Management's responsibility for financial statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dundee Real Estate Investment Trust. These financial statements have been prepared in accordance with Canadian GAAP, using management's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The audit committee, which is comprised of trustees, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the audit committee, with or without management present.

MICHAEL J. COOPER
Vice Chairman and
Chief Executive Officer

MARIO BARRAFATO
Senior Vice President and
Chief Financial Officer

Toronto, Ontario, February 23, 2010

Auditors' report

To the Unitholders of Dundee Real Estate Investment Trust

We have audited the consolidated balance sheets of Dundee Real Estate Investment Trust (the "Trust") as at December 31, 2009 and 2008 and the consolidated statements of net income and comprehensive income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Toronto, Ontario, February 23, 2010

Consolidated balance sheets

(in thousands of dollars) December 31	Note	**2009**	2008 (Restated, see Note 2)
Assets			
Rental properties	4	**$ 1,181,058**	$ 1,145,993
Leasing costs and tenant improvements	5	**39,589**	33,438
Amounts receivable	6	**8,881**	11,877
Prepaid expenses and other assets	7	**17,718**	5,443
Cash and cash equivalents		**12,022**	69,267
Intangible assets	8	**57,558**	49,969
Assets held for sale	20	**18,416**	—
		$ 1,335,242	$ 1,315,987
Liabilities			
Debt	9	**$ 857,060**	$ 883,695
Amounts payable and accrued liabilities	10	**22,525**	18,772
Distributions payable	11	**4,534**	3,749
Future income tax liability	15	**—**	3,387
Intangible liabilities	8	**35,031**	41,941
Liabilities related to assets held for sale	20	**16,940**	—
		936,090	951,544
Unitholders' equity	12	**399,152**	364,443
		$ 1,335,242	$ 1,315,987

See accompanying notes to the consolidated financial statements

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of net income and comprehensive income

(in thousands of dollars, except per unit amounts) For the years ended December 31	Note	**2009**	2008
Revenues			
Rental properties revenue		**$ 192,083**	$ 179,779
Interest and fee income		**1,676**	3,663
		193,759	183,442
Expenses			
Rental properties operating expenses		**71,129**	66,026
Interest	14	**49,736**	48,226
Depreciation of rental properties		**27,512**	26,018
Amortization of leasing costs, tenant improvements and intangibles		**22,231**	26,609
General and administrative		**6,706**	6,740
		177,314	173,619
Income before income taxes		**16,445**	9,823
Provision for (recovery of) income taxes	15		
Current income taxes		**12**	13
Future income taxes		**(1,768)**	349
		(1,756)	362
Income before discontinued operations		**18,201**	9,461
Discontinued operations	20	**(4,781)**	999
Net income		**$ 13,420**	$ 10,460
Basic and diluted income (loss) per unit	16		
Continuing operations		**$ 0.82**	$ 0.45
Discontinued operations		**(0.22)**	0.05
Net income		**$ 0.60**	$ 0.50
Net income		**$ 13,420**	$ 10,460
Other comprehensive income (loss)			
Change in foreign currency translation adjustment		**(1,334)**	968
Comprehensive income		**$ 12,086**	$ 11,428

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity

(in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive loss	Total
Unitholders' equity, January 1, 2009		**20,417,744**	**$ 536,093**	**$ 806,598**	**$ (972,790)**	**$ (5,275)**	**$ 364,626**
Adjustment to opening unitholders' equity to comply with new accounting standards	2	—	—	(183)	—	—	(183)
Unitholders' equity, January 1, 2009 (restated)		**20,417,744**	**536,093**	**806,415**	**(972,790)**	**(5,275)**	**364,443**
Net income		—	—	13,420	—	—	13,420
Distributions paid	11	—	—	—	(44,032)	—	(44,032)
Distributions payable	11	—	—	—	(4,534)	—	(4,534)
Public offering of REIT A Units	12	3,852,500	70,693	—	—	—	70,693
Distribution Reinvestment Plan	12	196,987	3,051	—	—	—	3,051
Unit Purchase Plan	12	10,997	180	—	—	—	180
Deferred Unit Incentive Plan	12	—	858	—	—	—	858
Deferred Units exchanged for REIT A Units	12	239,873	—	—	—	—	—
Issue costs	12	—	(3,590)	—	—	—	(3,590)
Unit redemption		(200)	(3)	—	—	—	(3)
Change in foreign currency translation adjustment		—	—	—	—	(1,334)	(1,334)
Unitholders' equity, December 31, 2009		**24,717,901**	**$ 607,282**	**$ 819,835**	**$(1,021,356)**	**$ (6,609)**	**$ 399,152**

See accompanying notes to the consolidated financial statements

(in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity, January 1, 2008		20,863,819	$ 544,850	$ 796,138	$ (926,605)	$ (6,243)	$ 408,140
Adjustment to opening unitholders' equity to comply with new accounting standards	2	—	—	(183)	—	—	(183)
Unitholders' equity, January 1, 2008 (restated)		20,863,819	544,850	795,955	(926,605)	(6,243)	407,957
Net income		—	—	10,460	—	—	10,460
Distributions paid		—	—	—	(42,353)	—	(42,353)
Distributions payable		—	—	—	(3,749)	—	(3,749)
Distribution Reinvestment Plan	12	305,799	8,670	—	—	—	8,670
Unit Purchase Plan	12	23,222	700	—	—	—	700
Deferred Unit Incentive Plan	12	—	399	—	—	—	399
Deferred Units exchanged for REIT A Units	12	10,492	—	—	—	—	—
Normal course issuer bid		(826,900)	(21,715)	—	(83)	—	(21,798)
Conversion of 6.5% Debentures	12	24,920	623	—	—	—	623
Conversion of 5.7% Debentures	12	16,392	492	—	—	—	492
Issue costs		—	(86)	—	—	—	(86)
Equity portion of 6.0% Debentures		—	2,160	—	—	—	2,160
Change in foreign currency translation adjustment		—	—	—	—	968	968
Unitholders' equity, December 31, 2008		20,417,744	$ 536,093	$ 806,415	$ (972,790)	$ (5,275)	$ 364,443

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(in thousands of dollars) For the years ended December 31	Note	2009	2008
Generated from (utilized in) operating activities			
Net income		**$ 13,420**	$ 10,460
Non-cash items:			
Depreciation of rental properties		**28,283**	27,106
Amortization of leasing costs, tenant improvements and intangibles		**22,583**	27,109
Amortization of financing costs		**1,260**	1,256
Amortization of fair value adjustment on acquired debt		**(800)**	(819)
Gain on disposal of rental properties	20	**(4,255)**	(79)
Provision for impairment in value of discontinued assets	20	**11,513**	—
Deferred unit compensation expense		**858**	399
Future income taxes		**(3,739)**	327
Amortization of market rent adjustments on acquired leases		**(10,276)**	(12,736)
Straight-line rent adjustment		**(1,053)**	(1,026)
		57,794	51,997
Deferred leasing costs incurred		**(4,296)**	(4,993)
Change in non-cash working capital	22	**6,009**	(5,878)
		59,507	41,126
Generated from (utilized in) investing activities			
Investment in rental properties		**(5,921)**	(5,843)
Investment in tenant improvements		**(6,121)**	(2,731)
Acquisition of rental properties	3	**(94,526)**	(155,348)
Acquisition deposit on rental properties		**(13,755)**	—
Net proceeds from disposal of rental properties	20	**14,927**	—
Repayment of promissory note		**—**	12,116
Change in restricted cash, net		**419**	941
		(104,977)	(150,865)
Generated from (utilized in) financing activities			
Mortgages placed, net of costs		**35,993**	95,312
Mortgage principal repayments		**(15,498)**	(13,934)
Mortgage lump sum repayments		**(54,496)**	(508)
Term debt principal repayments		**(126)**	(106)
Convertible debentures issued, net of costs		**—**	119,200
Distributions paid on Units	11	**(44,730)**	(37,501)
Purchase of REIT A Units under normal course issuer bid		**—**	(21,798)
Units issued for cash, net of costs		**67,280**	614
		(11,577)	141,279
Increase (decrease) in cash and cash equivalents		**(57,047)**	31,540
Cash and cash equivalents, beginning of year		**69,267**	37,727
Cash and cash equivalents, end of year		**$ 12,220**	$ 69,267
Cash and cash equivalents from continuing operations		**$ 12,022**	$ 69,267
Cash and cash equivalents from assets held for sale		**198**	—
Cash and cash equivalents, end of year		**$ 12,220**	$ 69,267

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

Note 1
ORGANIZATION

Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dundee REIT include the accounts of Dundee REIT and its subsidiaries, together with Dundee REIT's proportionate share of the assets and liabilities, and revenues and expenses of joint ventures in which it participates.

