**9,986**	1,241	**4,136**	3,201
Share of general and administrative expenses from equity accounted investments	**(35)**	(11)	**(54)**	24
Unrealized loss on settlement of foreign exchange contracts	**(340)**	(118)	**(797)**	(169)
Tax on gains on sale of investment property	**(126)**	-	**95**	-
Investment in lease incentives and initial direct leasing costs	**2,672**	308	**5,176**	488
Normalized leasing costs and lease incentives	**(1,776)**	(1,025)	**(4,634)**	(3,075)
Normalized non-recoverable recurring capital expenditures	**(1,381)**	(600)	**(3,604)**	(1,800)
AFFO	**$ 21,371**	$ 11,862	**$ 55,748**	$ 34,277

QUARTERLY INFORMATION

The following tables show quarterly information since October 1, 2011:

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
REVENUES								
Investment properties revenue	**$ 56,915**	$ 54,413	$ 46,364	$ 35,926	$ 33,765	$ 34,896	$ 34,074	$ 31,726
Investment properties operating expenses	**17,436**	18,222	19,053	13,869	12,024	13,992	13,337	10,757
NET RENTAL INCOME	**39,479**	36,191	27,311	22,057	21,741	20,904	20,737	20,969
OTHER INCOME AND EXPENSES								
Portfolio management	**(1,006)**	(882)	(876)	(1,019)	(1,096)	(1,051)	(1,035)	(894)
General and administrative	**(3,399)**	(3,045)	(2,450)	(1,638)	(1,856)	(1,598)	(1,487)	(2,253)
Fair value adjustments to investment properties	**(4,487)**	(8,726)	(46,222)	(16,870)	(2,574)	(3,010)	(895)	(31,704)
Amortization and depreciation	**(33)**	(24)	(15)	(7)	(35)	(11)	-	-
Loss on sale of investment property	**(79)**	(252)	(261)	(258)	(62)	-	-	-
Share of net losses from equity accounted investments	**(2)**	13	7	11	(13)	12	11	32
Acquisition related gain, net	**-**	-	-	-	-	-	-	(467)
Interest and other income	**351**	446	398	289	59	63	92	122
Interest expense	**(10,441)**	(9,700)	(7,077)	(6,100)	(6,531)	(6,629)	(8,119)	(8,591)
Fair value adjustments to financial instruments	**(1,808)**	(4,570)	4,388	(6,736)	(5,950)	130	(2,658)	(8,557)
Income (loss) before taxes	**18,575**	9,451	(24,797)	(10,271)	3,683	8,810	6,646	(31,343)
Current income taxes	**(100)**	316	331	84	77	29	36	-
Deferred income taxes	**983**	128	(5,964)	(1,668)	(57)	(334)	(215)	(5,367)
NET INCOME (LOSS)	**$ 17,692**	$ 9,007	$ (19,164)	$ (8,687)	$ 3,663	$ 9,115	$ 6,825	$ (25,976)
Add (deduct):								
Depreciation of property and equipment	**-**	-	-	9	38	16	6	7
Amortization of lease incentives	**108**	112	137	9	8	-	-	-
Interest on Exchangeable Notes	**-**	-	-	-	406	632	1,520	1,609
Acquisition related gain, net	**-**	-	-	-	-	-	-	467
Loss on sale of investment property	**79**	252	261	258	62	-	-	-
Tax on gains on sale of investment property	**(126)**	79	142	-	-	-	-	-
Deferred income taxes	**983**	128	(5,964)	(1,668)	(57)	(334)	(215)	(5,367)
Term debt swap settlement	**(1,574)**	(1,533)	(1,487)	(1,660)	(1,155)	(1,038)	(402)	(317)
Deferred gain/loss on settlement of Forex contracts	**(456)**	52	34	481	954	496	475	(84)
Fair value adjustments to investment properties	**4,487**	8,726	46,222	16,870	2,574	3,010	895	31,704
Fair value adjustments to financial instruments	**1,808**	4,570	(4,388)	6,736	5,950	(130)	2,658	8,557
FFO	**$ 23,001**	$ 21,393	$ 15,793	$ 12,348	$ 12,443	$ 11,767	$ 11,762	$ 10,600
FFO per unit - basic	**$ 0.21**	$ 0.22	$ 0.20	$ 0.19	$ 0.22	$ 0.2113	$ 0.23	$ 0.2
FFO per unit - diluted	**0.21**	0.21	0.20	0.19	0.21	0.2105	0.22	0.2
Funds from operations	**$ 23,001**	$ 21,393	$ 15,793	$ 12,348	$ 12,443	$ 11,767	$ 11,762	$ 10,600
Add (deduct):								
Amortization of financing costs	**744**	666	447	366	279	273	265	265
Accretion of debenture conversion feature	**254**	250	244	240	235	230	225	223
Amortization of FV adjustment of debt	**(88)**	(84)	(138)	(26)	(76)	(78)	(26)	-
Deferred compensation expense	**356**	378	266	138	180	158	152	88
Deferred asset management expense	**529**	523	522	502	504	488	413	831
Straight-line rent	**(268)**	(623)	(179)	(56)	(78)	18	18	(142)
	24,528	22,503	16,955	13,512	13,487	12,856	12,809	11,865
Deduct:								
Normalized initial direct leasing costs and tenant incentives	**(1,776)**	(1,629)	(1,229)	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)
Normalized non-recoverable recurring capital expenditures	**(1,381)**	(1,267)	(956)	(600)	(600)	(600)	(600)	(600)
AFFO	**$ 21,371**	$ 19,607	$ 14,770	$ 11,887	$ 11,862	$ 11,231	$ 11,184	$ 10,240
AFFO per unit – basic	**$ 0.20**	$ 0.20	$ 0.19	$ 0.19	$ 0.21	$ 0.20	$ 0.22	$ 0.20
AFFO per unit – diluted	**0.20**	0.20	0.19	0.19	0.21	0.20	0.21	0.20
Weighted average number of Units								
Basic	**109,116,985**	99,037,061	79,267,113	64,064,093	57,795,412	55,697,600	51,882,467	51,862,716
Diluted	**122,552,770**	112,358,396	92,382,159	77,017,591	70,666,219	68,474,767	64,565,100	64,396,562
Quarterly average exchange rate ($:€1)	**1.376**	1.337	1.332	1.286	1.245	1.296	1.313	1.379

