First 2005

Dundee REIT

Contents

01 » 02 Letter to Unitholders
03 » 25 Management's Discussion and Analysis
03 » 03 Forward-Looking Disclaimer
03 » 03 Our Objectives
03 » 03 Our Strategy
04 » 04 Our Assets
05 » 05 Our Background
05 » 06 Numbers that Are a Big Deal to Us
05 » 05 Key Performance Indicators
06 » 06 Performance Indicators
06 » 21 Executing the Strategy
06 » 13 Our Resources and Financial Condition
14 » 21 Our Results of Operations
22 » 24 Quarterly Information
25 » 25 Outlook
25 » 25 Risks and Our Strategy to Manage
25 » 25 Critical Accounting Estimates
25 » 25 Changes in Accounting Policies
26 » 29 Consolidated Financial Statements
30 » 40 Notes to the Consolidated Financial Statements

Never overlook the little things that lead to success.

It's a simple approach, and it's how Dundee REIT has become one of the industry's leading income trusts. By managing our business effectively every day. Paying attention to the small details that contribute to the big picture. And remaining focused on our commitment to provide sustainable distributions for our investors.

Letter to Unitholders

In the annual report, I wrote that we had shifted our acquisition focus to concentrate on individual assets instead of portfolios. A subtle shift but important nonetheless. In the past four months, we have acquired $111 million of high quality assets and have entered into contracts to acquire a further $108 million. These office and industrial assets are located in our core markets, are comparable with our existing portfolio but tend to be newer and have longer lease terms. Based on current market conditions, the initial yield on these acquisitions is in excess of 8.5%.

For quite some time, we went about our business without the investment community paying much attention. Dundee REIT is now the subject of research by six firms. Generally speaking, we are ranked as a 'sector perform' because our funds from operations and adjusted funds from operations multiples are fairly high, and because our cost of capital is reasonable compared to other real estate investment trusts. Our intent is to use the current window – when lending spreads are low, ten-year debt is as low as 5.35% and our target assets have higher capitalization rates than others – to grow accretively and increase our adjusted funds from operations as much as possible.

Given the goal of growing our adjusted funds from operations on a per unit basis, we are, and will continue to be, very selective about which opportunities we will pursue. We have looked at a couple of unique situations to acquire larger portfolios, however, we did not pursue these opportunities aggressively because the pricing was substantially higher than what we are otherwise finding. Those opportunities that will merely increase our size will actually make it more difficult for us to achieve the right balance between distributions and our ability to pay distributions. Therefore, it is our intention to continue to grow by acquiring individual assets and capturing the higher yield. We are pleased with the properties that we have acquired so far. The Montréal market has provided us with good value for long-term leases in new buildings. Acquisition opportunities also exist in Ottawa and Toronto. It has been very difficult, however, to find opportunities in Western Canada that meet our financial criteria.

Financial performance for the quarter exceeded our expectations but was slightly below the comparative period. The sale of Northgate Mall at the end of last year has hurt our results and the new acquisitions have not yet contributed in a meaningful way. Our portfolio, however, will benefit in the long run as we ultimately eliminate our retail component. We are very pleased that adjusted funds from operations for the quarter were higher than last year, given the importance of this measure. Further improvements are anticipated.

The difficult operating environment persists, but some positive indicators are evident. The performance of our comparable properties is expected to improve once the increases in committed occupancy take effect and market conditions improve. We are also mindful that our overall financial performance is not where we would like. But, once again, we expect to see a significant improvement in our key performance indicators over the next few of quarters as a result of all of the activity that we have undertaken.

Administratively, our business is functioning well. Progress is being made in reducing our capital expenditures and leasing costs. New leases are generally being completed with rental rates that are equal to or lower than our expiring rents, however, demand for space at these rates has been reasonable. All in all, the business is coming around and our improvements are becoming very noticeable.

Michael J. Cooper
President and
Chief Executive Officer

Management's Discussion and Analysis

This Management's Discussion and Analysis has been dated as at April 27, 2005. All dollar amounts in our tables are presented in thousands with the exception of unit and per unit amounts.

The following discussion and analysis of our financial results and operations should be read in conjunction with the audited financial statements for the year ended December 31, 2004. Certain information contains or incorporates comments that constitute forward-looking statements. Reliance should not be placed on forward-looking statements because they involve risks and uncertainties, which may cause actual performance and results to differ materially from the performance implied in such forward-looking statements. Dundee REIT has identified certain factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate functions.

These forward-looking statements are made as of April 27, 2005, and Dundee REIT assumes no obligation to update or revise them to reflect new events or circumstances, except to reflect the resolutions voted on at the Annual and Special Meeting held on May 5, 2005.

Our Objectives

We are committed to:

- Providing predictable and sustainable cash distributions to unitholders;
- Prudently increasing distributions as the performance of our underlying business warrants; and
- Improving the overall value of our enterprise through effective management of our business and through acquisitions.

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit or $2.20 on an annual basis. We have a Distribution Reinvestment and Unit Purchase Plan ("DRIP"), which allows unitholders to have their distributions automatically re-invested into additional units of the Trust. Unitholders who enroll in the DRIP receive a bonus distribution of 4% with each reinvestment. At March 31, 2005, approximately 38.6% of our total units were enrolled in the DRIP, including 9.0% of REIT Units, Series A and 100% of LP Class B Units, Series 1 (please see a description of our equity on page 5).

	January	February	March
Distribution Rate	$ 0.183	$ 0.183	$ 0.183
Month End Closing Price	$ 26.25	$ 26.60	$ 25.56

Our Strategy

Our strategy is to become Canada's leading provider of affordable business premises. Our methodology to meet our strategy and objectives includes:

- Effectively managing our business
- Building and maintaining a diversified portfolio
- Meeting the needs of our tenants
- Pursuing external growth

Our Assets

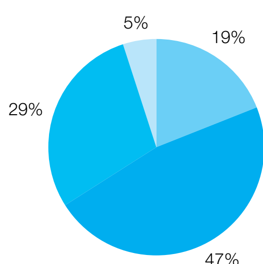
We provide high quality, affordable business premises with a focus on mid-sized urban and suburban office, industrial and flex space properties. The majority of our assets are concentrated in our target markets: Montréal, Ottawa, Toronto, Calgary and Edmonton. These markets are attractive to us as they represent most of Canada's largest metropolitan areas, they have relatively diverse and sound economies and good real estate liquidity. Any potential acquisition activity will be concentrated in these areas, as it enables us to take advantage of our established presence and management expertise in these markets, build upon our current critical mass and allows us to achieve even greater operational efficiencies.

We believe that diversifying our portfolio, balancing by asset type, geographic location and tenant mix, decreases our overall risk profile. Industrial properties generally have lower rental rates than office properties but also have generally lower operating costs and, as a result, are attractive to us as they offer greater stability and less downside during times of increased vacancy than office properties. Office properties, although more expensive to carry than industrial properties during weak markets, are attractive as they generate more revenue and offer greater potential for capital appreciation. Having both asset types in our portfolio helps us to realize our objective of providing predictable and sustainable distributions to our unitholders.

During the quarter, a number of key acquisitions were completed in four of our target markets, Montréal, Ottawa, Toronto and Edmonton. These acquisitions encompass approximately 0.5 million square feet of high quality well-leased space with long-term commitments and have added $51.4 million of net assets to the portfolio.

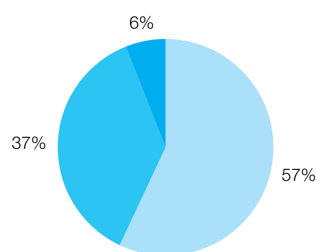
The net book value of segmented rental properties is diversified geographically and by asset type.

	March 31, 2005					December 31, 2004	
($000's)	Office	Industrial	Retail	Total	%	Total	%
Québec	**$ 101,633**	**$ 104,510**	**$ –**	**$ 206,143**	**19**	$ 202,935	19
Ontario	**361,522**	**142,533**	**8,593**	**512,648**	**47**	476,688	45
Western Canada	**165,484**	**154,064**	**4,893**	**324,441**	**29**	324,937	31
Total Canada	**628,639**	**401,107**	**13,486**	**1,043,232**	**95**	1,004,560	95
United States	**–**	**–**	**52,538**	**52,538**	**5**	52,671	5
Total at March 31, 2005	**$ 628,639**	**$ 401,107**	**$ 66,024**	**$ 1,095,770**	**100**	$ 1,057,231	100
Percentage	**57%**	**37%**	**6%**	**100%**			
Total at December 31, 2004	$ 597,970	$ 393,075	$ 66,186	$ 1,057,231			
Percentage	57%	37%	6%	100%			



Geographic Distribution of Rental Properties by Net Book Value at March 31, 2005

- Québec
- Ontario
- Western Canada
- United States



Portfolio Asset Type by Net Book Value at March 31, 2005

- Office
- Industrial
- Retail

	Owned Gross Leasable Area (square feet)						
	March 31, 2005					December 31, 2004	
($000's)	Office	Industrial	Retail	Total	%	Total	%
Québec	**1,077,212**	**2,802,158**	**–**	**3,879,370**	**28**	3,789,504	29
Ontario	**2,939,487**	**2,297,363**	**128,367**	**5,365,217**	**39**	4,951,569	38
Western Canada	**1,027,339**	**2,558,995**	**46,140**	**3,632,474**	**27**	3,612,785	27
Total Canada	**5,044,038**	**7,658,516**	**174,507**	**12,877,061**	**94**	12,353,858	94
United States	**–**	**–**	**795,390**	**795,390**	**6**	795,390	6
Total at March 31, 2005	**5,044,038**	**7,658,516**	**969,897**	**13,672,451**	**100**	13,149,248	100
Percentage	**37%**	**56%**	**7%**	**100%**			
Total at December 31, 2004	4,713,790	7,465,561	969,897	13,149,248			
Percentage	36%	57%	7%	100%			

Office Rental Properties

Dundee REIT owns 61 office properties (77 buildings) comprising approximately 5.0 million square feet located in Montréal, Ottawa, Toronto, Saskatoon, Calgary, Edmonton and Vancouver. Our office properties can generally be categorized as high quality yet affordable downtown and suburban buildings. Acquisitions completed in 2005 have added 330,000 square feet of fully-leased office properties to our portfolio. These properties are all located in our key target markets, are of extremely high quality and have low maintenance capital expenditure requirements.

The Canadian national office market continued on a positive trend with vacancy levels decreasing for the sixth consecutive quarter. The occupancy rate in our office portfolio has increased to 94.0% from 93.6% at December 31, 2004, ahead of the most recently available national industry average of 89.4% (Royal LePage Inc. National Market Intelligence Report, 4th Quarter 2004). Our occupancy rate includes lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial Rental Properties

We own 116 prime suburban industrial and flex-space properties (130 buildings) comprising approximately 7.7 million square feet, concentrated in Montréal, Toronto, Calgary and Edmonton. Our strategy is to own clusters of properties, allowing us to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. The acquisitions completed in 2005 have added 193,000 square feet of fully-occupied high quality industrial properties to our portfolio.

At March 31, 2005, the average occupancy rate across our industrial portfolio increased to 96.3% from 95.2% at December 31, 2004, in line with the most recently available national industry average of 95.1% (Royal LePage Inc. National Market Intelligence Report, 4th Quarter 2004). Canada's industrial market has performed very well with occupancy rates above 94% for the last several years.

Retail Rental Properties

Our retail assets total approximately 1.0 million square feet. As of March 31, 2005, the portfolio had an occupancy rate of 92.4% compared to 93.3% at December 31, 2004. The remaining retail assets include Greenbriar Mall, a 795,390 square foot regional mall in Atlanta, and two smaller centres in Ontario and Alberta.

Our Background

Dundee REIT was formed in connection with the reorganization (the "Reorganization") of the business of Dundee Realty Corporation ("Dundee Realty" or "DRC") on June 30, 2003. Following the Reorganization, the majority of Dundee Realty's commercial real estate division, including senior management, and a joint interest in its property management business, were transferred to Dundee REIT.

Our discussion and analysis of the financial position and results of operations of Dundee REIT is based on the consolidated financial statements of Dundee REIT for the three months ended March 31, 2005 and March 31, 2004. This discussion should be read in conjunction with those financial statements.

Equity

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special REIT Units. The Special REIT Units are only issued to holders of LP Class B Units, Series 1, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1. The LP Class B Units, Series 1 are held by a related party of Dundee REIT. In accordance with Emerging Issues Committee Abstract of Issues Discussed No. 151 "Exchangeable Securities Issued by Subsidiaries of Income Trusts" ("EIC-151"), the LP Class B Units, Series 1 have been classified as non-controlling interest in our consolidated balance sheet. However, the LP Class B Units, Series 1 have substantially the same rights as the REIT Units and are considered equity for the purpose of this discussion and analysis.