Equity is described in Note 12; however, for simplicity, throughout the Notes reference is made to the following:

- "REIT A Units", meaning the REIT Units, Series A
- "REIT B Units", meaning the REIT Units, Series B
- "REIT Units", meaning the REIT Units, Series A, and REIT Units, Series B, collectively
- "LP B Units", meaning the LP Class B Units, Series 1
- "Units", meaning REIT Units, Series A; REIT Units, Series B; LP Class B Units, Series 1; and Special Trust Units, collectively

At December 31, 2009, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 921,299 REIT A Units and 3,454,188 LP B Units (December 31, 2008 — 780,851 and 3,454,188 Units, respectively).

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated financial statements have been prepared in accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants ("CICA"). The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions include impairment of accounts receivable, impairment of long-lived assets, impairment of intangible assets and liabilities and the purchase price allocations used for acquired properties. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Trust and its wholly owned subsidiaries. The Trust carries certain of its activities through co-ownerships and joint ventures, and records its proportionate share of the respective assets, liabilities, revenue and expenses of those ventures.

Revenue recognition

The Trust has retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases as operating leases.

Revenues from rental properties include base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease cancellation fees, parking income and incidental income. The Trust uses the straight-line method of rental revenue recognition, whereby the total of cash rents due over the initial term of a lease are recognized in income evenly over that term. The difference between the amount recorded as revenue under the straight-line method and cash rents received is included in amounts receivable. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed

contractual thresholds. Other revenues are recorded as earned. The Trust provides an allowance for doubtful accounts against that portion of amounts receivable that is estimated to be uncollectible. Such allowances are reviewed periodically based on the Trust's recovery experience and the creditworthiness of the debtor.

Rental properties

Rental properties are stated at historical cost less accumulated depreciation and impairment charges, if any. Rental properties under development include interest on project-specific and general debt, property taxes, carrying charges and applicable general and administrative expenses incurred in the pre-development and construction periods, and initial leasing costs, less incidental revenues and expenses earned prior to the project being declared operational. Properties are considered operational at the earlier of the achievement of a predetermined level of occupancy or at the expiry of a reasonable period following substantial completion.

The Trust uses the straight-line method of depreciation for rental properties, building improvements, initial leasing costs and major expansions and renovations. The estimated useful life of the properties is between 30 and 40 years. Vehicles, office premises improvements, furniture and computer equipment are depreciated on a straight-line basis over their estimated useful lives ranging from five to ten years. Building improvements are depreciated over their estimated useful lives, which range from 10 to 20 years depending on the type of improvement.

Purchase price allocations

As a result of revised CICA accounting and disclosure standards for acquisitions initiated on or after September 12, 2003, the purchase price of a rental property is allocated, based on estimated fair values, to land, building, deferred leasing costs acquired, lease origination costs associated with in-place leases, the value of above- and below-market leases and other intangible lease assets. Other intangible lease assets include the value of in-place leases and the value of tenant relationships, if any. The fair value of buildings is determined using the depreciated replacement cost approach. For acquisitions initiated prior to September 12, 2003, the purchase price was allocated to land and buildings based on their respective fair market values.

Intangible assets and liabilities

Intangible assets and liabilities include the value of above- and below-market leases, in-place leases, lease origination costs and tenant relationships. Intangible assets and liabilities are stated at historic cost less accumulated amortization and impairment charges, if any.

The values of above- and below-market leases are amortized on a straight-line basis to rental property revenues over the remaining term of the associated lease. The value associated with in-place leases is amortized on a straight-line basis over the remaining term of the lease. The value of tenant relationships is amortized on a straight-line basis over the remaining term of the lease plus an estimated renewal term. Lease origination costs are amortized on a straight-line basis over the term of the applicable lease. In the event a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible is expensed.

Impairment of long-lived assets

The Trust uses a two-step process for determining when an impairment of rental properties and intangible assets should be recognized in the consolidated financial statements. If events or circumstances indicate that the carrying value of a property may be impaired, a recoverability analysis is performed based on estimated undiscounted future cash flows to be generated from property operations and the property's projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the property is written down to its estimated fair value and an impairment loss is recognized.

Leasing costs and tenant improvements

Deferred costs may include:

- leasing costs, which include leasing fees and costs, except for initial leasing costs that are included in rental properties, and deferred leasing costs acquired. Leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense;
- tenant inducements, which are payments for which the tenant has no obligation to make leasehold improvements to the leased space and which are amortized against rental properties revenue on a straight-line basis over the term of the applicable lease; and
- tenant improvements, which include costs incurred to make leasehold improvements to tenants' space and which are amortized on a straight-line basis over the term of the applicable lease to amortization expense.

Impairment of amounts receivable

Trade receivables are recognized initially at fair value. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of net income within operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of net income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

Impairment of loans receivable

Loans receivable are classified as impaired when, in the opinion of management, there is a reasonable doubt as to the timely collection of principal, interest and the underlying security of the loan. The carrying amount of a loan receivable when classified as impaired is reduced to its estimated fair value.

Foreign currency translation

The Trust's foreign operations are considered financially self-sustaining and operationally independent. Accordingly, assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Translation gains and losses are deferred as a separate component of unitholders' equity until there is a realized reduction in the net investment in the foreign operation.

Income taxes

Dundee REIT uses the liability method of accounting for future income taxes relating to incorporated subsidiaries. The net future income tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amount of assets and liabilities and their carrying amounts for tax purposes. In addition, the benefit of tax losses available to be carried forward to future years for tax purposes, which are more likely than not to be realized, is recognized as a reduction of the income tax liability. Future income taxes are measured at the tax rates expected to apply in the future as temporary differences reverse and tax losses are utilized. Changes to future income taxes related to changes in tax rates are recognized in income in the period when the rate change is substantively enacted.

Unit-based compensation plan

As described in Note 12, Dundee REIT has a Deferred Unit Incentive Plan that provides for the grant of deferred trust units and income deferred trust units to trustees, officers and employees, and affiliates and their service providers (including the asset manager). The Trust recognizes compensation expense on a straight-line basis over the period that the deferred units vest, based on the market price of REIT A Units on the date of grant.

Deferred trust units that have vested but for which the corresponding REIT A Units have not been issued, and where the ultimate issuance of such REIT A Units is simply a matter of the passage of time, are considered to be outstanding from the date of vesting for basic income per unit calculations.

Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, the Trust considers all short-term investments with an original maturity of three months or less to be cash equivalents, and excludes cash subject to restrictions that prevent its use for current purposes. As at December 31, 2009, cash and cash equivalents includes $4,294, representing the Trust's proportionate share of cash balances of joint ventures (December 31, 2008 — $1,232). Excluded from cash and cash equivalents are amounts held for repayment of tenant security deposits as required by various lending agreements.

Financial instruments

The Trust follows CICA accounting standards for financial instruments comprising Section 3855, "Financial Instruments — Recognition and Measurement", Section 1530, "Comprehensive Income", and Section 3251, "Equity".

The standards require that all financial assets be classified as held for trading, available for sale, held to maturity or loans and receivables. In addition, the standards require that all financial assets be measured at fair value, with the exception of loans, receivables and investments intended to be and classified as held to maturity, which are required to be measured at amortized cost. Financial liabilities are classified either as held for trading, which are measured at fair value, or other liabilities, which are measured at amortized cost.