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.

	September 30, 2013	December 31, 2012
Non-current debt	**$ 1,271,971**	$ 724,119
Current debt	**15,439**	2,711
Total debt	**1,287,410**	726,830
Unamortized discount component of convertible debentures	**6,062**	6,810
Total adjusted debt	**1,293,472**	733,640
Less cash	**115,832**	181,619
Total adjusted debt, net of cash	**1,177,640**	552,021
Total assets	**2,338,427**	1,400,269
Less cash	**115,832**	181,619
Total assets, net of cash	**$ 2,222,595**	$ 1,218,650
Debt-to-gross book value	**55%**	52%
Debt-to-gross book value, net of cash	**53%**	45%

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.

	September 30, 2013	December 31, 2012
Net rental income	**$ 102,981**	$ 85,439
Add: Interest and other income	**1,195**	503
Less: General and administrative expenses	**8,894**	6,579
Less: Portfolio management expenses	**2,764**	4,201
	92,518	75,162
Interest expense	**27,218**	27,379
Less: Interest on Exchangeable Notes	**-**	2,558
Total adjusted interest expense	**27,218**	24,821
Interest coverage ratio	**3.40**	3.03

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 the following non-cash items included in investment properties revenue: fair value adjustments to investment properties and financial instruments, share of net income from equity accounted investments, 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.

	September 30, 2013	December 31, 2012
Non-current debt	$ **1,271,971**	$ 724,119
Current debt	**15,439**	2,711
Total debt	**1,287,410**	726,830
Net income (loss) for the quarter	**17,692**	(8,687)
Fair value adjustments to investment properties	**4,487**	16,870
Fair value adjustments to financial instruments	**1,808**	6,736
Loss on sale of investment property	**79**	258
Depreciation and amortization	**33**	7
Interest expense	**10,441**	6,100
Provision for income taxes	**883**	(1,584)
Adjusted net rental income of properties acquired in the quarter	**-**	1,185
EBITDFV	**35,423**	20,885
EBITDFV-adjusted for foreign exchange difference between average rate for the period and the rate at period-end	**35,830**	21,302
Debt-to-EBITDFV (3 months)	**35.9**	34.1
Debt-to-EBITDFV (annualized)	**9.0**	8.5

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

At September 30, 2013, 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 September 30, 2013, 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 2012 Annual Report or our Annual Information Form dated April 1, 2013, 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 2012 Annual Report or our Annual Information Form dated April 1, 2013, filed on SEDAR (www.sedar.com).

SECTION V – CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the 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 to the consolidated financial statements.

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Accounting policy changes

Dundee International REIT’s future accounting policy changes are described in Note 5 to the audited consolidated financial statements of the Trust for the year ended December 31, 2012.

Additional information relating to Dundee International REIT, including our Annual Information Form dated April 1, 2013, is available on SEDAR at www.sedar.com.