Numbers that Are a Big Deal to Us

Key Performance Indicators

While many factors contribute to the operation of our business, our key performance indicators are segregated by business activity as follows:

Operations:

- Occupancy level
- Tenant retention
- Attracting new tenants
- Tenant maturity profile
- In-place rental rates
- Increasing rental rates
- Reducing operating costs
- Leasing costs

Investment:

- Investment in and improvements to rental properties
- Tenant inducements
- Building maintenance

Financing:

- Average interest rate
- Level of debt (debt-to-gross book value)
- Debt maturity profile/average term to maturity

Performance Indicators

Performance as measured by these and other key indicators:

($000's except rental rates, unit and per unit amounts)	Three Months Ended March 31 2005	2004
Operating Results		
Revenues	**$ 50,793**	$ 42,908
Net operating income [1] ("NOI")	**27,068**	22,849
Funds from operations [2] ("FFO")	**15,358**	13,672
Occupancy rate (period end)	**95.2%**	93.6%
In-place rent per square foot	**$ 9.05**	$ 8.97
Weighted average interest rate (period end)	**6.51%**	6.34%
Interest expense	**11,735**	9,561
Interest coverage ratio [6]	**2.27 times**	2.29 times
Debt-to-gross book value	**56.4%**	52.9%
Distributions		
FFO payout ratio [4]	**89.0%**	90.2%
Distributable income [3]	**13,684**	12,372
Reinvested distributions [5]	**5,271**	5,092
Reinvestment to distribution ratio [4] [5]	**39%**	41%
Cash distribution ratio	**61%**	59%
Per unit amounts		
Basic:		
FFO	**$ 0.62**	0.64
Distributable income	**0.55**	0.58
Distribution rate (monthly)	**0.183**	0.183
Diluted: [7]		
FFO	**$ 0.60**	$ 0.64
Distributable income	**0.54**	0.58
Units outstanding (period end)		
REIT Units, Series A	**16,855,254**	16,677,352
LP Class B Units, Series 1	**8,098,025**	7,377,531
Total units outstanding	**24,953,279**	24,054,883

(1) NOI – rental property revenues less operating expenses. The reconciliation of NOI to net income can be found on page 14.
(2) FFO – The reconciliation of FFO to net income can be found on page 12.
(3) The reconciliation of distributable income to net income can be found on page 13.
(4) These percentages do not include the additional 4% distributions available under the DRIP.
(5) Includes April 15, 2005 reinvestment of distributions declared in March 2005.
(6) Interest coverage is calculated using total interest expense as the denominator and the numerator is calculated as net income (loss) adding back income attributable to non-controlling interest, income taxes, gain (loss) on disposal of rental property, depreciation, amortization and interest expense.
(7) Dilution assumes the conversion of the 6.5% Debentures.

NOI, FFO and distributable income are key measures of performance used by real estate operating companies; however, they are not defined by generally accepted accounting principles ("GAAP"), do not have standard meanings and may not be comparable with other industries or income trusts.

Executing the Strategy

Our Resources and Financial Condition

Liquidity and Capital Resources

($000's)	Three Months Ended March 31 2005	2004
Cash generated from operating activities	**$ 10,558**	$ 14,362
Cash utilized in investing activities	**(38,682)**	(87,670)
Cash generated from financing activities	**17,511**	75,984
Increase (decrease) in cash and cash equivalents	**$ (10,613)**	$ 2,676

In broad terms, Dundee REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, equity issues and proceeds of asset dispositions. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal repayments and property acquisitions. Management expects to be able to meet all of Dundee REIT's ongoing obligations through current cash and cash equivalents, cash flows from operations, conventional mortgage refinancings and, as growth requires, through new equity or debt issues.

At March 31, 2005, cash and cash equivalents were $6.7 million, unchanged from the previous year. Dundee REIT has a $55.0 million credit facility, of which approximately $19.3 million is available to provide funding for working capital or as a bridge facility to fund acquisitions.

Cash Generated from Operating Activities

	Three Months Ended March 31	
($000's)	2005	2004
Net income	**$ 3,681**	$ 4,157
Non-cash items:		
Depreciation of rental properties	**6,689**	6,284
Amortization of deferred leasing costs and intangibles	**3,778**	1,903
Amortization of deferred financing costs	**296**	207
Amortization of marked-to-market adjustment on acquired debt	**(350)**	(324)
Gain on disposal of rental properties	**(242)**	(177)
Dilution gain	**(673)**	(633)
Deferred unit compensation expense	**175**	105
Future income taxes	**192**	(41)
Amortization of market rent adjustments on acquired leases	**(33)**	–
Straight-line rent adjustment	**(1,070)**	(949)
Non-controlling interest	**1,451**	1,801
	13,894	12,333
Deferred leasing costs incurred	**(2,624)**	(2,600)
Change in non-cash working capital	**(712)**	4,629
Cash generated from operating activities	**$ 10,558**	$ 14,362

Cash generated from operations increased over the prior year primarily due to cash flow generated from our acquired properties. The increase was offset by the timing of payments of certain working capital items.

Certain of the key performance indicators previously identified influence the cash generated from operating activities:

Performance Indicators	2005	2004
Operating Activities		
Occupancy level (1)	**95.2%**	94.5%
Tenant maturity profile – average term to maturity (years)		
Office	**4.99 years**	5.24 years
Industrial	**3.61 years**	3.48 years
In-place rental rates (average)	**$ 9.05**	$ 9.06
Operating costs as a percentage of gross revenue	**46.7%**	45.6%

(1) Includes occupied and committed space.

The decrease in average term to maturity in the office portfolio reflects the impact of month-to-month tenancies as well as the time elapsed since year-end, partially offset by new leasing activity. The industrial portfolio generally attracts tenants for shorter lease terms and the activity in the quarter has increased the average lease term at 3.6 years.

While not significant, the small decline in rental rates reflects the current competition in the market place for tenants, compared to leases that are expiring with generally higher rates that were negotiated 5 to 10 years ago. In-place rent will vary with location and incentive packages, including free rent and market conditions. We do anticipate some pressure on rents as some leases are expiring at rates that are close to or over current market rates.

Leasing

Performance Indicators	Office	Industrial	Retail	Total
Operating Activities				
Portfolio size (sq. ft.)	5,044,038	7,658,516	969,897	13,672,451
Occupied and committed	94.0%	96.3%	92.4%	95.2%
Square footage leased and occupied in the quarter	123,972	424,994	19,041	568,007
Leasing costs ($000's)	$ 1,391	$ 1,147	$ 86	$ 2,624
Leasing costs (per sq. ft.)	$ 11.22	$ 2.70	$ 4.52	$ 4.62

Occupancy levels and rental rates are discussed under our results of operations beginning on page 14. Leasing costs incurred of $2.6 million remain consistent with the comparative quarter (March 31, 2004 – $2.6 million). The amount of inducements varies across the portfolio and from year to year depending on the maturity and termination of leases, existing vacancies and market requirements. We endeavour to structure our lease deals such that the majority of the leasing cost outlay is invested in improving the tenants' space. This also benefits the overall building and adds value for the next renewal or new lease.

The table below provides an estimate of normalized annual leasing costs over a three year horizon for our portfolio based on our current experience and assuming that market conditions remain consistent with this experience.

	Office	Industrial
Average leasing activity (sq. ft.)	500,000	1,350,000
Average tenant inducement (per sq. ft.)	$ 11.50	$ 2.50
Expected average annual leasing cost ($000's)	$ 5,700	$ 3,400

As part of operating expenses, there are certain property repair and maintenance costs that are recoverable from tenants. These costs are recovered in the year of expenditure or, in the case of a major expenditure, are deferred and amortized to recoverable expense over a period of years. The amount deferred remaining at March 31, 2005 for recovery in future periods was $7.9 million (December 31, 2004 – $8.1 million).

Cash Utilized in Investing Activities

	Three Months Ended March 31	
($000's)	2005	2004
Investment in rental properties	**$ (1,270)**	$ (1,480)
Acquisition of rental properties	**(40,955)**	(77,923)
Acquisition deposit on rental properties	**(845)**	–
Investment in mezzanine loan	**(600)**	(10,068)
Net proceeds from disposal of rental properties	**2,279**	2,193
Change in restricted cash, net	**2,709**	(392)
Cash utilized in investing activities	**$ (38,682)**	$ (87,670)

Key performance indicators in the management of our investment activities are:

	Three Months Ended March 31	
Performance Indicators ($000's)	2005	2004
Investing Activities		
Acquisition of rental properties	**$ 51,431**	$ 175,219
Building improvements	**$ 1,008**	$ 746

During the quarter, we acquired $51.4 million of rental property and related intangible assets. A summary of these acquisitions is provided on page 21. As part of the consideration paid for certain acquisitions, we assumed $10.5 million in mortgages and other liabilities. These acquisitions, along with those completed in 2004, increased net operating income by approximately $4.7 million compared to 2004.

Building Improvements

($000's)	Three Months Ended March 31 2005	2004
Building improvements:		
Recurring recoverable	**$ 230**	$ 202
Recurring non-recoverable	**–**	20
Non-recurring	**778**	524
Total	**$ 1,008**	$ 746

Capital expenditures for rental property building improvements and equipment for the quarter were $1.0 million (March 31, 2004 – $0.7 million) on an accrual basis. Non-recurring improvements are for the redevelopment of properties, building expansions as well as structural replacements resulting from unforeseen conditions that are not anticipated to recur. During the first quarter, a project was initiated to replace the concrete slab that sustained damage due to subsurface soil conditions at one of the Montréal industrial buildings. This project accounted for $0.5 million of the $0.8 million in non-recurring building improvements in the quarter.

Mezzanine Loan

We have increased the mezzanine loan investment to $11.8 million to assist in the development and leasing of 350,000 square feet of new flex properties located adjacent to existing properties in Mississauga, Ontario. It is our intention to exercise our option to acquire these properties over the remainder of 2005 once they meet the 85% occupancy requirement.

Cash Generated from (Utilized in) Financing Activities

($000's)	Three Months Ended March 31 2005	2004
Mortgage placed	**$ 4,000**	$ –
Mortgages principal repayments	**(4,024)**	(3,727)
Mortgage lump sum repayments	**(2,145)**	(10,963)
Term debt principal repayments	**(123)**	(240)
Term debt lump sum repayment	**(2,075)**	–
Demand revolving credit facility, net	**33,261**	(7,026)
Demand non-revolving credit facility	**(3,015)**	–
Distributions paid	**(8,364)**	(6,414)
Units issued net of costs	**(4)**	104,354
Cash generated from financing activities	**$ 17,511**	$ 75,984

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

	March 31, 2005	December 31, 2004
Financing Activities		
Average interest rate	**6.51%**	6.62%
Level of debt (debt-to-gross book value)	**56.4%**	55.2%
Proportion of total debt due in 2005	**8.4%**	4.7%
Debt – average term to maturity (years)	**5.0**	5.4
Variable rate debt as percentage of total debt	**7.8%**	3.9%

Our debt strategy includes fixing the rates on our debt and extending loan terms as long as possible to protect against interest rate volatility. As a result of accessing our line of credit to fund acquisitions, our weighted average interest rate has decreased and variable interest rate debt as a percentage of total debt has increased.

($000's)	March 31, 2005 Fixed	Variable	Total	December 31, 2004 Fixed	Variable	Total
Mortgages	**$ 599,369**	**$ –**	**$ 599,369**	$ 591,304	$ –	$ 591,304
Term debt	**394**	**20,734**	**21,128**	432	21,005	21,437
Convertible debenture – 6.5%	**74,435**	**–**	**74,435**	74,430	–	74,430
Demand revolving credit facility	**–**	**33,261**	**33,261**	–	–	–
Demand non-revolving credit facility	**–**	**2,990**	**2,990**	–	5,984	5,984
Total	**$ 674,198**	**$ 56,985**	**$ 731,183**	$ 666,166	$ 26,989	$ 693,155
Percentage	**92%**	**8%**	**100%**	96%	4%	100%

Mortgages payable includes a $7.4 million marked-to-market adjustment (December 31, 2004 – $7.2 million) to reflect the fair value of various mortgages at the time the related properties were acquired. The 6.5% convertible debentures are net of a $0.6 million premium allocated to its conversion feature. The marked-to-market adjustment and discount are amortized to interest expense over the term to maturity of the related debt.

($000's)	March 31, 2005	December 31, 2004
Total assets	**$ 1,231,986**	$ 1,199,792
Accumulated depreciation	**64,749**	60,463
Discontinued operations	**(224)**	(2,384)
Gross book value	**$ 1,296,511**	$ 1,257,871
Outstanding debt	**$ 731,183**	$ 693,155
Unamortized equity component of convertible debenture	**555**	570
Total debt	**$ 731,738**	$ 693,725
Debt-to-gross book value	**56.4%**	55.2%

Our target level of debt is in the range of 55% to 60%. This range provides us with the flexibility to acquire more properties without the need for additional equity. Given our target debt range, we have the capacity to acquire approximately $100 million of properties. As we acquire further properties we believe that we will be able to increase our funds from operations.

We have historically maintained a very conservative debt ratio. Although our Declaration of Trust allows for 65% debt-to-gross book value, our ratio is currently 56.4%. The assumed conversion of all of the 6.5% Debentures would decrease debt-to-gross book value to 50.7%, further improving our capacity to acquire additional properties. During the first quarter our debt-to-gross book value ratio remained at the low end of our target range.

Changes in debt levels since December 31, 2004 resulting from:

($000's)	Mortgages	Term Debt	Demand Revolving Credit Facility	Demand Non-revolving Credit Facility	Convertible Debentures	Total
Debt as at December 31, 2004	$ 591,304	$ 23,326 [(1)]	$ –	$ 5,984	$ 74,430	$ 695,044
New debt assumed on rental property acquisitions	9,952	–	–	–	–	9,952
New debt placed	4,000	–	33,261	–	–	37,261
Scheduled repayments	(4,024)	(123)	–	–	–	(4,147)
Lump sum repayments	(2,145)	–	–	(3,016)	(10)	(5,171)
Lump sum repayment on property disposition	–	(2,075)	–	–	–	(2,075)
Marked-to-market adjustments	159	–	–	–	15	174
Foreign exchange adjustment	123	–	–	22	–	145
Debt as at March 31, 2005	**$ 599,369**	**$ 21,128**	**$ 33,261**	**$ 2,990**	**$ 74,435**	**$ 731,183**

(1) Includes discontinued operations

($000's)	March 31, 2005 Debt Maturities	Scheduled Principal Repayments on Non-matured Debt	Amount	%	December 31, 2004
Remainder of 2005	$ 47,100	$ 14,058	**$ 61,158**	8	$ 32,564
2006	47,801	18,359	**66,160**	9	65,737
2007	52,534	16,369	**68,903**	10	68,533
2008	74,533	15,544	**90,077**	12	89,596
2009	105,205	12,892	**118,097**	16	112,653
2010 and thereafter	306,632	20,156	**326,788**	45	324,072
Total	**$ 633,805**	**$ 97,378**	**$ 731,183**	**100**	$ 693,155

Convertible Debenture Issue

Subsequent to quarter end, on April 1, 2005, we issued $100.0 million principal amount of convertible unsecured debentures ("5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31st and September 30th each year, and mature on March 31, 2015. Each 5.7% Debenture is convertible by the debenture holder into 33.33333 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of $30.00 per unit. On or after March 31, 2009, but prior to March 31, 2011, the 5.7% Debentures may be redeemed by the Trust at par plus accrued and unpaid interest, provided that the market price for the Trust's units is not less than $37.50. The proceeds of the 5.7% Debentures will be used to repay existing debt of approximately $60 million and the remainder will be used to fund acquisitions closing in the second quarter. After completing the debenture issue, our key debt performance measures will be as follows:

	March 31, 2005	March 31, 2005 *Pro Forma*
Financing Activities		
Average interest rate	**6.51%**	6.42%
Level of debt (Debt-to-gross book value)	**56.4%**	57.9%
Proportion of total debt due in 2005	**8.4%**	3.2%
Debt – average term to maturity (years)	**5.0**	5.9
Variable rate debt as percentage of total debt	**7.8%**	2.7%

In accordance with section 3860 of the CICA Handbook, the 5.7% Debentures will be recorded on the balance sheet as debt of $98.8 million and equity of $1.2 million. Estimated issue costs of $4.5 million and the discount related to the offering will be amortized to interest expense over 10 years.