Accumulated other comprehensive income is included as a separate component of unitholders' equity and comprises only accumulated foreign currency gains and losses related to the Trust's net investment in Greenbriar Mall in Atlanta, Georgia.

All loans and receivables and all financial liabilities are recorded at amortized cost. Upon initial recognition, these instruments are recorded at fair value less any related transaction costs. Interest expense related to financial liabilities, including deferred financing costs, is recognized using the effective interest rate method.

Section 3862 of the Handbook, "Financial Instruments — Disclosures", outlines the criteria under which the fair value of financial instruments is recognized and measured. In June 2009, the CICA issued amendments to Section 3862. The standard expands disclosure requirements regarding the reliability of the inputs used in the measurement of financial instruments. The section has also been amended to require disclosure of the three levels of fair value hierarchy for the recognized financial instruments as well as additional liquidity disclosures. Adoption of this standard did not have an impact on the financial position or the results of operations of the Trust except for additional disclosure.

Financial assets are comprised of cash and cash equivalents and amounts receivables. Financial liabilities are comprised of mortgages payable, convertible debentures and amounts payables. For certain financial instruments, including cash and cash equivalents, amounts receivable, amounts payable and accrued liabilities, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages and term debt are determined by discounting the future contractual cash flows under current financing arrangements. The discount rates represent management's best estimate of borrowing rates presently available to the Trust for loans with similar terms and maturities. The fair value of the convertible debentures is based on the market value of the debentures.

Convertible debentures

Upon issuance, convertible debentures are separated into debt and equity components and recorded at amortized cost. These components are measured based on their respective estimated fair values at the date

of issuance, less any related transaction costs. The fair value of the debt component is estimated based on the present value of future interest and principal payments due under the terms of the debenture using a discount rate for similar debt instruments without a conversion feature. The value assigned to the equity component is the estimated fair value ascribed to the holders' option to convert the debentures into REIT A Units. The difference between the fair value of the debt and the face value is recognized as interest expense on an effective interest rate basis over the term to maturity of the debentures with corresponding accretion to the principal of the debt.

Discontinued operations

The Trust classifies properties that meet certain criteria as held for sale and separately discloses any net income/loss and gain/loss on disposal for current and prior periods as discontinued operations. A property is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the property and is actively locating a buyer for the property at a sales price that is reasonable in relation to the current estimated fair value of the property, and the sale is expected to be completed within a one-year period. Properties held for sale are carried at the lower of their carrying values and estimated fair values less costs to sell. In addition, assets held for sale are no longer depreciated. A property that is subsequently reclassified as held and in use is measured at the lower of: (a) its carrying amount before it was classified as held for sale, adjusted for any amortization expense that would have been recognized had it been continuously classified as held and in use; and (b) its estimated fair value at the date of the subsequent decision not to sell.

Variable interest entities

The Trust follows the requirements of CICA Accounting Guideline 15, "Consolidation of variable interest entities" ("AcG-15"), which provides guidance for applying the principles in CICA Handbook Section 1590, "Subsidiaries", to those entities defined as variable interest entities ("VIEs"). This standard considers a VIE to be an entity in which either the equity at risk is not sufficient to permit it to finance its activities without additional subordinated financial support from other parties or equity investors lack either voting control, or an obligation to absorb expected losses, or the right to receive expected residual returns. AcG-15 requires consolidation of VIEs by the Primary Beneficiary. The Primary Beneficiary is defined as the party who has exposure to the majority of a VIE's expected losses and/or expected residual returns.

Changes in accounting policies in 2009

Deferred recoverable costs

Amendments to CICA Handbook Section 1000, "Financial Statement Concepts", and new CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces CICA Handbook Section 3062, "Goodwill and Other Intangible Assets", have been issued and apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The objectives of these amendments and new section are to:

- reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and
- clarify the application of matching revenues and expenses to eliminate the current practice of recognizing as assets those items that do not meet the definition and recognition criteria.

Under these changes, effective January 1, 2009, the deferral and matching of recoverable operating expenses over future revenues is no longer appropriate. The impact of this accounting change, which was applied on a retroactive basis, increased rental properties by $1,943 and decreased deferred costs by $2,126. Unitholders' equity also decreased by $183 for maintenance costs previously capitalized as deferred recoverable costs but which are now required to be expensed under the revised accounting pronouncements.

Future changes in accounting policies

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("ASB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies are required to comply with IFRS for fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis. In February 2008, the CICA ASB confirmed that January 1, 2011, would be the effective date for the initial adoption of IFRS.

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have a material impact on the reported cash flows of the Trust, it will have a material impact on the Trust's consolidated balance sheet and statements of net income and comprehensive income. The Trust has performed an initial assessment of the impact of IFRS and has identified significant accounting policy changes pertaining to investment property, joint ventures and lease incentives that will be required or are currently expected to be applied by the Trust upon its adoption of IFRS that will be significantly different than its Canadian GAAP accounting policies.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes accounting standards for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes accounting standards for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, "Consolidated and Separate Financial Statements".

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Trust is currently evaluating the impact of adopting these sections.

Note 3

PROPERTY ACQUISITIONS

Below are the acquisitions completed during the years ended December 31, 2009 and December 31, 2008.

For the year ended December 31, 2009	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
720 Bay Street, Toronto	office	50	123,870	100	$ 25,948	$ —	September 1, 2009
1125-1145 Innovation Drive, Ottawa	office	100	118,563	100	16,679	—	December 16, 2009
6655-6725 Airport Road, Mississauga	office	100	329,728	100	50,637	26,717	December 18, 2009
Gateway Business Park, Ottawa	office	100	120,600	91	14,700	—	December 30, 2009
2645 Skymark Avenue, Mississauga	office	100	142,487	100	14,923	—	December 30, 2009
Total			835,248	99	$ 122,887	$ 26,717	

For the year ended December 31, 2008	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
AIR MILES Tower, Toronto	office	100	322,557	92	$ 91,988	$ —	January 31, 2008
IBM Corporate Park, Calgary	office	33	118,804	100	57,300	—	May 14, 2008
4370 Dominion Street, Burnaby	office	100	63,943	99	11,484	2,111	July 10, 2008
Total			505,304	95	$ 160,772	$ 2,111	

The assets acquired and liabilities assumed in these transactions were allocated as follows:

For the years ended December 31	**2009**	2008
Rental properties		
Land	**$ 20,418**	$ 30,531
Buildings	**76,846**	126,440
	97,264	156,971
Tenant improvements acquired	**8,181**	6,271
Intangible assets		
Value of in-place leases	**6,714**	7,431
Lease origination costs	**2,176**	2,012
Value of above-market rent leases	**1,471**	419
Value of tenant relationships	**10,909**	5,944
	126,715	179,048
Intangible liabilities		
Value of below-market rent leases	**(3,828)**	(18,276)
Total purchase price	**$ 122,887**	$ 160,772

The consideration paid consists of:

For the years ended December 31	**2009**	2008
Cash		
Paid during the year	**$ 94,526**	$ 155,348
Deposit	**—**	2,350
	94,526	157,698
Assumed mortgages at fair value	**26,717**	2,111
Assumed accounts payable, accrued liabilities and adjustments to purchase price	**1,644**	963
Total consideration	**$ 122,887**	$ 160,772

The allocation of the purchase price to fair values of assets acquired and liabilities assumed for the property acquisition completed during the current year has not been finalized and will be subject to adjustment.

Note 4
RENTAL PROPERTIES

December 31			**2009**			2008 (Restated, see Note 2)
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Land	**$ 235,025**	**$ —**	**$ 235,025**	$ 223,382	$ —	$ 223,382
Buildings and improvements	**1,053,465**	**(110,358)**	**943,107**	1,013,958	(93,928)	920,030
Fixed assets and equipment	**2,011**	**(843)**	**1,168**	2,439	(882)	1,557
Rental properties under development	**1,758**	**—**	**1,758**	1,024	—	1,024
Total	**$1,292,259**	**$ (111,201)**	**$ 1,181,058**	$1,240,803	$ (94,810)	$ 1,145,993

Note 5

LEASING COSTS AND TENANT IMPROVEMENTS

December 31			**2009**			2008 (Restated, see Note 2)
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Leasing costs	**$ 14,214**	**$ (4,292)**	**$ 9,922**	$ 12,455	$ (3,765)	$ 8,690
Tenant improvements	**49,418**	**(19,751)**	**29,667**	42,862	(18,114)	24,748
Total	**$ 63,632**	**$ (24,043)**	**$ 39,589**	$ 55,317	$ (21,879)	$ 33,438

Note 6

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments totalling $2,972 (December 31, 2008 — $2,805).

December 31	**2009**	2008
Trade receivables, net	**$ 2,048**	$ 2,372
Straight-line rent receivables	**7,409**	6,714
Other accounts receivable (payable)	**(576)**	2,791
	$ 8,881	$ 11,877

December 31	**2009**	2008
Trade receivables	**$ 3,141**	$ 2,921
Less: Provision for impairment of trade receivables	**(1,093)**	(549)
Trade receivables, net	**$ 2,048**	$ 2,372

The movement in the provision for impairment of trade receivables during the years ended December 31, was as follows:

	2009	2008
As at January 1	**$ 549**	$ 413
Provision for impairment of trade receivables	**1,428**	543
Receivables written off during the year as uncollectible	**(884)**	(218)
Reduction of other receivables written off during the year	**—**	(216)
Translation adjustment	**—**	27
As at December 31	**$ 1,093**	$ 549

As at December 31, 2009, trade receivables of approximately $325 were past due but not considered impaired. The Trust has ongoing relationships with these tenants and default is not expected.

Note 7

PREPAID EXPENSES AND OTHER ASSETS

December 31	**2009**	2008
Prepaid expenses	**$ 2,110**	$ 2,175
Deposits	**13,887**	24
Restricted cash	**1,721**	3,244
Total	**$ 17,718**	$ 5,443

Deposits largely represents amounts provided by the Trust in connection with property acquisitions completed in 2010. See Note 24 — "Subsequent events" for further details. Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages.

Note 8

INTANGIBLE ASSETS AND LIABILITIES

December 31			**2009**			2008
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	**$ 3,914**	**$ (1,140)**	**$ 2,774**	$ 2,754	$ (1,058)	$ 1,696
Value of in-place leases	**37,727**	**(17,625)**	**20,102**	39,561	(19,462)	20,099
Lease origination costs	**9,383**	**(3,718)**	**5,665**	8,284	(3,402)	4,882
Value of tenant relationships	**39,635**	**(10,618)**	**29,017**	32,901	(9,609)	23,292
Total	**$ 90,659**	**$ (33,101)**	**$ 57,558**	$ 83,500	$ (33,531)	$ 49,969
Intangible liabilities						
Value of below-market rent leases	**$ 60,854**	**$ (25,823)**	**$ 35,031**	$ 68,654	$ (26,713)	$ 41,941

Note 9
DEBT

December 31	**2009**	2008
Mortgages	**$ 726,901**	$ 754,448
Convertible debentures	**129,940**	128,902
Term debt	**219**	345
Total	**$ 857,060**	$ 883,695

At December 31, 2009, convertible debentures comprised $118,904 of 6.0% Debentures, $7,743 of 5.7% Debentures and $3,293 of 6.5% Debentures (December 31, 2008 — $117,922, $7,703 and $3,277, respectively). Mortgages are secured by charges on specific rental properties.

On January 14, 2008, the Trust issued $125,000 principal amount convertible unsecured subordinated debentures (the "6.0% Debentures"). The 6.0% Debentures bear interest at 6.0% per annum, payable semi-annually on June 30 and December 31 each year, and mature on December 31, 2014. Each 6.0% Debenture is convertible at any time by the debenture holder into 24.15459 REIT A Units, per one thousand dollars of face value, representing a conversion price of $41.40 per unit. The 6.0% Debentures may not be redeemed prior to December 31, 2010. On or after December 31, 2010, and prior to December 31, 2012, the 6.0% 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, provided the weighted average trading price for the Trust's units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after December 31, 2012, and prior to December 31, 2014, the 6.0% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. In accordance with Section 3863 of the CICA Handbook, the 6.0% Debentures were initially recorded on the consolidated balance sheet as debt of $122,840 less costs of $5,800, and equity of $2,160. As at December 31, 2009, the outstanding principal amount is $125,000 (December 31, 2008 — $125,000).

On April 1, 2005, the Trust issued $100,000 principal amount convertible unsecured subordinated debentures (the "5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, and mature on March 31, 2015. Each 5.7% Debenture is convertible at any time by the debenture holder into 33.33 REIT A Units, per one thousand dollars of face value, representing a conversion price of $30.00 per unit. The 5.7% Debentures may not be redeemed prior to March 31, 2009. On or after March 31, 2009, but prior to March 31, 2011, the 5.7% 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, provided that the market price for the Trust's units is not less than $37.50. On or after March 31, 2011, the 5.7% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. In accordance with Section 3863 of the CICA Handbook, the 5.7% Debentures were initially recorded on the consolidated balance sheet as debt of $98,800 and equity of $1,200. As at December 31, 2009, the outstanding principal amount is $7,806 (December 31, 2008 — $7,806).

On June 21, 2004, the Trust issued $75,000 principal amount convertible unsecured subordinated debentures (the "6.5% Debentures"). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually on June 30 and December 31 each year, and mature on June 30, 2014. Each 6.5% Debenture is convertible at any time by the debenture holder into 40 REIT A Units, per one thousand dollars of face value, representing a conversion price of $25.00 per unit. The 6.5% Debentures may not be redeemed prior to June 30, 2008. On or after June 30, 2008, but prior to June 30, 2010, the 6.5% 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, provided the market price for the Trust's units is not less than $31.25. On or after June 30, 2010, the 6.5% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. In accordance

with Section 3863 of the CICA Handbook, the 6.5% Debentures were initially recorded on the consolidated balance sheet as debt of $74,400 and equity of $600. As at December 31, 2009, the outstanding principal amount is $3,488 (December 31, 2008 — $3,488).

A demand revolving credit facility was renewed on May 31, 2009, and is available up to a formula-based maximum not to exceed $40,000, bearing interest generally at the bank prime rate (2.25% as at December 31, 2009) plus 1.5% or bankers' acceptance rates plus 3.0%. The facility is secured by a first-ranking collateral mortgage on two of the Trust's properties and a second-ranking collateral mortgage on one property. As at December 31, 2009, the formula-based amount available under this facility was $32,608, less $1,090 drawn in the form of letters of guarantee (December 31, 2008 — $nil drawn). The facility expires on April 30, 2010.

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

	Weighted average interest rates			Debt amount	
December 31	**2009**	2008	Maturity dates	**2009**	2008
Fixed rate					
Mortgages	**5.68%**	5.70%	2010–2019	**$ 695,608**	$ 703,409
Convertible debentures	**7.03%**	7.03%	2014–2015	**129,940**	128,902
Term debt	**9.03%**	9.03%	2010–2011	**219**	345
Total fixed rate debt	**5.90%**	5.90%		**825,767**	832,656
Variable rate					
Mortgages	**2.01%**	4.54%	2013	**31,293**	51,039
Total variable rate debt	**2.01%**	4.54%		**31,293**	51,039
Total debt	**5.75%**	5.83%		**$ 857,060**	$ 883,695

The scheduled principal repayments and debt maturities are as follows:

For the years ending December 31	Mortgages	Term debt	Convertible debentures	Total
2010	$ 29,178	$ 116	$ —	$ 29,294
2011	89,177	103	—	89,280
2012	115,297	—	—	115,297
2013	114,436	—	—	114,436
2014	73,101	—	128,488	201,589
2015 and thereafter	305,507	—	7,806	313,313
	726,696	219	136,294	863,209
Financing costs and fair value adjustments	205	—	(6,354)	(6,149)
	$ 726,901	$ 219	$ 129,940	$ 857,060

Included in mortgages is $2,671 in fair value adjustments (December 31, 2008 — $3,755), which reflects the fair value adjustments for mortgages assumed as part of acquisitions, net of $2,465 of unamortized financing costs (December 31, 2008 — $2,263). The convertible debentures are reduced by a $1,724 premium allocated to their conversion features (December 31, 2008 — $2,008) and $4,630 of unamortized financing costs (December 31, 2008 — $5,384). The fair value adjustment, premium and financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

The fair value of mortgages and debentures are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of debentures uses quoted market prices from an active market.