Equity and Non-controlling Interest

	Equity	Non-Controlling Interest	
	REIT Units, Series A	LP Class B Units, Series 1	Total
Units issued and outstanding on December 31, 2004	16,819,963	7,924,084	24,744,047
Units issued pursuant to DRIP	34,840	173,941	208,781
Units issued pursuant to unit purchase plan	151	–	151
Conversion of 6.5% debenture	400	–	400
Redemption of units	(100)	–	(100)
Total units outstanding on March 31, 2005	16,855,254	8,098,025	24,953,279
Percentage of all units	67.5%	32.5%	100%
Units issued pursuant to DRIP on April 15, 2005	11,329	60,416	71,745
Units issued pursuant to unit purchase plan	425	–	425
Total units outstanding on April 15, 2005	16,867,010	8,158,441	25,025,449
Percentage of all units	67.4%	32.6%	

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special REIT Units. The Special REIT Units may only be issued to holders of LP Class B Units, Series 1, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1. The LP Class B Units, Series 1 are held by a related party of Dundee REIT. Both the REIT Units and Special REIT Units entitle the holder to one vote for each unit held at all meetings of the unitholders. The LP Class B Units, Series 1 are generally exchangeable on a one-for-one basis for REIT Units, Series B at the option of the holder which can then be converted into REIT Units, Series A. The LP Class B Units, Series 1 generally have economic and voting rights equivalent in all material respects to REIT Units, Series A. The REIT Units, Series A and REIT Units, Series B generally have economic and voting rights equivalent in all material respects to each other.

The LP Class B Units, Series 1 do not meet the specific conditions contained in EIC-151 (see page 25) for classification as equity and are therefore classified as non-controlling interest in our the consolidated balance sheet. However, the LP Class B Units, Series 1 have substantially the same rights as the REIT Units and are considered equity for the purposes of this discussion and analysis.

Funds from Operations

($000's except per unit amounts)	Dundee REIT Consolidated Three Months Ended March 31 2005	2004 *Restated*
Net income	**$ 3,681**	$ 4,157
Add (deduct):		
Depreciation of rental properties	**6,688**	6,284
Amortization of deferred leasing costs and intangibles	**3,778**	1,903
Imputed amortization of leasing costs related to the rent supplement	**487**	380
Gain on disposal of rental properties	**(242)**	(177)
Future income tax expense (recovery)	**192**	(41)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(4)**	(2)
Dilution gain	**(673)**	(633)
Non-controlling interest	**1,451**	1,801
FFO	**$ 15,358**	$ 13,672
FFO per unit – basic	**$ 0.62**	$ 0.64
FFO per unit – diluted	**$ 0.60**	$ 0.64

Management believes that FFO is an important measure of the Trust's operating performance and is indicative of its cash-generating activities. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations, however, it does not represent cash flow from operating activities as defined by Canadian Generally Accepted Accounting Principles ("GAAP") and is not necessarily indicative of cash available to fund Dundee REIT's needs. Effective January 1, 2005, the Real Property Association of Canada ("RealPac") has provided better guidance on the definition of FFO to help promote more consistent disclosure. The impact of the RealPac guideline on our calculation of FFO is not significant, with the only change being the deduction of amortization of costs that are not uniquely significant to the real estate industry. These costs include software, office equipment and building improvement costs incurred after the formation of the Trust. The Trust has adopted these guidelines for the quarter and has restated all prior comparative periods. Until such time as all income trusts adopt this policy, our computation of FFO may not be comparable with other industries or income trusts.

Diluted FFO per unit amounts assumes the conversion of the 6.5% Debentures. The decrease in FFO per unit for the first quarter compared to the same quarter in 2004 mainly reflects the impact of the disposition of Northgate Mall in 2004.

Distributable Income

($000's except per unit amounts)	Three Months Ended March 31 2005	2004[1] Restated
Net income	**$ 3,681**	$ 4,157
Adjust for:		
Depreciation of rental properties	**6,688**	6,284
Amortization of deferred leasing costs and intangibles	**3,778**	1,903
Future income taxes	**192**	(41)
Amortization of marked-to-market adjustment on acquired debt	**(350)**	(324)
Compensation expense, deferred unit incentive plan	**175**	105
Loss (gain) on disposal of rental property	**(242)**	(177)
Straight-line rent	**(1,070)**	(949)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(4)**	(2)
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**4**	47
Amortization of deferred financing costs incurred prior to June 30, 2003	**87**	201
Amortization of market adjustment on acquired leases	**(33)**	–
Dilution gain	**(673)**	(633)
Non-controlling interest	**1,451**	1,801
Distributable income	**$ 13,684**	$ 12,372
Distributable income per unit – basic	**$ 0.55**	$ 0.58
Distributable income per unit – diluted	**$ 0.54**	$ 0.58

(1) Previously reported as $12,458. Restated amount deducts amortization of costs not specific to real estate operations, no longer deducts the amortization of deferred leasing costs and no longer includes imputed amortization of leasing costs related to the rent supplement.

Distributable income is not a measure defined by Canadian GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust to facilitate the determination of distributions.

In response to recent changes in Canadian GAAP, effective January 1, 2005, we amended our definition of distributable income to more accurately describe cash available for distribution to unitholders. The most significant change relates to the exclusion of the amortization of leasing costs, which do not impact our capacity to pay distributions in the short term. The change also incorporates the deduction of amortization of costs not specific to real estate operations as discussed under funds from operations above. The impact of these changes increased distributable income in the quarter by $0.5 million (March 31, 2004 – $0.1 million).

Distributions

The distributions presented in the table below are comprised of $9.3 million relating to REIT Units, Series A and $4.6 million relating to LP Class B Units, Series 1. Cash distributions were only paid to holders of REIT Units, Series A as all of the LP Class B Units, Series 1 are enrolled in the DRIP.

($000's)	Declared Distributions	4% Additional Distributions	Total
2005 Distributions			
Paid in cash or reinvestment in units	$ 9,097	$ 140	$ 9,237
Payable at March 31, 2005	4,566	70	4,636
Total distributions	$ 13,663	$ 210	$ 13,873
2005 Reinvestment			
Reinvested in 2005	$ 3,511	$ 140	$ 3,651
Reinvested on April 15, 2005	1,760	70	1,830
Total distributions reinvested	$ 5,271	$ 210	$ 5,481
Distributions paid in cash	$ 8,392		
Reinvestment to distribution ratio	38.6%		
Cash distribution payout ratio	61.4%		

Our distribution policy requires us to make cash distributions to our unitholders, payable monthly, equal to at least 80% of distributable income on an annual basis. Distributions declared in the quarter amounted to $13.7 million, a small increase over the previous three-month period, mainly as a result of an increase in units generated through the DRIP. Of this amount, $5.3 million or 39% was reinvested in additional units. As a result of the high level of participation in the DRIP, our cash payout ratio for our distributions is 61%.

Our Results of Operations

	Dundee REIT Consolidated	
	Three Months Ended March 31	
($000's)	2005	2004
Rental properties		
Revenues	**$ 50,793**	$ 42,908
Operating expenses	**23,725**	20,059
Net operating income	**27,068**	22,849
Other expenses		
Interest	**11,735**	9,561
Depreciation of rental properties	**6,689**	5,884
Amortization of deferred leasing costs and intangibles	**3,778**	1,767
General and administrative	**1,161**	952
	23,363	18,164
Other income		
Interest and fee income, net	**718**	583
Income before gain on asset disposal and dilution gain	**4,423**	5,268
Gain on disposal of rental property	**–**	177
Dilution gain	**673**	633
Income before income and large corporations taxes	**5,096**	6,078
Income taxes		
Current income and large corporations taxes	**47**	20
Future income taxes	**192**	(41)
	239	(21)
Income before non-controlling interest	**4,857**	6,099
Income attributable to non-controlling interest	**1,362**	1,849
Income before discontinued operations	**3,495**	4,250
Discontinued operations	**186**	(93)
Net income	**$ 3,681**	$ 4,157

Revenues

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs, property taxes, parking revenues and other miscellaneous revenues from tenants. The $7.9 million increase in revenue in the quarter over the same period in the prior year is primarily a result of acquisitions completed in 2004 and 2005. Acquisitions completed in the current period contributed $1.1 million to revenues.

Operating Expenses

Operating expenses are mainly comprised of occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, repairs and maintenance. The $3.7 million increase in operating expenses for the quarter is mainly a result of acquisitions completed in 2004 and 2005.

Interest Expense

Interest expense for the quarter increased by $2.2 million or 22.7% over the same quarter in the prior year, mainly driven by increased debt levels related to acquisitions.

Depreciation of Rental Properties

Depreciation increased $0.8 million over the respective period in 2004 mainly as a result of acquisitions.

Amortization of Deferred Leasing Costs and Intangibles

Amortization increased $2.0 million over the respective period in 2004, largely as a result of allocating a portion of the purchase price on new acquisitions in 2004 and 2005 to intangibles.

General and Administrative

General and administrative expenses are primarily comprised of the expenses related to corporate management, trustees' fees and expenses, and investor relations for the Trust and its subsidiaries. Expenses for the quarter were $1.2 million, an increase of $0.2 million compared to the same period in 2004, reflecting a timing difference in expenditures and the ongoing staffing and compliance costs of operating as an investment trust.

Interest and Fee Income

Interest and fee income represents amounts for items such as fees earned from managing properties owned by others, including management, construction and leasing fees, and interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary from year-to-year.

Dilution Gain

A dilution gain of $0.7 million (March 31, 2004 – $0.6 million) was recognized as a result of the application of EIC-151. The dilution gain stems from the issuance of LP Class B Units, Series 1 under our DRIP resulting in a dilution of the Trust's ownership of Dundee Properties L.P.

Income Attributable to Non-Controlling Interest

Income attributable to non-controlling interest of $1.4 million does not include $0.1 million of income from discontinued operations. These amounts represent the income from continuing operations and discontinued operations allocated to the holders of LP Class B Units, Series 1.

Discontinued Operations

Discontinued operations include assets that have been identified as held for sale or sold and meet specific criteria as discontinued assets in accordance with Canadian GAAP. These assets and operations are disclosed separately on the balance sheet and income statement. Discontinued operations include our 25% interest in 2301 and 2311 Royal Windsor Drive, Mississauga and, in 2004, the operations of Northgate Mall, Regina. Greater details with respect to this disposition are provided on page 21. During the quarter, the contribution from discontinued operations, after deducting non-controlling interest, included a gain on sale of $0.2 million.

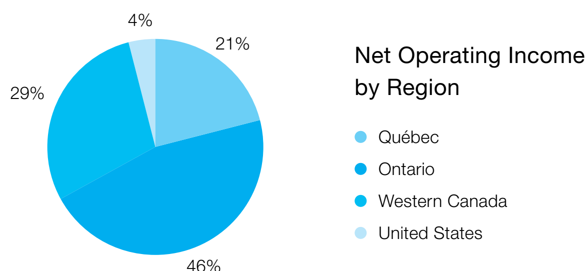
Income Tax Expense

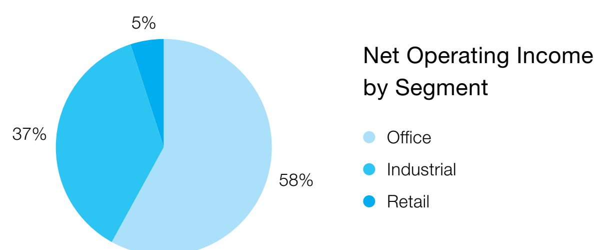
Dundee REIT distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation for tax rests with each unitholder and no tax provision is currently required on the majority of Dundee REIT's income. Certain Canadian and U.S. subsidiaries of Dundee REIT are taxable and any tax related costs are reflected in the income statement and balance sheet.

Net Operating Income ("NOI")

	Three Months Ended March 31			
			Growth	
($000's)	2005	2004	Amount	%
Office	**$ 15,802**	$ 13,655	**$ 2,147**	**16**
Industrial	**9,946**	7,633	**2,313**	**30**
Retail	**1,320**	1,561	**(241)**	**(15)**
NOI	**27,068**	22,849	**4,219**	**18**
Discontinued operations	**38**	1,125	**(1,087)**	
NOI including discontinued operations	**$ 27,106**	$ 23,974	**$ 3,132**	**13**

	Three Months Ended March 31			
			Growth	
($000's)	2005	2004	Amount	%
Québec	**$ 5,612**	$ 4,253	**$ 1,359**	**32**
Ontario	**12,554**	10,707	**1,847**	**17**
Western Canada	**7,885**	6,710	**1,175**	**17**
Total Canada	**26,051**	21,670	**4,381**	**20**
United States	**1,017**	1,179	**(162)**	**(14)**
NOI	**27,068**	22,849	**4,219**	**18**
Discontinued operations	**38**	1,125	**(1,087)**	
NOI including discontinued operations	**$ 27,106**	$ 23,974	**$ 3,132**	**13**





Net operating income is an important measure used by management to evaluate the operating performance of the properties. We define NOI as the total of rental property revenues less operating expenses. NOI for the quarter increased 13% over the same period in 2004, primarily due to acquisitions in 2004 and 2005.