The estimated fair value of debt is as follows:

December 31	2009	2008
Mortgages	$ 730,809	$ 705,088
Convertible debentures	134,923	95,181
Term debt	219	345
Total	$ 865,951	$ 800,614

Note 10
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31	2009	2008
Trade payables	$ 1,602	$ 183
Accrued liabilities and other payables	9,521	9,086
Accrued interest	3,426	3,571
Deposits	6,159	5,030
Rent received in advance	1,817	902
Total	$ 22,525	$ 18,772

Note 11
DISTRIBUTIONS

The following table breaks down distribution payments for the year ended December 31, 2009:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 37,109	$ 36	$ 7,585	$ 44,730
Paid by way of reinvestment in units	3,051	—	—	3,051
Less: Payable at December 31, 2008	(3,114)	(3)	(632)	(3,749)
Plus: Payable at December 31, 2009	3,899	3	632	4,534
Total	$ 40,945	$ 36	$ 7,585	$ 48,566

The amount payable at December 31, 2009, was satisfied on January 15, 2010, by $4,073 in cash, $412 of 18,004 REIT A Units and $57 of 2,494 LP B Units. Included in the total distributions is $105 representing the 4% bonus distribution that forms part of the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

Dundee REIT's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is based on a percentage of distributable income. Distributable income is defined in the Declaration of Trust and the percentage is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or lesser than the estimates used for those prior periods. In addition, the trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust to the extent that such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. The Trust declares distributions of $0.183 per unit per month, or $2.20 per year.

Note 12
UNITHOLDERS' EQUITY

December 31	2009		2008 (Restated, see Note 2)	
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**21,247,397**	**$ 312,743**	16,947,240	$ 271,087
REIT Units, Series B	**16,316**	**362**	16,316	371
LP Class B Units, Series 1	**3,454,188**	**92,656**	3,454,188	98,260
Cumulative foreign currency translation adjustment	**—**	**(6,609)**	—	(5,275)
Total	**24,717,901**	**$ 399,152**	20,417,744	$ 364,443

Dundee REIT Units

Dundee REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The REIT Units are divided into and issuable in two series: REIT Units, Series A and REIT Units, Series B. REIT Units are redeemable at the option of the holder, generally at any time, subject to certain restrictions, at a redemption price per REIT Unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date and 100% of the closing market price on the redemption date. The total amount payable by Dundee REIT in any calendar month shall not exceed $50 unless waived by Dundee REIT's trustees at their sole discretion. Any dollar amount in excess of this monthly dollar maximum, unless waived, will be paid by notes of one of Dundee REIT's subsidiaries.

REIT Units, Series A and REIT Units, Series B represent an undivided beneficial interest in Dundee REIT and in distributions made by Dundee REIT. No REIT Unit, Series A or REIT Unit, Series B has preference or priority over any other. Each REIT Unit, Series A and REIT Unit, Series B entitles the holder to one vote held at all meetings of unitholders.

For the years ended December 31, 2009 and 2008, there were no exchanges made by Dundee Corporation of LP B Units for REIT B Units and subsequently to REIT A Units. In the fourth quarter of 2008, DRC acquired 460,000 REIT B Units from a third party, and subsequently converted these units to REIT A Units.

Special Trust Units are issued in connection with LP B Units. The Special Trust Units are not transferable separately from the LP B Units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP B Units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained upon the surrender or exchange of the LP B Units to which they relate. At December 31, 2009, 3,454,188 Special Trust Units were issued and outstanding (December 31, 2008 — 3,454,188 issued and outstanding).

Dundee REIT's Declaration of Trust provides each of Dundee Corporation and GE Real Estate ("GE") with a pre-emptive right pursuant to which Dundee REIT will not issue any REIT A Units, or any securities convertible into or exchangeable for REIT A Units, to any person without first making an offer to Dundee Corporation and GE to issue that number of REIT A Units, securities or a comparable number of LP B Units necessary to maintain the percentage of the outstanding voting interest in Dundee REIT held by Dundee Corporation and its affiliates or GE at the date of offer.

DPLP units

DPLP is authorized to issue an unlimited number of LP Class A and an unlimited number of LP Class B limited partnership units and such other classes as the general partner of DPLP, a wholly owned subsidiary of Dundee REIT, may decide. The LP Class B Units have been issued in two series: LP Class B Units, Series 1 and LP Class B Units, Series 2.

The LP Class B Units, Series 1, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to the REIT Units, Series A and REIT Units, Series B. Generally, each LP Class B Unit, Series 1 entitles the holder to a distribution equal to distributions declared on REIT Units, Series B, or if no such distribution is declared, on REIT Units, Series A. LP Class B Units, Series 1 may be surrendered or indirectly exchanged on a one-for-one basis at the option of the holder, generally at any time, subject to certain restrictions, for REIT Units, Series B. The LP Class B Units, Series 1 are not entitled to vote at any meeting of the limited partners of DPLP.

The LP Class A Units and LP Class B Units, Series 2 are entitled to vote at meetings of the limited partners of DPLP and each unit entitles the holder to a distribution equal to distributions on the LP Class B Units, Series 1. At December 31, 2009, 20,787,397 LP Class A Units (December 31, 2008 — 16,487,240), 3,454,188 LP Class B Units, Series 1 (December 31, 2008 — 3,454,188) and 476,316 LP Class B Units, Series 2 (December 31, 2008 — 476,316) were issued and outstanding. As at December 31, 2009 and December 31, 2008, all issued and outstanding LP Class A Units and LP Class B Units, Series 2 are owned indirectly by Dundee REIT and have been eliminated in the consolidated balance sheets.

	REIT Units, Series A		REIT Units, Series B		LP Class B Units, Series 1		Accumulated other comprehensive loss	Total	
	Number of units	Amount	Number of units	Amount	Number of units	Amount		Number of units	Amount
Unitholders' equity, January 1, 2009	16,947,240	$ 271,221	16,316	$ 371	3,454,188	$ 98,309	$ (5,275)	20,417,744	$ 364,626
Adjustment to opening unitholders' equity to comply with new accounting standards	—	(134)	—	—	—	(49)	—	—	(183)
Unitholders' equity, January 1, 2009 (restated)	16,947,240	271,087	16,316	371	3,454,188	98,260	(5,275)	20,417,744	364,443
Net income	—	11,412	—	27	—	1,981	—	—	13,420
Distributions paid	—	(37,046)	—	(33)	—	(6,953)	—	—	(44,032)
Distributions payable	—	(3,899)	—	(3)	—	(632)	—	—	(4,534)
Public offering of REIT A Units	3,852,500	70,693	—	—	—	—	—	3,852,500	70,693
Distribution Reinvestment Plan	196,987	3,051	—	—	—	—	—	196,987	3,051
Unit Purchase Plan	10,997	180	—	—	—	—	—	10,997	180
Deferred Unit Incentive Plan	—	858	—	—	—	—	—	—	858
Deferred Units exchanged for REIT A Units	239,873	—	—	—	—	—	—	239,873	—
Issue costs	—	(3,590)	—	—	—	—	—	—	(3,590)
Unit redemption	(200)	(3)	—	—	—	—	—	(200)	(3)
Change in foreign currency translation adjustment	—	—	—	—	—	—	(1,334)	—	(1,334)
Unitholders' equity, December 31, 2009	21,247,397	$ 312,743	16,316	$ 362	3,454,188	$ 92,656	$ (6,609)	24,717,901	$ 399,152

Public offering of REIT A Units

On September 9, 2009, the Trust completed a public offering of 3,350,000 REIT A Units at a price of $18.35 per unit for gross cash proceeds of $61,473. On September 29, 2009, the Trust issued an additional 502,500 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriters for gross proceeds of approximately $9,220. Costs related to the offering totalled $3,590 and were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment Plan ("DRIP") allows holders of REIT A Units or LP B Units, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee REIT reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of units equal to 4% of each cash distribution that was reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the REIT A Units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration. For the year ended December 31, 2009, 196,987 REIT A Units and nil LP B Units were issued under the DRIP for $3,051 (December 31, 2008 — 166,960 REIT A Units and 138,839 LP B Units for $8,670).

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT A Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT A Units that may be acquired. The price per unit is calculated in a similar manner to the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase feature of the DRIP. For the year ended December 31, 2009, 10,997 REIT A Units were issued under the Unit Purchase Plan for $180 (December 31, 2008 — 23,222 REIT A Units for $700).

Conversion of debentures

During the year ended December 31, 2009, no debentures were converted. During the period ended December 31, 2008, the Trust issued 24,920 REIT A Units upon conversion of $623 of the 6.5% Debentures and 16,392 REIT A Units upon conversion of $492 of the 5.7% Debentures.

Deferred Unit Incentive Plan

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

During the year ended December 31, 2009, $858 of compensation expense was recorded (December 31, 2008 — $399) and included in general and administrative expenses. Income deferred trust units are accounted for as a distribution and an issuance of REIT A Units when the related deferred trust units vest. No amount related to income deferred trust units is recognized in net income.

	Weighted average grant date value	Deferred trust units	Income deferred trust units	Total units
Outstanding at January 1, 2008	$ 32.66	233,511	35,086	268,597
Granted during the year	33.45	84,846	33,437	118,283
Cancelled	30.68	(450)	(5)	(455)
REIT A Units issued	30.61	(8,681)	(1,811)	(10,492)
Fractional units paid in cash	—	—	(47)	(47)
Outstanding at January 1, 2009	$ 32.94	309,226	66,660	375,886
Granted during the year	**13.49**	**98,003**	**32,126**	**130,129**
REIT A Units issued	**27.92**	**(189,311)**	**(50,562)**	**(239,873)**
Fractional units paid in cash	**—**	**—**	**(9)**	**(9)**
Outstanding and payable at December 31, 2009	**$ 28.55**	**217,918**	**48,215**	**266,133**
Vested but not issued at December 31, 2009	**$ 30.88**	**53,438**	**20,132**	**73,570**

On January 2, 2009, trustees and senior management elected to have 233,293 REIT A Units issued for vested deferred trust units and income deferred trust units. An additional 6,580 units were exchanged in the second quarter of 2009. For the year ended December 31, 2008, a total of 10,492 REIT A Units were issued for vested deferred trust units and income deferred trust units.

On February 17, 2009, 79,100 deferred trust units were granted to trustees and senior managers. A further 18,903 deferred trust units were granted to trustees who elected to receive their 2009 annual retainer in the form of deferred trust units rather than cash.

Normal course issuer bid

The Trust renewed its normal course issuer bid which commenced on September 26, 2009, and will remain in effect until the earlier of September 25, 2010, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 1,648,026 REIT A Units (representing 10% of the REIT's public float of 16,480,260 REIT A Units at the time of renewal through the facilities of the TSX). As of December 31, 2009, no purchases had been made. Based on the closing price of the REIT A Units on December 31, 2009, the Trust may purchase up to $34,197 worth of REIT A Units.

For the year ended December 31, 2008, the Trust purchased 826,900 REIT A Units for $21,798, pursuant to its previous bid which expired on September 25, 2009.

Note 13
JOINT VENTURES AND CO-OWNERSHIPS

The Trust participates in incorporated and unincorporated joint ventures, partnerships and co-ownerships (the "joint ventures") with other parties and accounts for its interests using the proportionate consolidation method. The following amounts represent the total assets and liabilities of rental property joint ventures in which the Trust participates and its proportionate share of the assets, liabilities, revenues, expenses and cash flows therein. These amounts include the joint venture properties classified as held for sale in 2009. Amounts relating to a property that was previously held as a joint venture but which is now entirely owned by the Trust have been excluded.

	Total		Proportionate share	
December 31	**2009**	2008	**2009**	2008
Assets	**$ 458,889**	$ 519,514	**$ 193,139**	$ 228,138
Liabilities	**291,986**	354,539	**126,426**	157,326

	Proportionate share	
For the years ended December 31	**2009**	2008
Revenues	**$ 35,488**	$ 34,689
Expenses	**40,242**	30,772
	$ (4,754)	$ 3,917

For the years ended December 31	**2009**	2008
Cash flow generated from (utilized in):		
Operating activities	**$ 11,279**	$ 7,177
Investing activities	**(1,816)**	(1,275)
Financing activities	**(7,090)**	(6,096)
Increase (decrease) in cash and cash equivalents	**$ 2,373**	$ (194)

The Trust is contingently liable for the obligations of the other owners of the unincorporated joint ventures at December 31, 2009, in the aggregate amount of $147,446 (December 31, 2008 — $174,963). In each case, however, the co-owners' share of assets is available to satisfy these obligations.

Note 14
INTEREST

Interest incurred and charged to earnings is recorded as follows:

For the years ended December 31	**2009**	2008
Interest expense incurred, at stated rate of debt	**$ 49,332**	$ 47,983
Amortization of financing costs	**1,229**	1,116
Amortization of fair value adjustments on acquired debt	**(800)**	(819)
Interest capitalized	**(25)**	(54)
Interest expense	**$ 49,736**	$ 48,226

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the remaining life of the debt using the effective interest rate method. Interest capitalized includes interest on specified and general debt attributed to a property considered to be under redevelopment. Non-cash adjustments to interest expense are recorded as a change in non-cash working capital in the consolidated statements of cash flows.

Note 15
INCOME TAXES

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust is required by its Declaration of Trust to distribute all of its taxable income to its unitholders, which currently enables the Trust to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the unitholders, no provision for income taxes is required on such amounts.

Canadian and U.S.-based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. Certain of our Canadian and U.S. subsidiaries are taxable and any tax-related costs are reflected in the consolidated balance sheets and consolidated statements of income and comprehensive income. On December 31, 2009, we effected the transfer of our interest in a property held in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. On February 5, 2010, we disposed of our interest in the U.S. entity. As a result of these transactions we are no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates. A future income tax liability as at December 31, 2009, of $nil (December 31, 2008 — $3,387) has been recorded to reflect the future tax obligations of these subsidiaries and comprises amounts resulting from the differences in tax and book values relating to the underlying rental properties.

The reported carrying amount of Dundee REIT's net assets, excluding those in incorporated subsidiaries at December 31, 2009, exceeds the corresponding tax cost by approximately $46,000 (December 31, 2008 — $37,000).

A reconciliation of income tax expense for the year is as follows:

For the years ended December 31	**2009**	2008
Income before income taxes	**$ 16,445**	$ 9,823
Income (loss) before income taxes from discontinued operations	**(6,705)**	976
	9,740	10,799
Less: income allocable to unitholders	**(8,440)**	(9,827)
Income subject to Canadian tax in consolidated entity	**1,300**	972
Tax thereon at 29% current statutory rate (2008 — 29.5%)	**377**	289
Foreign current and future tax recovery in respect of foreign entities	**(1,924)**	(23)
Elimination of future tax liability in connection with reorganization	**(2,133)**	73
	(3,680)	339
Less: total income tax recovery from discontinued operations	**(1,924)**	(23)
Total income tax provision (recovery) from continuing operations	**$ (1,756)**	$ 362

Note 16

INCOME (LOSS) PER UNIT

The weighted average number of units outstanding was as follows:

For the years ended December 31	**2009**	2008
REIT A Units and REIT B Units	**18,690,672**	17,439,521
LP B Units	**3,454,188**	3,402,438
Vested deferred trust units	**71,484**	269,769
Total weighted average number of units outstanding for basic income per unit amounts	**22,216,344**	21,111,728
Add incremental units:		
Unvested deferred trust units	**—**	4,521
Income deferred trust units	**9,812**	1,087
Total weighted average number of units outstanding for diluted income per unit amounts	**22,226,156**	21,117,336

Income per unit information is based on the weighted average number of Units outstanding for the year. The calculation of diluted per unit information considers the potential exercise of outstanding unvested deferred trust units and income deferred trust units, and the incremental REIT Units to be issued upon an assumed conversion of all outstanding debentures, to the extent that these are dilutive. The incremental unvested deferred trust units represent the potential units that would have to be purchased in the open market to fund the unvested obligation of the weighted average number of unvested deferred trust units outstanding for the year.