NOI Comparative Portfolio

	Three Months Ended March 31			
			Growth	
($000's)	2005	2004	Amount	%
Office	**$ 12,733**	$ 12,888	**$ (155)**	**(1)**
Industrial	**6,014**	5,787	**227**	**4**
Retail	**1,311**	1,513	**(202)**	**(13)**
Comparative properties	**20,058**	20,188	**(130)**	**(1)**
Acquisitions	**6,323**	1,659	**4,664**	
Rent supplement	**687**	951	**(264)**	
Dispositions	**–**	51	**(51)**	
NOI	**27,068**	22,849	**4,219**	**18**
Discontinued operations	**38**	1,125	**(1,087)**	
NOI including discontinued operations	**$ 27,106**	$ 23,974	**$ 3,132**	**13**

	Three Months Ended March 31			
			Growth	
($000's)	2005	2004	Amount	%
Québec	**$ 3,649**	$ 3,823	**$ (174)**	**(5)**
Ontario	**9,151**	9,327	**(176)**	**(2)**
Western Canada	**6,241**	5,859	**382**	**7**
Total Canada	**19,041**	19,009	**32**	**–**
United States	**1,017**	1,179	**(162)**	**(14)**
Comparative properties	**20,058**	20,188	**(130)**	**(1)**
Acquisitions	**6,323**	1,659	**4,664**	
Rent supplement	**687**	951	**(264)**	
Dispositions	**–**	51	**(51)**	
NOI	**27,068**	22,849	**4,219**	**18**
Discontinued operations	**38**	1,125	**(1,087)**	
NOI including discontinued operations	**$ 27,106**	$ 23,974	**$ 3,132**	**13**

NOI shown above highlights comparative and non-comparative items to assist in understanding the impact each component has on NOI. The discontinued operations that contributed to NOI are shown separately to conform with the required income statement presentation. Comparative NOI and acquisitions include straight-line rents which were previously disclosed separately when the policy was prospectively adopted at December 31, 2004. Straight-line rent will fluctuate based on the lease agreements entered into by the Trust. Generally, when leases contain contractual rent increases, also known as step rents, straight-line rent will increase revenue at the beginning of the lease term and decrease revenue in the latter periods as compared with accounting for rents as they became due. Management anticipates the impact of straight- line rent to decrease over time.

Comparative NOI was virtually flat period-over-period, reflecting the stability and occupancy level of the properties. An overall increase in comparative occupancy reflects increases in the Ontario office portfolio and the Québec and Western Canada industrial portfolios.

Property NOI generally varies from period-to-period as a result of the timing of revenues and expenses that do not fluctuate directly with occupancy, such as parking revenue, bad debt provisions and extra tenant services. The increase in NOI reflects the impact of acquisitions completed in 2004 and 2005. The rent supplement from DRC described below and the recognition of straight-line rent contributed $0.7 million and $1.1 million, respectively, for the three months.

The rent supplement represents amounts funded by DRC based on specific vacancies as previously agreed to upon the formation of Dundee REIT and as included in the property management agreement. This rent supplement will fluctuate as leasing of supplemented space occurs. The supplement commenced July 1, 2003 and is effective for five years on office and retail space and three years for industrial space. If at any time any of the spaces to which the supplement applies is either leased, sold or ceases to be managed by Dundee Realty Management Corp., the amount of the rent supplement will be permanently reduced by the amount attributed to that space. The rental supplement decreased in the quarter as a result of leasing activity in supplemented industrial space.

Comparative Office Portfolio

	Three Months Ended March 31			
			Growth	
($000's)	2005	2004	Amount	%
Québec	**$ 1,160**	$ 1,416	**$ (256)**	**(18)**
Ontario	**7,583**	7,619	**(36)**	**–**
Western Canada	**3,990**	3,853	**137**	**4**
Comparative properties	**12,733**	12,888	**(155)**	**(1)**
Acquisitions	**2,603**	269	**2,334**	
Rent supplement	**466**	498	**(32)**	
Office NOI	**$ 15,802**	$ 13,655	**$ 2,137**	**16**

Leasing remains a challenge in the Anjou and Décarie sub-markets in Montréal and although the current occupancy level is encouraging it partially reflects tenants who are maintaining their occupancy on a month-to-month basis after their leases have expired. Our goal is to secure longer-term commitments from these tenants.

The Toronto office portfolio is well leased with the exception of the 110 Sheppard and the St. Clair buildings. These properties are indicative of the challenges faced by other landlords in these sub-markets as well. Leasing at 110 Sheppard has improved and it is currently 64% committed, up from 54% at year end. The vacancies in the St. Clair buildings are being actively marketed with an innovative broker program designed to target small- to medium-sized tenants. The Western Canada office portfolio is virtually fully leased with almost 70% of the remaining 2005 expiries already committed.

Acquisitions contributing to our results include 720 Bay Street, Toronto and the Montréal Portfolio, both completed in the second quarter of 2004, as well as 204 King Street and 2599 Speakman Drive, Toronto, and 2465 St. Laurent Blvd., Ottawa completed in 2005.

Comparative Industrial Portfolio

	Three Months Ended March 31			
			Growth	
($000's)	2005	2004	Amount	%
Québec	**$ 2,489**	$ 2,407	**$ 82**	**3**
Ontario	**1,432**	1,536	**(104)**	**(7)**
Western Canada	**2,093**	1,844	**249**	**14**
Comparative properties	**6,014**	5,787	**227**	**4**
Acquisitions	**3,720**	1,390	**2,330**	
Rent supplement	**212**	456	**(244)**	
Industrial NOI	**9,946**	7,633	**2,313**	**30**
Discontinued operations	**–**	212	**(212)**	
Industrial NOI including discontinued operations	**$ 9,946**	$ 7,845	**$ 2,101**	**27**

Comparative industrial NOI is up 4% over the respective quarter in 2004. Improved results primarily reflect increases in occupancy in both our Western Canada and Montréal portfolios. In the Ontario portfolio, first quarter 2004 results were driven by unusually high occupancy rates that are not easily sustainable. The current results are more reflective of on-going performance. Having said that, vacancy at quarter

end comprises only 41,000 square feet, of which 36% is already committed for future occupancy. Leasing activity in the Toronto portfolio is strong and we anticipate that it will remain well leased, however, approximately 350,000 square feet will be expiring throughout the remainder of 2005 and we anticipate some downtime between tenancies at two of these properties.

Acquisitions in the industrial portfolio contributing to our results include the Pauls Portfolio acquired in the first quarter of 2004 and the Geo-X Building, Calgary acquired in the second quarter of 2004. Acquisitions in 2005 include 2580 Avenue Dollard, Montréal, and 1219 Corporate Drive, Toronto.

Comparative Retail Portfolio

	Three Months Ended March 31			
			Growth	
($000's)	2005	2004	Amount	%
Ontario	**$ 136**	$ 172	**$ (36)**	**(21)**
Western Canada	**158**	162	**(4)**	**(2)**
Total Canada	**294**	334	**(40)**	**(12)**
United States (US$)	**830**	898	**(68)**	**(8)**
Foreign exchange	**187**	281	**(94)**	**(33)**
Comparative properties	**1,311**	1,513	**(202)**	**(13)**
Rent supplement	**9**	(3)	**12**	
Dispositions	**–**	51	**(51)**	
Retail NOI	**1,320**	1,561	**(241)**	**(15)**
Discontinued operations	**38**	913	**(875)**	
Retail NOI including discontinued operations	**$ 1,358**	$ 2,474	**$ (1,116)**	**(45)**

The decline in comparative retail NOI is primarily the result of our U.S. asset. The appreciation in value of the Canadian dollar between periods translated into a $0.1 million decline in contribution from this asset over the respective quarter in 2004. Also impacting results from this asset was a decrease in percentage rent and miscellaneous income. In addition, two tenant bankruptcies in Ontario after a poor Christmas shopping season further impacted comparative results. The decline in overall NOI reflects the sale of Northgate Mall, which contributed $0.9 million in 2004.

Leasing Profile

The overall percentage of occupied and committed space across our rental properties portfolio increased to 95.2% at quarter end. Occupancy rates discussed in this report include actual and committed space at March 31, 2005 and exclude space to which the rent supplement is applied.

	Total Portfolio		Comparative Properties	
	March 31, 2005	December 31, 2004 [1]	March 31, 2005	December 31, 2004 [1]
Office				
Québec	**86.7%**	89.2%	**86.7%**	89.2%
Ontario	**94.7%**	93.2%	**94.0%**	93.2%
Western Canada	**99.7%**	99.3%	**99.7%**	99.3%
	94.0%	93.6%	**93.6%**	93.6%
Industrial [1]				
Québec	**93.5%**	91.4%	**93.1%**	91.4%
Ontario	**98.9%**	98.1%	**98.8%**	98.1%
Western Canada	**97.1%**	96.9%	**97.1%**	96.9%
	96.3%	95.2%	**96.1%**	95.2%
Retail				
Ontario	**84.8%**	91.0%	**84.8%**	91.0%
Western Canada	**100.0%**	100.0%	**100.0%**	100.0%
US	**93.2%**	93.2%	**93.2%**	93.2%
	92.4%	93.3%	**92.4%**	93.3%
Overall	**95.2%**	94.5%	**94.9%**	94.5%

(1) Excludes: 2301 and 2311 Royal Windsor Drive, Mississauga.

Our portfolio remains well occupied and committed. Based on our current experience, we anticipate stable occupancy throughout 2005. We do caution, however, that while our experience to date has been positive, there is the potential for greater downtime between tenancies when leasing larger spaces, particularly for those properties that may require improvements or changes prior to a new tenant taking occupancy. Some larger tenants will be vacating their premises in the Montréal and Toronto industrial portfolios in the latter part of 2005. The expiries in Western Canada are primarily smaller tenancies with the exception of one expiry comprising approximately 27,000 square feet that may not renew. We are currently marketing these spaces and while we are optimistic that leasing will be concurrent with the expiries, we believe that some interim vacancy may occur.

Summary of leasing activity to March 31, 2005:

(square feet)	Office	Industrial [1]	Retail	Total
Vacant space available – January 1, 2005	**301,579**	**355,465**	**65,445**	**722,489**
Remeasurements	**151**	**–**	**–**	**151**
Leases terminated/expiring	**121,801**	**241,177**	**21,066**	**384,044**
Total space available for lease	**423,531**	**596,642**	**86,511**	**1,106,684**
New tenants	**74,742**	**153,459**	**–**	**228,201**
Renewals	**45,260**	**158,370**	**13,196**	**216,826**
Total space leased	**120,002**	**311,829**	**13,196**	**445,027**
Total space available for lease – March 31, 2005	**303,529**	**284,813**	**73,315**	**661,657**
Net (increase) decrease in vacant space	**(1,950)**	**70,652**	**(7,870)**	**60,832**

The above table shows a net decrease in vacant space of 60,832 square feet at quarter end. The overall increase in occupied and committed space is a result of leasing activity and the acquisition of well leased properties. During the quarter, occupancy improved with 384,044 square feet of leases expiring offset by 445,027 square feet of new leases and renewals. The volume of leasing in the office and industrial portfolios is consistent with normalized levels discussed previously.

Lease maturity profile as at March 31, 2005 by asset type:

(square feet)	Current Vacancy	Current Monthly Tenancies	2005	2006	2007	2008	2009 and Thereafter	Total
Office	303,529	37,242	298,596	449,844	594,055	362,428	2,998,344	5,044,038
Industrial	284,813	136,670	957,698	1,205,991	1,151,320	1,065,000	2,857,024	7,658,516
Retail	73,315	29,505	59,105	48,784	91,879	92,645	574,664	969,897
Total	661,657	203,417	1,315,399	1,704,619	1,837,254	1,520,073	6,430,032	13,672,451
Percentage	4.8%	1.5%	9.6%	12.5%	13.4%	11.1%	47.0%	100%

Average Expiring Rents as at March 31, 2005:

	Current Monthly Tenancies	2005	2006	2007	2008	2009 and thereafter
Office	$ 12.05	$ 12.91	$ 16.04	$ 12.36	$ 12.31	$ 14.59
Industrial	4.91	5.58	5.21	4.90	4.91	6.75
Average	6.44	7.32	8.15	7.44	6.79	10.76
Retail	18.43	15.06	12.26	11.41	12.72	6.81
Portfolio average	8.18	7.67	8.27	7.64	7.15	10.41

The leasing process continues to be challenging, however, our leasing staff begin working on lease renewals long before the term has expired, in some cases up to a year in advance. The result is that our significant lease expiries in 2005 have been identified, some have already been renewed and any areas of potential risk have been evaluated. We anticipate the portfolio in Western Canada will remain strong due to strong leasing and a buoyant economy. In Québec, we anticipate some decreases in occupancy due to non-renewals in some of the less active office markets, particularly in the East end sub-market of Montréal. This will be offset somewhat with expected occupancy increases in the industrial portfolio.

New acquisitions have allowed us more flexibility in our space offerings to existing and prospective tenants. Where necessary, we will continue to work with tenants and offer alternative space solutions. We also make every effort to accommodate the need for growth, but with a virtually fully leased industrial portfolio in Ontario and office portfolio in Western Canada, this could prove to be challenging.