The 3,419,043 incremental REIT A Units to be issued upon an assumed conversion of all debentures outstanding at year-end (December 31, 2008 — 3,419,043) have been excluded from the calculation of diluted net income (loss) per unit as they are anti-dilutive.

Note 17

EMPLOYEE FUTURE BENEFITS

The Trust has an optional defined contribution pension plan available to all full-time employees who have been employed by the Trust for a minimum of one year. The pension plan covers employees of the Trust, Dundee Realty Management Corp., DRC and any other entity as appointed by the sponsor of the plan. The plan is sponsored by Dundee Realty Management Corp., a wholly owned subsidiary of Dundee Management Limited Partnership (“DMLP”). For 2009, the total cost recognized and cash payments for employee future benefits, consisting of cash contributed to the defined contribution plan, was $107 (2008 — $101).

Note 18
SEGMENTED INFORMATION

The Trust's rental properties have been segmented into office and industrial components. The Trust does not allocate interest expense to these segments since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes and general and administrative expenses are not allocated to the segment expenses.

For the year ended December 31, 2009	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 175,635	$ 16,448	$ 192,083	$ —	$ 192,083
Operating expenses	65,812	5,317	71,129	—	71,129
Net operating income	109,823	11,131	120,954	—	120,954
Depreciation of rental properties	24,611	2,901	27,512	—	27,512
Amortization of deferred leasing costs, tenant improvements and intangibles	20,673	1,558	22,231	—	22,231
Segment income	$ 64,539	$ 6,672	$ 71,211	$ —	71,211
Interest expense					(49,736)
General and administrative expenses					(6,706)
Interest and fee income					1,676
Income taxes					1,756
Discontinued operations					(4,781)
Net income					$ 13,420
Segment rental properties	$1,088,990	$ 90,310	$ 1,179,300	$ 1,758	$ 1,181,058
Capital expenditures					
Investment in rental properties	$ (4,993)	$ (217)	$ (5,210)	$ (711)	$ (5,921)
Investment in tenant improvements	(5,177)	(559)	(5,736)	(385)	(6,121)
Acquisition of rental properties	(94,526)	—	(94,526)	—	(94,526)
Deferred leasing costs	(3,513)	(476)	(3,989)	(307)	(4,296)
Total capital expenditures	$ (108,209)	$ (1,252)	$ (109,461)	$ (1,403)	$ (110,864)

For the year ended December 31, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 163,834	$ 15,945	$ 179,779	$ —	$ 179,779
Operating expenses	60,779	5,247	66,026	—	66,026
Net operating income	103,055	10,698	113,753	—	113,753
Depreciation of rental properties	23,272	2,746	26,018	—	26,018
Amortization of deferred leasing costs, tenant improvements and intangibles	25,011	1,598	26,609	—	26,609
Segment income	$ 54,772	$ 6,354	$ 61,126	$ —	61,126
Interest expense					(48,226)
General and administrative expenses					(6,740)
Interest and fee income					3,663
Income taxes					(362)
Discontinued operations					999
Net income					$ 10,460
Segment rental properties	$ 1,019,280	$ 102,956	$ 1,122,236	$ 23,757	$ 1,145,993
Capital expenditures					
Investment in rental properties	$ (5,545)	$ (120)	$ (5,665)	$ (178)	$ (5,843)
Investment in tenant improvements	(2,249)	(345)	(2,594)	(137)	(2,731)
Acquisition of rental properties	(155,348)	—	(155,348)	—	(155,348)
Deferred leasing costs	(3,962)	(1,027)	(4,989)	(4)	(4,993)
Total capital expenditures	$ (167,104)	$ (1,492)	$ (168,596)	$ (319)	$ (168,915)

Note 19

RELATED-PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Dundee REIT, Dundee Management Limited Partnership ("DMLP") and DRC are parties to an administrative services agreement (the "Services Agreement") that is in effect until June 30, 2013. Effective August 24, 2007, Dundee REIT also has an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries.

Asset Management Agreement

Effective August 24, 2007, Dundee REIT entered into an asset management agreement with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries (the "Asset Management Agreement"). The Asset Management Agreement provides for a broad range of asset management services for the following fees:

- base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties, reflecting the market value of the properties at August 23, 2007 (the date of the sale of our portfolio of properties in eastern Canada) and the purchase price of properties acquired subsequent to that date, adjusted for any properties sold;
- incentive fee equal to 15% of Dundee REIT's adjusted funds from operations per unit in excess of $2.65 per unit;
- capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000, excluding work done on behalf of tenants or any maintenance capital expenditures;
- acquisition fee, calculated over a fiscal year based on the anniversary date of the Asset Management Agreement, equal to (i) 1.0% of the purchase price of a property, on the first $100,000 of properties acquired; (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and (iii) 0.50% of the purchase price on properties acquired in excess of $200,000; and
- financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of Dundee REIT to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions.

For the year ended December 31, 2009, the Trust received total fees from DRC of $1,903 (December 31, 2008 — $1,942). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the period ended December 31, 2009, include $3,405 for staff, operating and administration costs (December 31, 2008 — $3,047).

The Trust incurred total fees of $6,020 in the year ended December 31, 2009 (December 31, 2008 — $6,213), under the Asset Management Agreement.

Included in amounts receivable at December 31, 2009, is $(155) related to the Services Agreement (December 31, 2008 — $(43)), $224 related to the Asset Management Agreement (December 31, 2008 — $210) and $158 related to other amounts owed by DRC (December 31, 2008 — $156). Accrued liabilities and other payables at December 31, 2009, include $954 for amounts related to the Asset Management Agreement (December 31, 2008 — $nil) and $nil for other amounts collected on behalf of DRC (December 31, 2008 — $nil).

Note 20

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The results of operations of any property that has been sold and identified as discontinued operations are reported separately and comparative amounts are reclassified as discontinued operations. Any property identified as held for sale is also reported separately in the current year.

During the fourth quarter of 2009, the Trust classified a joint venture office property as held for sale. The property's carrying value was established to be the lower of its carrying value and its estimated fair value less selling costs. No impairment was recognized on the transfer of the property to assets held for sale.

On August 31, 2009, the Trust sold two industrial properties located in Edmonton, Alberta, for which it received $14,927, net of adjustments for prior year sales, and recognized a $4,255 gain.

Subsequent to year-end, on February 5, 2010, the Trust completed the sale of its 50% interest in Greenbriar Mall in Atlanta, Georgia, to its joint venture partner, for which it received $250 including reimbursement for certain costs. The Trust is now discharged from all rights and obligations relating to the property. Previously, on June 9, 2009, the lender had begun foreclosure proceedings on the property after management concluded that any additional funds required to meet the lender's debt-to-market value requirements were not warranted from a business perspective and allowed the mortgage to go into default. As at December 31, 2009, a total provision for impairment of $11,513 was recognized, including a $4,904 write-down in the carrying value of the net assets of the property, and a $6,609 provision for the accumulated foreign currency translation adjustment associated with the investment in the net assets of the property. The future tax liability of $1,971 associated with the U.S. operations was also written off. Accordingly, discontinued assets in the amount of $9,953 reported at year-end represent the Trust's carrying value of the property based on its estimated fair value and the $16,825 discontinued liability represents the mortgage liability.