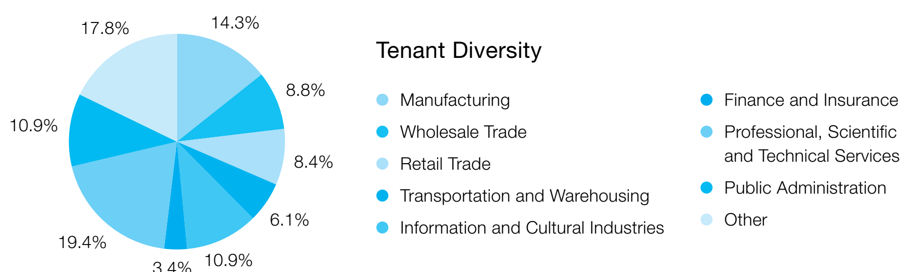
Average remaining lease term as at March 31 and other portfolio information:

	March 31, 2005			December 31, 2004 (1)		
	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-Place Net Rent (per sq. ft.)	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-Place Net Rent (per sq. ft.) (1)
Office	**4.99**	**8,533**	**$ 14.15**	5.24	8,270	$ 14.35
Industrial	**3.61**	**13,035**	**$ 5.76**	3.48	13,091	$ 5.78
Average	**4.05**	**10,621**	**$ 9.04**	3.99	10,491	$ 9.06
Retail	**5.49**	**6,141**	**$ 9.11**	5.57	5,990	$ 9.10
Portfolio average	**4.24**	**10,142**	**$ 9.05**	4.25	9,980	$ 9.06

(1) Excludes 2301 and 2311 Royal Windsor Drive, Mississauga.

Dundee REIT has a broad tenant base with the average tenant occupying approximately 10,000 square feet. The result is a large and diverse tenant base. With approximately 1,300 tenants, lease renewals are frequent and our risk exposure with any large single lease or tenant is relatively low. Our success in managing our lease expiries is evident in our track record where the lease maturity profile of our properties has been consistent and our occupancy levels have fluctuated only within a very narrow range.

The following chart illustrates the diversity of our tenant base broken down by the percentage contribution to total contract rent. Tenants have been classified according to their North American Industry Classification System ("NAICS") codes, which is one system used for classifying the industry in which tenants operate.



Our three largest tenants, the Government of Ontario, Telus Communications, and the Government of Canada, comprise approximately 5.1%, 4.5% and 4.3% of our gross rental revenue respectively. The table below sets out the percentage contribution to gross rental revenue of our ten largest tenants:

Tenant	Owned Area (sq. ft.)	% of Owned Area	% of Gross Rental Revenue	Expiry
Government of Ontario	380,000	2.8%	5.1%	2005-2015
Telus Communications	330,000	2.4%	4.5%	2016
Government of Canada	300,000	2.2%	4.3%	2005-2015
Bell Canada	268,000	2.0%	2.6%	2009
State Street Trust Company	94,000	0.7%	2.0%	2012
International Financial Data Services	96,000	0.7%	2.0%	2013
Government of BC	102,000	0.7%	1.7%	2006-2009
IBM Canada	112,000	0.8%	1.6%	2005-2011
Epcor Utilities	188,000	1.4%	1.6%	2011
Spirent Communications	81,000	0.6%	1.3%	2011
Total	1,951,000	14.3%	26.7%	

Acquisitions

	Property Type	Interest Acquired	Acquired GLA	Quarter End Occupancy	Purchase Price ($000's)	Date Acquired
2599 Speakman Drive, Mississauga	Office	100%	114,000	100%	$ 9,635	January 13, 2005
1219 Corporate Drive, Burlington	Industrial	100%	103,000	100%	6,590	January 31, 2005
204 King Street East, Toronto	Office	100%	135,000	100%	20,398	February 25, 2005
2580 Avenue Dollard, Montréal	Industrial	100%	90,000	100%	4,673	March 2, 2005
Epcor Centre, Edmonton[1]	Office	10%	19,200	100%	1,529	March 4, 2005
2465 St. Laurent Blvd., Ottawa	Office	100%	62,000	100%	8,606	March 8, 2005
Total			523,200		$ 51,431	

(1) Represents purchase of the balance of the property.

A component of our growth strategy is to acquire office and industrial properties in our key markets, allowing us to capitalize on operational efficiencies, further increase our presence and critical mass in our target markets and to improve the overall quality and rental income stability of our portfolio. Acquisitions completed throughout 2005 are outlined above.

Subsequent to quarter end, we closed the following acquisitions:

	Property Type	Interest Acquired	Occupancy on acquisition	Acquired GLA	Purchase Price ($000's)	Date Acquired
56 Wellesley West, Toronto[1]	Office	50%	100%	108,000	$ 13,600	April 1, 2005
120 Valleywood Drive, Markham[1]	Industrial	50%	100%	29,500	1,600	April 1, 2005
2280 Alfred Nobel, Montréal	Office	100%	–	86,000	5,250	April 8, 2005
1000 Boulevard St. Jean, Montréal	Office	100%	98%	112,000	15,000	April 14, 2005
22000 Trans Canada and 115 Hymus Blvd., Montréal	Industrial	100%	100%	371,000	23,800	April 18, 2005
Total				706,500	$ 59,250	

(1) Represents purchase of the balance of the property.

All of the properties acquired compliment Dundee REIT's existing portfolio and align with our strategy of owning and managing office and industrial properties in Montréal, Ottawa, Toronto, Calgary and Edmonton.

Dispositions

Another important component of our strategy is the continuous and active analysis of the performance of our properties – identifying strengths and weaknesses of individual properties and our portfolio as a whole and identifying properties for capital improvements or properties for disposal that no longer fit with our investment strategy. During the quarter we sold our 25% interest in 2301 and 2311 Royal Windsor Drive, two industrial buildings totaling 204,136 square feet located in Mississauga, Ontario for proceeds of $2.3 million and recognized a gain of $0.2 million on the sale.

Quarterly Information

The following table shows quarterly information since June 30, 2003.

($000's)	Q1 2005	Q4 2004	Q3 2004 [1]	Q2 2004 [1]	Q1 2004 [1]	Q4 2003 [1]	Q3 2003 [1]
Rental Properties							
Revenues	**$ 50,793**	$ 50,098	$ 47,983	$ 46,191	$ 42,908	$ 38,545	$ 34,902
Operating expenses	**23,725**	23,831	20,999	20,418	20,059	18,955	16,147
Net operating income	**27,068**	26,267	26,984	25,773	22,849	19,590	18,755
Other expenses							
Interest	**11,735**	11,663	11,739	10,304	9,561	8,866	8,451
Depreciation of rental properties	**6,689**	6,780	6,592	6,290	5,884	2,428	2,107
Amortization of deferred leasing costs and intangibles	**3,778**	3,671	3,761	3,363	1,767	1,540	1,263
General and administrative	**1,161**	1,899	1,145	1,205	952	1,115	994
	23,363	24,013	23,237	21,162	18,164	13,949	12,815
Other income							
Interest and fee income, net	**718**	637	583	429	583	484	192
Income before gain (loss) on disposal of asset and dilution gain	**4,423**	2,891	4,330	5,040	5,268	6,125	6,132
Gain (loss) on disposal of rental property	**–**	(11)	–	(11)	177	(289)	–
Dilution gain	**673**	548	365	185	633	–	–
Income before income and large corporations taxes	**5,096**	3,428	4,695	5,214	6,078	5,836	6,132
Income taxes							
Current income and large corporations taxes	**47**	46	29	18	20	35	15
Future income taxes	**192**	(25)	(1,946)	(1)	(41)	65	(33)
	239	21	(1,917)	17	(21)	100	(18)
Income before non-controlling interest	**4,857**	3,407	6,612	5,197	6,099	5,736	6,150
Income (loss) attributable to non-controlling interest	**1,362**	970	1,961	(1,557)	1,849	2,256	2,618
Income before discontinued operations	**3,495**	2,437	4,651	3,640	4,250	3,480	3,532
Discontinued Operations	**186**	590	724	(11,846)	(93)	94	76
Net income (loss)	**$ 3,681**	$ 3,027	$ 5,375	$ (8,206)	$ 4,157	$ 3,574	$ 3,608
Net income (loss) per unit							
Basic	**$ 0.22**	$ 0.18	$ 0.32	$ (0.49)	$ 0.29	$ 0.32	$ 0.38
Diluted [2]	**$ 0.18**	$ 0.16	$ 0.30	$ (0.50)	$ 0.25	$ 0.32	$ 0.38

(1) Restated to reflect retroactive adoption of EIC-151 as described on page 25.
(2) Excludes the impact of the 6.5% Debentures, which are not dilutive to net income.

Calculation of Funds from Operations and Distributable Income

($000's)	Q1 2005	Q4 2004 (3)	Q3 2004 (2)(3)	Q2 2004 (2)(3)	Q1 2004 (2)(3)	Q4 2003 (2)(3)	Q3 2003 (2)(3)
Net income (loss)	**$ 3,681**	$ 3,027	$ 5,375	$ (8,206)	$ 4,157	$ 3,574	$ 3,608
Add (deduct):							
Depreciation of rental properties	**6,688**	6,785	6,605	6,690	6,284	2,588	2,266
Amortization of deferred leasing costs and intangibles	**3,778**	3,672	3,764	3,494	1,903	1,703	1,392
Future income tax	**192**	(25)	(1,946)	(1)	(41)	65	(33)
Imputed amortization of leasing costs related to the rent supplement	**487**	336	286	362	380	375	332
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(4)**	(4)	(3)	(3)	(2)	(1)	–
Dilution gain	**(673)**	(548)	(365)	(185)	(633)	–	–
(Gain) loss on disposal of rental properties	**(242)**	(287)	(443)	(2,396)	(177)	289	–
Provision for impairment in value of rental property	**–**	–	–	19,729	–	–	–
Non-controlling interest	**1,451**	1,245	2,292	(3,782)	1,801	2,317	2,674
Funds from operations	**15,358**	14,201	15,565	15,702	13,672	10,910	10,239
Add (deduct):							
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**–**	4	3	3	2	1	–
Imputed amortization of leasing costs related to the rent supplement	**(487)**	–	–	–	–	–	–
Amortization of marked-to-market adjustment on acquired debt	**(350)**	(315)	(315)	(484)	(324)	(106)	(75)
Compensation expense related to deferred unit incentive plan	**175**	568	107	106	105	104	9
Straight-line rent	**(1,070)**	(889)	(1,140)	(1,286)	(949)	–	–
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**4**	14	32	33	53	28	44
Amortization of deferred financing costs incurred prior to June 30, 2003	**87**	104	86	74	203	210	285
Amortization of deferred leasing costs incurred subsequent to June 30, 2003	**–**	(1,089)	(796)	(544)	(304)	(296)	(43)
Amortization of market adjustment on acquired leases	**(33)**	(56)	(83)	8	–	–	–
Distributable income	**$ 13,684**	$ 12,542	$ 13,459	$ 13,612	$ 12,458	$ 10,851	$ 10,459
Funds from operations per unit							
Basic (1)	**$ 0.62**	$ 0.58	$ 0.64	$ 0.65	$ 0.64	$ 0.59	$ 0.63
Diluted	**$ 0.60**	$ 0.56	$ 0.62	$ 0.65	$ 0.64	$ 0.59	$ 0.63
Distributable income per unit							
Basic (1)	**$ 0.55**	$ 0.51	$ 0.55	$ 0.56	$ 0.58	$ 0.59	$ 0.64
Diluted	**$ 0.54**	$ 0.50	$ 0.54	$ 0.56	$ 0.58	$ 0.59	$ 0.64
Weighted average units outstanding for FFO and DI							
Basic	**24,865,788**	24,651,828	24,411,074	24,175,288	21,508,753	18,203,105	16,331,369
Diluted	**27,924,777**	27,694,849	27,446,183	24,530,461	21,532,903	18,213,417	16,331,458

(1) The LP Class B Units, Series 1 are included in the calculation of Basic FFO per unit and Basic DI per unit.
(2) Restated to reflect retroactive adoption of EIC-151 as described on page 25.
(3) Restated to reflect change to FFO definition as described on page 12.

Net Operating Income

($000's)	Three Months Ended March 31, 2005	December 31, 2004	Growth Amount	%
Office	**$ 12,733**	$ 12,311	**$ 422**	**3**
Industrial	**6,014**	5,934	**80**	**1**
Retail	**1,311**	1,514	**(203)**	**(13)**
Comparative properties	**20,058**	19,759	**299**	**2**
Acquisitions	**6,323**	5,809	**514**	
Rent supplement	**687**	703	**(16)**	
Dispositions	**–**	(4)	**4**	
NOI	**27,068**	26,267	**801**	**3**
Discontinued operations	**38**	886	**(848)**	
NOI including discontinued operations	**$ 27,106**	$ 27,153	**$ (47)**	**–**

($000's)	Three Months Ended March 31, 2005	December 31, 2004	Growth Amount	%
Québec	**$ 3,649**	$ 3,501	**$ 148**	**4**
Ontario	**9,151**	8,726	**425**	**5**
Western Canada	**6,241**	6,394	**(153)**	**(2)**
	19,041	18,621	**420**	**2**
United States	**1,017**	1,138	**(121)**	**(11)**
Comparative Properties	**20,058**	19,759	**299**	**2**
Acquisitions	**6,323**	5,809	**514**	
Rent supplement	**687**	703	**(16)**	
Dispositions	**–**	(4)	**4**	
NOI	**27,068**	26,267	**801**	**3**
Discontinued operations	**38**	886	**(848)**	
NOI including discontinued operations	**$ 27,106**	$ 27,153	**$ (47)**	**–**

Comparative NOI increased quarter-over-quarter mainly because results in Q4 2004 included the impact of one time items charged to NOI for tenant recoveries. The decline in retail NOI is as expected when comparing the last quarter shopping season to the first quarter when sales are generally lower. The results from our malls mainly represent lower percentage rent and the impact of two small bankruptcies in the Ontario mall.

Including the 2% increase in comparative properties, overall NOI was flat as compared to the quarter ended December 31, 2004 due to the net impact of acquisitions and dispositions.

Period end occupied and committed space:

	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003
Office	**94.0%**	93.6%	94.3%	94.6%	93.3%	92.4%	92.9%	93.8%
Industrial	**96.3%**	95.2%	94.2%	94.1%	94.1%	93.1%	94.2%	93.9%
Retail	**92.4%**	93.3%	92.9%	92.8%	92.1%	92.5%	93.0%	93.0%
Overall	**95.2%**	94.5%	94.3%	94.2%	93.6%	92.7%	93.6%	93.8%

Excludes properties under redevelopment and properties held for sale.

Outlook

Acquisitions completed over the past 12 months contributed to an overall 18% increase in NOI while our comparative properties continue to produce consistent results, notwithstanding the challenges in the current marketplace. Late in 2004, we shifted our acquisition strategy from portfolio-type transactions to focus on individual assets priced between $5 and $35 million. Since following this new strategy in 2005, we have acquired another $111 million of properties at a yield in excess of 8.5%. We will continue to expand our office and industrial presence in our target markets by pursuing opportunities that will not only grow our portfolio in size but also improve the overall quality of our portfolio and contribute to our results. With low interest rates and a fair valuation of our unit price, we are well positioned to grow accretively.

On April 1, 2005, we completed our second convertible debenture offering and received proceeds of $100 million. These funds will be used to repay some existing debt and will also be used to fund acquisitions closing in the second quarter. Depending on the exact timing of the acquisitions, we may experience a slight delay in the benefit of this investment. With a debt-to-gross book value of 56.4%, or only 50.7% excluding the convertible debentures, we still have room to grow.

At the risk of sounding repetitive, the leasing market remains competitive. We have a good team that manages our properties and that works diligently on tenant relationships. Looking back at our quarterly occupied and committed rates, our success at managing our lease maturities profile is evident. There are some larger leases expiring during the remainder of 2005 where we may face some downtime between tenancies, however, we are confident that we will maintain a healthy overall occupancy rate.

All in all, the business is evolving and our incremental improvements are becoming more noticeable. We expect that the performance of our comparable properties will improve once the increases in committed occupancy take effect and market conditions improve. We are also mindful of our overall financial performance and are confident that our accomplishments to date will become more evident in our key performance indicators over the next few quarters.

Risks and Our Strategy to Manage

Dundee REIT is exposed to various risks and uncertainties. For a list and explanation of these risks and uncertainties, please refer to our 2004 Annual Report or our Annual Information Form for the year ended December 31, 2004 filed on SEDAR (www.sedar.com).

Critical Accounting Estimates

Management of Dundee REIT believes that certain policies may be subject to estimation and management's judgment. For a list and explanation of these policies, please refer to Note 2 of the Interim Financial Statements and to our 2004 Annual Report.

Changes in Accounting Policies

Non-controlling Interest

On January 19, 2005, the Emerging Issues Committee of the CICA issued an Abstract of Issues Discussed titled "Exchangeable Securities Issued by Subsidiaries of Income Trusts" ("EIC-151") which requires Income Trusts with exchangeable securities issued by their subsidiaries to evaluate whether the exchangeable securities should be presented as unitholders' equity or non-controlling interest on the consolidated balance sheet.

EIC-151 applies to all financial statements issued after January 19, 2005 and is required to be applied on a retroactive basis. As a result, the Trust has accounted for the investment of the net proceeds that it received from equity offerings in DPLP using the purchase method. In addition, the issuance of LP Class B Units, Series 1 under the Distribution Reinvestment Plan has resulted in a dilution of the Trust's ownership of DPLP. Adoption of EIC-151 had the effect as at and for the three months ended March 31, 2004 of recognizing non-controlling interest in the balance sheet of $146.3 million, recognizing a dilution gain of $0.6 million and income attributable to non-controlling interest in continuing operations of $1.8 million, net of a loss of $0.5 million from discontinued operations.

Variable Interest Entities

Effective January 1, 2005, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"), which provides guidance for applying the principles in Section 1590, "Subsidiaries," to those entities defined as Variable Interest Entities ("VIEs"), in which either the equity at risk is not sufficient to permit that entity to finance its activities without additional subordinated financial support from other parties, or equity investors lack either voting control, 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. The Trust has evaluated its interests in joint ventures and co-ownerships and has determined that the Airport Corporate Centre West Joint Venture ("ACCW") is a VIE. However, the Trust has determined that it is not the Primary Beneficiary at March 31, 2005. The Trust will re-evaluate this determination as financing and business activities related to ACCW change. The Trust currently uses the proportionate consolidation method to account for its interest in ACCW.

Consolidated Financial Statements

Consolidated Balance Sheets

(unaudited)
(in thousands of dollars)

	Note	March 31, 2005	December 31, 2004
Assets			
Rental properties	4	**$ 1,095,770**	$ 1,057,231
Deferred costs	5	**51,695**	50,346
Amounts receivable	6	**11,034**	9,276
Prepaid expenses and other assets	7	**31,841**	32,927
Cash and cash equivalents		**6,718**	17,331
Intangible assets	8	**34,704**	30,297
Discontinued operations' assets	17	**224**	2,384
		$ 1,231,986	$ 1,199,792
Liabilities			
Debt	9	**$ 731,183**	$ 693,155
Amounts payable and accrued liabilities	10	**23,638**	24,628
Distributions payable	11	**4,636**	4,597
Future income tax liability		**5,575**	5,359
Intangible liabilities	8	**3,416**	3,239
Discontinued operations' liabilities	17	**331**	2,013
		768,779	732,991
Non-controlling interest	12	**149,072**	148,256
Unitholders' equity	12	**314,135**	318,545
		$ 1,231,986	$ 1,199,792

See accompanying notes to the consolidated financial statements

Consolidated Statements of Net Income

(unaudited) (in thousands of dollars, except per unit amounts)	Note	For the Three Months Ended March 31 2005	2004 *(Restated, see Note 12)*
Rental properties			
Revenues		**$ 50,793**	$ 42,908
Operating expenses		**23,725**	20,059
Net operating income		**27,068**	22,849
Other expenses			
Interest	13	**11,735**	9,561
Depreciation of rental properties		**6,689**	5,884
Amortization of deferred leasing costs and intangibles		**3,778**	1,767
General and administrative		**1,161**	952
		23,363	18,164
Other income			
Interest and fee income, net		**718**	583
Income before gain on disposal of rental property and dilution gain		**4,423**	5,268
Gain on disposal of rental property		**–**	177
Dilution gain	12	**673**	633
Income before income and large corporations taxes		**5,096**	6,078
Income taxes			
Current income and large corporations taxes		**47**	20
Future income taxes		**192**	(41)
		239	(21)
Income before non-controlling interest and discontinued operations		**4,857**	6,099
Income attributable to non-controlling interest		**1,362**	1,849
Income before discontinued operations		**3,495**	4,250
Discontinued operations	17	**186**	(93)
Net income		**$ 3,681**	$ 4,157
Basic income (loss) per unit			
Continuing operations	14	**$ 0.21**	$ 0.30
Discontinued operations		**0.01**	(0.01)
Net income		**$ 0.22**	$ 0.29
Diluted income (loss) per unit			
Continuing operations	14	**$ 0.17**	$ 0.26
Discontinued operations		**0.01**	(0.01)
Net income		**$ 0.18**	$ 0.25

See accompanying notes to the consolidated financial statements

Consolidated Statements of Unitholders' Equity

(unaudited) (in thousands of dollars)	Note	Number of Units	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Cumulative Foreign Currency Translation Adjustment	Total
Unitholders' equity, January 1, 2005		16,819,963	$ 357,585	$ 11,535	$ (47,449)	$ (3,126)	$ 318,545
Net income		–	–	3,681	–	–	3,681
Distributions paid		–	–	–	(6,187)	–	(6,187)
Distributions payable		–	–	–	(3,095)	–	(3,095)
Distribution Reinvestment Plan	12	34,840	912	–	–	–	912
Unit Purchase Plan	12	151	4	–	–	–	4
Conversion of 6.5% convertible debenture to equity	12	400	10	–	–	–	10
Redemption of units		(100)	(2)	–	–	–	(2)
Deferred Unit Incentive Plan	12	–	175	–	–	–	175
Issue costs		–	(4)	–	–	–	(4)
Change in foreign currency translation adjustment		–	–	–	–	96	96
Unitholders' equity, March 31, 2005		**16,855,254**	**$ 358,680**	**$ 15,216**	**$ (56,731)**	**$ (3,030)**	**$ 314,135**

(unaudited) (in thousands of dollars)	Note	Number of Units	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Cumulative Foreign Currency Translation Adjustment	Total
							(Restated, see Note 12)
Unitholders' equity, January 1, 2004		12,094,217	$ 247,147	$ 7,182	$ (11,370)	$ (1,878)	$ 241,081
Net income		–	–	4,157	–	–	4,157
Distributions paid		–	–	–	(5,294)	–	(5,294)
Distributions payable		–	–	–	(3,066)	–	(3,066)
Public offering of units		4,537,000	110,022	–	–	–	110,022
Distribution Reinvestment Plan	12	44,331	1,107	–	–	–	1,107
Unit Purchase Plan	12	1,904	48	–	–	–	48
Redemption of units		(100)	(2)	–	–	–	(2)
Deferred Unit Incentive Plan	12	–	105	–	–	–	105
Issue costs		–	(5,664)	–	–	–	(5,664)
Change in foreign currency translation adjustment		–	–	–	–	98	98
Unitholders' equity, March 31, 2004		16,677,352	$ 352,763	$ 11,339	$ (19,730)	$ (1,780)	$ 342,592

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	Note	For the Three Months Ended March 31 2005	2004
			(Restated, see Note 12)
Generated from (utilized in) operating activities			
Net income		**$ 3,681**	$ 4,157
Non-cash items:			
Depreciation of rental properties		**6,689**	6,284
Amortization of deferred leasing costs and intangibles		**3,778**	1,903
Amortization of deferred financing costs		**296**	207
Amortization of marked-to-market adjustment on acquired debt		**(350)**	(324)
Gain on disposal of rental properties		**(242)**	(177)
Deferred unit compensation expense	12	**175**	105
Future income taxes		**192**	(41)
Amortization of market rent adjustments on acquired leases		**(33)**	–
Straight-line rent adjustment		**(1,070)**	(949)
Dilution gain		**(673)**	(633)
Non-controlling interest		**1,451**	1,801
		13,894	12,333
Deferred leasing costs incurred		**(2,624)**	(2,600)
Change in non-cash working capital	19	**(712)**	4,629
		10,558	14,362
Generated from (utilized in) investing activities			
Investment in rental properties		**(1,270)**	(1,480)
Acquisition of rental properties	3	**(40,955)**	(77,923)
Acquisition deposit on rental properties		**(845)**	–
Investment in mezzanine loan	7	**(600)**	(10,068)
Net proceeds from disposal of rental properties		**2,279**	2,193
Change in restricted cash, net		**2,709**	(392)
		(38,682)	(87,670)
Generated from (utilized in) financing activities			
Mortgages placed		**4,000**	–
Mortgage principal repayments		**(4,024)**	(3,727)
Mortgage lump sum repayments		**(2,145)**	(10,963)
Term debt principal repayments		**(123)**	(240)
Term debt lump sum repayments		**(2,075)**	–
Demand revolving credit facility, net		**33,261**	(7,026)
Demand non-revolving credit facility		**(3,015)**	–
Distributions paid on REIT Units, Series A	11	**(8,364)**	(6,414)
Units issued net of costs		**(4)**	104,354
		17,511	75,984
Increase (decrease) in cash and cash equivalents		**(10,613)**	2,676
Cash and cash equivalents, beginning of period		**17,331**	3,976
Cash and cash equivalents, end of period		**$ 6,718**	$ 6,652

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

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

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 under the laws of the Province of Ontario dated November 5, 2003, as amended and restated.

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. Included in these accounts are the assets and liabilities acquired by Dundee Properties Limited Partnership ("DPLP") from Dundee Realty Corporation ("DRC") on June 30, 2003 comprising:

- a portfolio of office, industrial and retail rental properties together with their related assets and liabilities; and
- a 50% interest in Dundee Management Limited Partnership ("DMLP"), a joint venture with DRC comprising property management operations relating to revenue properties.

These financial statements present the financial position of Dundee REIT at March 31, 2005 and December 31, 2004 and the results of its operations and cash flows for the three months ended March 31, 2005 and March 31, 2004.

2. Summary of Significant Accounting Policies

The disclosure requirements for interim financial statements do not conform in all material respects with the requirements for Canadian Generally Accepted Accounting Principles ("GAAP") for annual financial statements. These interim financial statements should be read in conjunction with the financial statements of Dundee REIT as at, and for the year ended December 31, 2004. These statements are in conformity with requirements of GAAP for interim financial statements as recommended by the Canadian Institute of Chartered Accountants ("CICA") Handbook, Section 1751, "Interim Financial Statements".

The preparation of financial statements in conformity with 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 financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

These financial statements follow the same accounting policies and the methods of their application as used in the December 31, 2004 financial statements except as discussed below.

Variable Interest Entities

On January 1, 2005, the Trust prospectively adopted the requirements of CICA Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"), which is effective for fiscal year 2005 and provides guidance for applying the principles in Section 1590, "Subsidiaries," to those entities defined as Variable Interest Entities ("VIEs"), in which either the equity at risk is not sufficient to permit that entity to finance its activities without additional subordinated financial support from other parties, or equity investors lack either voting control, 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. The Trust has evaluated its interests in joint ventures and co-ownerships and has determined that the Airport Corporate Centre West Joint Venture ("ACCW") is a VIE. However, the Trust has determined that it is not the Primary Beneficiary at March 31, 2005. The Trust will re-evaluate this determination as financing and business activities related to ACCW change. The Trust currently uses the proportionate consolidation method to account for its interest in ACCW.