During the fourth quarter of 2008, the Trust classified an industrial property located in Alberta as held for sale. The property's carrying value was established to be the lower of its carrying value or its estimated fair value less selling costs. No impairment was recognized on the transfer of the property to assets held for sale. During the second quarter of 2009, a new tenant entered into a lease agreement and a separate agreement to purchase the property after November 1, 2012. As a result, the property has been reclassified as continuing operations. The property's carrying value, adjusted for depreciation and amortization expense that would have been recognized had it been continuously classified as held and used as a rental property, is established to be the lower of its carrying value or its estimated fair value at the end of the second quarter of 2009.

For the year ending December 31, 2008, the Trust recognized an additional $79 of net gains, reflecting revisions to its prior year cost of sale estimate associated with previously sold properties.

The following table presents the assets and liabilities of the discontinued properties as at December 31, 2009.

Assets	
Rental properties	$ 17,644
Deferred costs	561
Prepaid expenses and other assets	13
Cash and short-term deposits	198
	$ 18,416
Liabilities	
Mortgages payable	$ 16,825
Accounts payable, accrued liabilities and other	115
	$ 16,940

The following table summarizes the net income (loss) from discontinued operations:

For the years ended December 31	**2009**	2008
Revenues		
Rental properties revenue	**$ 8,825**	$ 8,212
Interest and other income	**17**	39
	8,842	8,251
Expenses		
Rental properties operating expenses	**6,563**	4,275
Interest	**586**	1,490
Depreciation of rental properties	**771**	1,088
Amortization of deferred leasing costs, tenant improvements and intangibles	**352**	501
General and administrative	**17**	—
	8,289	7,354
Income before undernoted	**553**	897
Provision for impairment in value of discontinued assets	**11,513**	—
Gain on disposal of rental properties	**(4,255)**	(79)
Current income taxes	**47**	—
Future income tax recovery	**(1,971)**	(23)
Net income (loss) from discontinued operations	**$ (4,781)**	$ 999

Note 21

COMMITMENTS AND CONTINGENCIES

Dundee REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of Dundee REIT.

Dundee REIT's future minimum commitments under operating and capital leases are as follows:

Years ending December 31	Operating lease payments	Capital lease payments
2010	$ 1,103	$ 142
2011	968	106
2012	827	—
2013	687	—
2014	—	—
Total	$ 3,585	$ 248

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of approximately $4,300.

Effective September 1, 2009, the Trust entered into three fixed price contracts to purchase natural gas with respect to 14 office properties in Calgary. The contracts expire on December 31, 2012, and commit the Trust to total minimum payments of $598 annually for each of the years 2010, 2011 and 2012.

The Trust has entered into an agreement to purchase, from a former joint venture partner, a fully leased office building currently under construction, at a future date for $20,788, with maximum adjustments to the closing price not to exceed $500. The closing date is expected to be in the first half of 2010. Funding for this development is available through cash on hand and an available line of credit.

During the second quarter of 2009, the Trust committed to construct an office property in Yellowknife, Northwest Territories, which is fully leased for a ten-year term to the Government of Canada. Estimated construction costs are $20,000. Funding for this development is available through cash on hand and an available line of credit.

Note 22
SUPPLEMENTARY CASH FLOW INFORMATION

For the years ended December 31		**2009**		2008
Decrease (increase) in accounts receivable	**$**	**3,537**	$	(1,760)
Decrease in deferred costs (other than leasing costs)		**373**		672
Decrease (increase) in prepaid expenses and other assets (excluding restricted cash and promissory notes)		**(56)**		77
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)		**2,375**		(5,170)
Increase (decrease) in accounts payable relating to leasing costs		**(220)**		303
Change in non-cash working capital	**$**	**6,009**	$	(5,878)

The following amounts were paid on account of interest and income taxes:

For the years ended December 31		**2009**		2008
Interest	**$**	**49,975**	$	48,827
Income taxes		**21**		166

Note 23
CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS RISK MANAGEMENT

CICA Handbook Section 1535, "Capital Disclosures", requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements.

The Trust's capital consists of debt, including mortgages, convertible debentures and lines of credit, and unitholders' equity. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross book value. Other significant indicators include weighted average interest rate, average term to maturity of debt and variable debt as a portion to total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions, capital expenditures and for evaluating the need to raise funds for further expansion. Various mortgages have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These include loan to value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary general partner level, and all have been complied with.

The Trust's equity consists of Units, in which the carrying value is impacted by earnings and unitholder distributions. The Trust endeavours to make annual distributions of $2.20 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditure and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, total distributions as a percent of distributable income and distributable income per unit.

The Trust's Declaration of Trust limits its interest coverage ratio to no less than 1.4 times. The interest coverage ratio is calculated as net operating income from continuing operations plus interest and fee income less general and administrative expenses, divided by interest expense from continuing operations. At December 31, 2009, the Trust's interest coverage ratio was 2.3 times, reflecting its ability to cover interest expense requirements.

For the years ended December 31	**2009**	2008
Rental properties revenue	**$ 192,083**	$ 179,779
Rental properties operating expense	**71,129**	66,026
Net operating income	**120,954**	113,753
Add: interest and fee income	**1,676**	3,663
Less: general and administrative expenses	**6,706**	6,740
	$ 115,924	$ 110,676
Interest expense	**$ 49,736**	$ 48,226
Interest coverage ratio	**2.3 times**	2.3 times

CICA Handbook Section 3862, "Financial Instruments — Disclosures", places increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has some exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt at December 31, 2009, was 3.7% of the Trust's total debt (December 31, 2008 — 5.9%). In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for the year ended December 31, 2009. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

		Interest rate risk			
		–1%		+1%	
	Carrying amount	Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents[1]	$ 12,022	$ (120)	$ (120)	$ 120	$ 120
Financial liabilities					
Variable rate mortgages[2]	$ 31,293	$ 313	$ 313	$ (313)	$ (313)

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

(2) Variable rate mortgages include a floating rate mortgage at a rate of LIBOR plus 0.355%, to a maximum of 8.75% and a floating rate mortgage at a rate of LIBOR plus 0.62%.

Due to fluctuations in the exchange rate between the Canadian and U.S. dollars, the Trust is exposed to foreign exchange risk relating to its self-sustaining U.S. operations. The impact of foreign exchange fluctuations is deferred as a separate component of unitholders' equity until there is a realized reduction in the net investment in the foreign operation. The Trust currently does not employ hedging activities to manage its financial risks, and the associated currency risks are considered immaterial.

The Trust's assets consist of office and industrial rental properties. Credit risk arises from the possibility that tenants in rental properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. A further description of credit risk relating to tenants is disclosed in Note 6. Cash and cash equivalents, deposits and restricted cash carry minimal credit risk, as all funds are maintained with highly reputable financial institutions.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Trust manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. A schedule of principal repayments and debt maturities is provided in Note 9.

Note 24
SUBSEQUENT EVENTS

On January 7, 2010, the Trust completed a public offering of 5,520,000 REIT A Units at a price of $18.75 per unit, for gross proceeds of $103,500. Costs related to the offering were approximately $4,885.

Effective January 18, 2010, the Trust completed the purchase of Adelaide Place, an office property located in Toronto, consisting of two buildings of approximately 655,000 square feet. The purchase price for the property excluding transaction costs was approximately $211,500.

Effective February 5, 2010, the Trust transferred its interest in Greenbriar Mall, a retail property located in Atlanta, Georgia, to its joint venture partner. The Trust received proceeds of $250 for the transfer and has been discharged of all obligations and rights related to the property.

On February 10, 2010, the Trust completed the purchase of Aviva Corporate Centre, a four-building office property located in Toronto, consisting of approximately 438,000 square feet. The purchase price for the property, excluding transaction costs, was approximately $45,700, and the Trust assumed a mortgage of approximately $30,600 at a face rate of 5.3% maturing in February 2017.