3. Property Acquisitions

The Trust completed the following acquisitions during the three months ended March 31, 2005 and 2004, which contributed to operating results effective from the acquisition date:

Three months ended March 31, 2005

- Effective January 13, 2005, the Trust completed the purchase of 2599 Speakman Drive in Mississauga, Ontario for a purchase price of $9,635. The property consists of a 114,000 square foot two storey building, which is 100% leased to two tenants. The Trust assumed an existing mortgage of $4,655.
- Effective January 31, 2005, the Trust completed the purchase of 1219 Corporate Drive in Burlington, Ontario for a purchase price of $6,590. The property consists of a 103,000 square foot single tenant industrial building.
- On February 25, 2005, the Trust completed the purchase of 204 King Street East, Toronto for a purchase price of $20,398. The property, a renovated 135,000 square foot brick and beam office building in downtown Toronto, is fully leased to four tenants.
- On March 2, 2005, the Trust completed the purchase of 2580 Avenue Dollard, Montréal for a purchase price of $4,673. The property consists of a 90,000 square foot multi-tenant industrial building fully leased to five tenants. The Trust assumed existing non-recourse financing of $2,600.
- On March 4, 2005, the Trust completed the acquisition of a 10% interest in Epcor Centre, a 192,000 square foot office building in downtown Edmonton for a purchase price of $1,529. After completion of this purchase, the Trust owns 100% of this property.
- On March 8, 2005, the Trust completed the purchase of 2465 St. Laurent Boulevard, a fully leased 62,000 square foot office building in suburban Ottawa for a purchase price of $8,606. The Trust assumed $3,221 in existing non-recourse financing on the acquisition.

Three months ended March 31, 2004

- On February 19, 2004, the Trust completed the purchase of the Pauls Portfolio for a purchase price of $169,204. This portfolio consists of approximately 1.5 million square feet of newly constructed office, industrial and flex space properties located in Toronto and Calgary. The Trust assumed existing mortgages totalling $80,041.
- On January 1 and March 1, 2004, the Trust acquired the remaining 11.4% and 5% interests in 222-230 Queen Street, Ottawa, for a total purchase price of $6,015, increasing its ownership percentage in the building to 100%. The Trust assumed an existing mortgage of $2,225.

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

	For the Three Months Ended March 31	
	2005	2004
Rental properties		
Land	**$ 7,507**	$ 40,869
Buildings	**36,609**	115,257
	44,116	156,126
Deferred leasing costs		
Deferred leasing costs acquired	**1,527**	3,865
Tenant loan receivables	**177**	–
Intangible assets		
Value of in-place leases	**2,470**	7,286
Lease origination costs	**543**	2,522
Value of above market rent leases	**38**	1,957
Value of tenant relationships	**2,929**	5,988
	51,800	177,744
Intangible liabilities		
Value of below market rent leases	**(369)**	(2,525)
Total purchase price	**$ 51,431**	$ 175,219
The consideration paid consists of:		
Cash		
Paid in period	**$ 40,955**	$ 77,923
Deposit	**–**	14,300
	40,955	92,223
Assumed mortgages at fair value	**10,476**	82,266
Assumed accounts payable and accrued liabilities	**–**	730
Total consideration	**$ 51,431**	$ 175,219

The allocations of the purchase prices to fair values of assets acquired and liabilities assumed for property acquisitions completed during the three months ended March 31, 2005 have not been finalized and may be subject to adjustment.

4. Rental Properties

	March 31, 2005			December 31, 2004		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	**$ 203,257**	**$ –**	**$ 203,257**	$ 195,693	$ –	$ 195,693
Buildings and improvements	**954,334**	**(62,776)**	**891,558**	916,737	(56,279)	860,458
Equipment	**2,928**	**(1,973)**	**955**	5,264	(4,184)	1,080
Total	**$ 1,160,519**	**$ (64,749)**	**$ 1,095,770**	$ 1,117,694	$ (60,463)	$ 1,057,231

5. Deferred Costs

	March 31, 2005			December 31, 2004		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Deferred leasing costs	**$ 55,918**	**$ (18,955)**	**$ 36,963**	$ 52,032	$ (16,835)	$ 35,197
Deferred recoverable costs	**13,737**	**(5,879)**	**7,858**	13,513	(5,426)	8,087
Deferred financing costs	**8,844**	**(2,796)**	**6,048**	8,779	(2,575)	6,204
Other deferred costs	**1,579**	**(753)**	**826**	1,579	(721)	858
Total	**$ 80,078**	**$ (28,383)**	**$ 51,695**	$ 75,903	$ (25,557)	$ 50,346

Amortization of deferred recoverable costs included in operating expenses was $534 (three months ended March 31, 2004 – $407).

6. Amounts Receivable

Amounts receivable are net of credit adjustments of $3,042 at March 31, 2005 (December 31, 2004 – $2,627). Total U.S. dollar denominated amounts receivable and other assets relating to self-sustaining foreign operations as at March 31, 2005 are US$269 (December 31, 2004 – US$430). Amounts receivable include straight-line rents and deferred free rents receivable of $7,369 as at March 31, 2005 (December 31, 2004 – $6,248).

7. Prepaid Expenses and Other Assets

	March 31, 2005	December 31, 2004
Prepaid expenses	**$ 4,924**	$ 4,961
Mezzanine loan	**11,822**	11,052
Vendor loan	**3,450**	3,465
Deposits	**1,323**	458
Restricted cash	**10,322**	12,991
Total	**$ 31,841**	$ 32,927

The Trust provided a mezzanine loan in the principal amount of $11,076 to the ACCW joint venture to finance certain development projects. The loan bears interest at 11% annually and is to be repaid on the earlier of February 19, 2014 or the date the development projects are sold. Interest is accrued monthly and payment is contingent on the cash flows generated by the development. To date, no interest has been received. The loan is subordinate to all third-party debt of the borrower.

The Trust provided a vendor loan to the purchaser of its interest in Northgate Mall in the amount of $3,465 bearing interest at 5.96% per annum payable monthly, which formed a portion of the proceeds and is to be repaid by December 14, 2006.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages and bank loans drawn on a line of credit.

8. Intangibles

Intangible Assets	March 31, 2005 Cost	March 31, 2005 Accumulated Amortization	March 31, 2005 Net Book Value	December 31, 2004 Cost	December 31, 2004 Accumulated Amortization	December 31, 2004 Net Book Value
Value of above market rent leases	**$ 3,396**	**$ (667)**	**$ 2,729**	$ 3,358	$ (508)	$ 2,850
Value of in-place leases	**15,530**	**(3,360)**	**12,170**	13,060	(2,609)	10,451
Lease origination costs	**4,855**	**(754)**	**4,101**	4,312	(550)	3,762
Value of tenant relationships	**17,277**	**(1,573)**	**15,704**	14,348	(1,114)	13,234
Total	**$ 41,058**	**$ (6,354)**	**$ 34,704**	$ 35,078	$ (4,781)	$ 30,297

Intangible Liabilities	March 31, 2005 Cost	March 31, 2005 Accumulated Amortization	March 31, 2005 Net Book Value	December 31, 2004 Cost	December 31, 2004 Accumulated Amortization	December 31, 2004 Net Book Value
Value of below market rent leases	**$ 4,246**	**$ (830)**	**$ 3,416**	$ 3,877	$ (638)	$ 3,239

9. Debt

	March 31, 2005	December 31, 2004
Mortgages	**$ 599,369**	$ 591,304
Convertible debentures	**74,435**	74,430
Term debt	**21,128**	21,437
Demand revolving credit facility	**33,261**	–
Demand non-revolving credit facility	**2,990**	5,984
Total	**$ 731,183**	$ 693,155

Mortgages and term debt are secured by charges on specific rental properties. DRC continues to be contingently liable for certain debt obligations of Dundee REIT. Term debt is secured by charges on specific rental properties with certain flexibility to repay floating rate debt without incurring a penalty.

On June 21, 2004, the Trust issued $75,000 of convertible unsecured subordinated debentures (the “6.5% Debentures”). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually and mature on June 30, 2014. Each 6.5% Debenture is convertible at any time by the holder into 40 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of $25.00 per unit. The 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 in whole or in part at a price equal to the principal amount plus accrued and unpaid interest provided that the weighted average closing price of a REIT Unit, Series A on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth day preceding the date on which the notice of redemption is given, is not less than $31.25. On or after June 30, 2010, the debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. In accordance with Section 3860 of the CICA Handbook, the 6.5% Debentures were initially recorded on the balance sheet as debt of $74,400 and equity of $600. The discount and issue costs related to the offering are amortized to interest expense over ten years.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $55,000, bearing interest generally at the bank prime rate (4.25% as at March 31, 2005) plus 0.75% or bankers’ acceptance rates. The facility is secured by a first ranking collateral mortgage on five of the Trust’s properties and a second ranking collateral mortgage on two properties. As at March 31, 2005, the maximum amount available under such facility was $54,651, of which $2,076 (December 31, 2004 – $2,076) was utilized in the form of letters of guarantee and $33,261 (December 31, 2004 – $nil) was utilized to fund acquisitions. As at March 31, 2005, the amount still available under this facility was $19,314.

The demand non-revolving credit facility, a U.S. dollar term loan credit facility, is secured by a Canadian dollar deposit and amounts to US$2,471 at March 31, 2005 (December 31, 2004 – US$4,971). The facility bears interest at the bank’s U.S. base rate plus 0.25% per annum, and is due on December 31, 2005 unless otherwise renewed or extended.

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

	Weighted Average Interest Rates as at			Debt Amount	
	March 31, 2005	December 31, 2004	Maturity Dates	March 31, 2005	December 31, 2004
Fixed rate					
Mortgages	**6.63%**	6.70%	**2005 to 2014**	**$ 599,369**	$ 591,304
Term debt	**6.61%**	6.59%	**2008**	**394**	432
Convertible debenture	**6.63%**	6.63%	**2014**	**74,435**	74,430
Total fixed rate	**6.63%**	6.69%		**674,198**	666,166
Variable rate					
Term debt	**4.97%**	4.74%	**2007**	**20,734**	21,005
Demand revolving credit facility	**5.00%**	–	**2005**	**33,261**	–
Demand non-revolving credit facility	**6.50%**	6.00%	**2005**	**2,990**	5,984
Total variable rate	**5.07%**	5.02%		**56,985**	26,989
Total debt	**6.51%**	6.62%		**$ 731,183**	$ 693,155

Total variable rate term debt outstanding at March 31, 2005 bears interest generally at the rate of one month bankers' acceptance plus 2.40% (December 31, 2004 – plus 2.15%). At March 31, 2005, the rate of one month bankers' acceptance was 2.57% (December 31, 2004 – 2.59%).

The scheduled principal repayments and debt maturities are as follows:

Years Ending December 31,	Mortgages	Term Debt	Convertible Debenture	Demand Revolving Credit Facility	Demand Non-revolving Credit Facility	Total
2005	$ 24,553	$ 354	$ –	$ 33,261	$ 2,990	$ 61,158
2006	65,670	490	–	–	–	66,160
2007	48,681	20,222	–	–	–	68,903
2008	90,015	62	–	–	–	90,077
2009	118,097	–	–	–	–	118,097
2010 and thereafter	252,353	–	74,435	–	–	326,788
Total	$ 599,369	$ 21,128	$ 74,435	$ 33,261	$ 2,990	$ 731,183

Mortgages payable includes a $7,353 marked-to-market adjustment (December 31, 2004 – $7,190) to reflect the fair value of the mortgage at the time the related property was acquired. The Debentures are net of a $555 premium allocated to its conversion feature. The marked-to-market adjustment and discount are amortized to interest expense over the term to maturity of the related debt.

Mortgages at March 31, 2005 include US$19,861 (December 31, 2004 – US$19,988) of debt secured by assets located in the United States relating to self-sustaining foreign operations.

10. Amounts Payable and Accrued Liabilities

	March 31, 2005	December 31, 2004
Trade payables	**$ 2,008**	$ 1,094
Accrued liabilities and other payables	**10,321**	13,583
Accrued interest	**4,702**	3,183
Deposits	**4,795**	4,908
Rent received in advance	**1,812**	1,860
Total	**$ 23,638**	$ 24,628

Total U.S. dollar denominated amounts payable and accrued liabilities relating to self-sustaining foreign operations at March 31, 2005 are US$619 (December 31, 2004 – US$598).

11. Distributions

The following table sets out distributions for the three months ended March 31, 2005.

	REIT Units, Series A	LP Class B Units, Series 1	Total
Paid in cash	$ 8,364	$ –	$ 8,364
Paid by way of reinvestment in units	912	4,558	5,470
Less: Payable at December 31, 2004	(3,089)	(1,508)	(4,597)
Plus: Payable at March 31, 2005	3,095	1,541	4,636
Total	$ 9,282	$ 4,591	$ 13,873

The amount payable at March 31, 2005 was satisfied on April 15, 2005 by way of $2,806 in cash and $1,830 by way of 11,329 REIT Units, Series A and 60,416 LP Class B Units, Series 1. Included in the total distributions is the 4% bonus distribution in the amount of $141 that forms part of the Distribution Reinvestment Plan.

12. Unitholders’ Equity and Non-Controlling Interest

	March 31, 2005		December 31, 2004	
	Number of Units	Amount	Number of Units	Amount
REIT Units, Series A	**16,855,254**	**$ 314,135**	16,819,963	$ 318,545
LP Class B Units, Series 1	**8,098,025**	**149,072**	7,924,084	148,256
Total	**24,953,279**	**$ 463,207**	24,744,047	$ 466,801

DPLP Units and Non-Controlling Interest

	LP Class B Units, Series 1		Cumulative Foreign Currency Translation Adjustment	Total
	Number of Units	Amount		
Non-controlling interest, January 1, 2005	7,924,084	$ 149,728	$ (1,472)	$ 148,256
Income from continuing operations	–	1,362	–	1,362
Income from discontinued operations	–	89	–	89
Distributions paid	–	(3,050)	–	(3,050)
Distributions payable	–	(1,541)	–	(1,541)
Distribution Reinvestment Plan	173,941	4,558	–	4,558
Impact of dilution	–	(619)	–	(619)
Change in foreign currency translation adjustment	–	–	17	17
Non-controlling interest, March 31, 2005	**8,098,025**	**$ 150,527**	**$ (1,455)**	**$ 149,072**

Emerging Issues Committee Abstract of Issues Discussed No.151 “Exchangeable Securities Issued by Subsidiaries of Income Trusts” (“EIC-151”) applies to all financial statements issued after January 19, 2005 and is required to be applied on a retroactive basis. As a result, the Trust has accounted for the investment of the net proceeds that it received from equity offerings in DPLP using the purchase method. In addition, the issuance of LP Class B Units, Series 1 under the Distribution Reinvestment Plan has resulted in a dilution of the Trust's ownership of DPLP. Adoption of EIC-151 had the effect as at and for the three month period ended March 31, 2004 of recognizing non-controlling interest in the balance sheet of $146,343, recognizing a dilution gain of $633, income attributable to non-controlling interest in continuing operations of $1,849 net of a loss of $48 from discontinued operations, with no other significant effect on the balance sheet and statement of net income.

Distribution Reinvestment and Unit Purchase Plan

For the three months ended March 31, 2005, 34,840 REIT Units, Series A and 173,941 LP Class B Units, Series 1 were issued under the DRIP for $912 and $4,558, respectively.

As a result of full participation of the holders of LP Class B Units, Series 1 in the Distribution Reinvestment Plan, the Trust’s effective ownership in DPLP has been diluted. Accordingly, the Trust recognized a dilution gain of $673 during the three months ended March 31, 2005 (March 31, 2004 – $633).

Unit Purchase Plan

For the three months ended March 31, 2005, 151 REIT Units, Series A were issued under the Unit Purchase Plan for $4.

Conversion of 6.5% Debentures

During the quarter, the Trust issued 400 REIT Units, Series A upon the conversion of $10 of the 6.5% Debentures.

Deferred Unit Incentive Plan

During the three months ended March 31, 2005, $175 (three months ended March 31, 2004 – $105) of compensation expense was recorded and is included in general and administrative expenses.

	Weighted Average Grant Date Value	Deferred Trust Units	Income Deferred Trust Units	Total Units
Outstanding at January 1, 2005	**$ 22.70**	**151,143**	**12,542**	**163,685**
Granted during the quarter	**–**	**–**	**3,463**	**3,463**
Cancelled	**21.35**	**(400)**	**(52)**	**(452)**
Fractional units paid in cash	**–**	**(10)**	**(1)**	**(11)**
Outstanding at March 31, 2005	**$ 22.73**	**150,733**	**15,952**	**166,685**
Vested and not issued at March 31, 2005	**$ 21.35**	**12,900**	**1,267**	**14,167**

13. Interest

Interest incurred and charged to earnings is recorded as follows:

	For the Three Months Ended March 31	
	2005	2004
Interest expense incurred, at stated rate of debt	**$ 11,789**	$ 9,678
Amortization of deferred financing costs	**296**	207
Marked-to-market rate adjustment	**(350)**	(324)
Interest expense	**$ 11,735**	$ 9,561

Certain debt assumed on acquisitions completed in prior years has been adjusted to fair value using the market interest rate at the time of the acquisition ("marked-to-market"). This marked-to-market adjustment is amortized to interest expense over the remaining life of the debt.

14. Income per Unit

The weighted average number of units outstanding was as follows:

	For the Three Months Ended March 31	
	2005	2004
REIT Units, Series A	**16,838,490**	14,211,810
Vested Deferred Trust Units	**14,167**	–
Total weighted average number of units outstanding for basic income (loss) per unit amounts	**16,852,657**	14,211,810
Add incremental units:		
LP Class B Units, Series 1	**8,013,255**	7,296,943
Deferred Trust Units	**46,213**	21,490
Income Deferred Trust Units	**12,941**	2,660
Total weighted average number of units outstanding for diluted income (loss) per unit amounts	**24,925,066**	21,532,903

A reconciliation of income before discontinued operations for basic and diluted per unit amount computations is as follows:

	For the Three Months Ended March 31	
	2005	2004
Income before discontinued operations for basic income per unit amounts	**$ 3,495**	$ 4,250
Add: Income attributable to non-controlling interest	**1,362**	1,849
Depreciation expense	**48**	–
Deduct: Dilution gain	**(673)**	(633)
Income before discontinued operations for diluted per unit amounts	**$ 4,232**	$ 5,466

The 2,999,711 incremental units of an assumed conversion of Debentures for the three months ended March 31, 2005 have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

15. Segmented Information

The Trust's rental properties have been segmented into office, industrial and retail components. The accounting policies of the segments are as described in the summary of significant accounting policies. 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. All inter-segment revenues have been eliminated from the financial statements and the following tables.

A. By Activity

For the Three Months Ended March 31, 2005	Office	Industrial	Retail	Segment Total	Discontinued Operations	Total
Operations						
Revenues	**$ 32,181**	**$ 15,713**	**$ 2,941**	**$ 50,835**	**$ (42)**	**$ 50,793**
Operating expenses	**(16,379)**	**(5,765)**	**(1,585)**	**(23,729)**	**4**	**(23,725)**
Net operating income	**15,802**	**9,948**	**1,356**	**27,106**	**(38)**	**27,068**
Depreciation of rental properties	**(3,881)**	**(2,321)**	**(487)**	**(6,689)**	**–**	**(6,689)**
Amortization of deferred leasing costs and intangibles	**(2,092)**	**(1,472)**	**(214)**	**(3,778)**	**–**	**(3,778)**
Segment income	**$ 9,829**	**$ 6,155**	**$ 655**	**$ 16,639**	**$ (38)**	**16,601**
Interest expense						**(11,735)**
General and administrative expenses						**(1,161)**
Interest and fee income, net						**718**
Dilution gain						**673**
Income taxes						**(239)**
Income attributable to non-controlling interest						**(1,362)**
Discontinued operations						**186**
Net income						**$ 3,681**
Segment rental properties	**$ 628,639**	**$ 401,107**	**$ 66,024**	**$ 1,095,770**		
Capital expenditures						
Investment in rental properties	**$ (560)**	**$ (641)**	**$ (69)**	**$ (1,270)**		
Acquisition of rental properties	**(32,259)**	**(8,696)**	**–**	**(40,955)**		
Deferred leasing costs	**(1,391)**	**(1,147)**	**(86)**	**(2,624)**		
Total capital expenditures	**$ (34,210)**	**$ (10,484)**	**$ (155)**	**$ (44,849)**		

For the Three Months Ended March 31, 2004	Office	Industrial	Retail	Segment Total	Discontinued Operations	Total
Operations						
Revenues	$ 27,516	$ 12,279	$ 5,289	$ 45,084	$ (2,176)	$ 42,908
Operating expenses	(13,861)	(4,435)	(2,814)	(21,110)	1,051	(20,059)
Net operating income	13,655	7,844	2,475	23,974	(1,125)	22,849
Depreciation of rental properties	(3,463)	(1,952)	(869)	(6,284)	400	(5,884)
Amortization of deferred leasing costs and intangibles	(900)	(757)	(246)	(1,903)	136	(1,767)
Segment income	$ 9,292	$ 5,135	$ 1,360	$ 15,787	$ (589)	15,198
Interest expense						(9,561)
General and administrative expenses						(952)
Interest and fee income, net						583
Gain on disposal of rental property						177
Dilution gain						633
Income taxes						21
Income attributable to non-controlling interest						(1,849)
Discontinued operations						(93)
Net income						$ 4,157
Segment rental properties	$ 553,961	$ 377,048	$ 130,386	$ 1,061,395		
Capital expenditures						
Investment in rental properties	$ (310)	$ (546)	$ (624)	$ (1,480)		
Acquisition of rental properties	(14,552)	(63,371)	–	(77,923)		
Deferred leasing costs	(1,008)	(502)	(1,090)	(2,600)		
Total capital expenditures	$ (15,870)	$ (64,419)	$ (1,714)	$ (82,003)		

B. By Country

For the Three Months Ended March 31, 2005	Canada	U.S.	Segment Total
Operations			
Revenues	**$ 48,609**	**$ 2,226**	**$ 50,835**
Operating expenses	**(22,520)**	**(1,209)**	**(23,729)**
Net operating income	**26,089**	**1,017**	**27,106**
Depreciation of rental properties	**(6,287)**	**(402)**	**(6,689)**
Amortization of deferred leasing costs and intangibles	**(3,713)**	**(65)**	**(3,778)**
Segment income	**$ 16,089**	**$ 550**	**$ 16,639**
Segment rental properties	**$ 1,043,232**	**$ 52,538**	**$ 1,095,770**
Capital expenditures			
Investment in rental properties	**$ (1,200)**	**$ (70)**	**$ (1,270)**
Acquisition of rental properties	**(40,955)**	**–**	**(40,955)**
Deferred leasing costs	**(2,619)**	**(5)**	**(2,624)**
Total capital expenditures	**$ (44,774)**	**$ (75)**	**$ (44,849)**

For the Three Months Ended March 31, 2004	Canada	U.S.	Segment Total
Operations			
Revenues	$ 42,500	$ 2,584	$ 45,084
Operating expenses	(19,703)	(1,407)	(21,110)
Net operating income	22,797	1,177	23,974
Depreciation of rental properties	(5,872)	(412)	(6,284)
Amortization of deferred leasing costs and intangibles	(1,842)	(61)	(1,903)
Segment income	$ 15,083	$ 704	$ 15,787
Capital expenditures			
Investment in rental properties	$ (1,480)	$ –	$ (1,480)
Acquisition of rental properties	(77,923)	–	(77,923)
Deferred leasing costs	(2,563)	(37)	(2,600)
Total capital expenditures	$ (81,966)	$ (37)	$ (82,003)

16. 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, DPLP and DMLP are parties to a property management agreement and an administrative services agreement (the “Management Agreement” and the “Services Agreement”). DMLP and DRC are parties to an administrative services agreement (the “DRC Services Agreement”).

The portion of fees received from or paid to related parties under the above arrangements were as follows:

	For the Three Months Ended March 31	
Fees Received	2005	2004
Rent supplement received by Dundee REIT under the Management Agreement (included in rental properties revenue)	**$ 687**	$ 951
Fees and rental income received by Dundee REIT under the DRC Services Agreement (included in operating expenses)	**$ 145**	$ 113
Fees Paid		
Fees paid by Dundee REIT under the Management Agreement		
Management fees, included in rental properties’ operating expenses	**$ 809**	$ 738
Construction fees, capitalized to the related assets	**$ 68**	$ 50
Lease administration fees, included in deferred leasing costs	**$ 188**	$ 251
Fees paid by Dundee REIT under the Services Agreement		
Acquisition and financing fees, capitalized to the related assets	**$ 130**	$ 123

Included in amounts receivable at March 31, 2005 is $69 related to the property management and administrative services agreements and DRC Services Agreement. Included in accrued liabilities and other payables at March 31, 2005 is $297 related to the property management and administrative services agreements. Substantially all of Dundee REIT's services are to be provided by DMLP and accordingly, Dundee REIT relies on DMLP to continue to provide such services.

Included in amounts receivable at December 31, 2004 is $117 and included in accrued liabilities and other payables at December 31, 2004 is $221 relating to the above agreements.

17. Held for Sale and Discontinued Operations

The 2005 and 2004 operating results of the following properties have been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475.

- On June 30, 2004, the Trust disposed of 6500 Kitimat Road in Mississauga, Ontario for net proceeds after selling costs of $4,941. The purchaser assumed $1,905 of existing debt. A gain of $2,397 was recognized on the disposition.
- On July 22, 2004 the Trust disposed of its 20% interest in 2000 Rue Halpern, a single tenant industrial building in Montréal, for $3,283. The proceeds were used to retire $2,530 of debt and a gain of $453 was recognized on the disposition.
- On December 13, 2004, the Trust disposed of Northgate Mall in Regina, Saskatchewan for net proceeds of $43,985. The proceeds were used to retire $34,723 of debt. A loss of $19,431 was recognized on the disposition.
- On January 14, 2005, the Trust completed the sale of its 25% interest in 2301 and 2311 Royal Windsor Drive, two industrial buildings totalling 204,136 square feet located in Mississauga, Ontario. The Trust received its share of the net proceeds after selling costs of $2,279, which will be used to retire outstanding debt related to the properties. The Trust recognized a gain of $242 on the sale.

	For the Three Months Ended March 31	
	2005	2004
Revenues	**$ 42**	$ 2,176
Operating expenses	**4**	1,051
Net operating income	**38**	1,125
Interest	**5**	730
Depreciation of rental properties	**–**	400
Amortization of deferred leasing costs	**–**	136
Income (loss) from discontinued operations	**33**	(141)
Gain on sale of rental property	**242**	–
Income (loss) from discontinued operations before non-controlling interest	**275**	(141)
Income (loss) attributable to non-controlling interest	**89**	(48)
Income (loss) from discontinued operations	**$ 186**	$ (93)

The following are the assets and liabilities of the sold properties at March 31, 2005:

	March 31, 2005
Assets	
Accounts receivable	$ 222
Prepaid expenses and other assets	2
	$ 224
Liabilities	
Amounts payable and accrued liabilities	$ 331

18. 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 financial statements of Dundee REIT.

Purchase Obligations

Through the acquisition of the 13-building portfolio in Montréal, the Trust has acquired leases that provide, in certain circumstances, for some tenants to require the Trust to expand their existing premises through building construction on certain adjacent lands. The

terms of these leases include various provisions including renewal obligations of the tenants' existing premises and agreement on the terms of the new space. Furthermore, certain of the leases include provisions that would allow the Trust to charge rates to recover a reasonable return on the Trust's investment. The Trust has negotiated purchase options with the owner of the lands to allow these obligations to be met. In addition, three buildings in the portfolio have leases that allow the tenant, subject to various conditions, to purchase the building they occupy from the Trust. Proceeds from these sales will be at amounts that approximate fair market value.

The Trust has entered into a co-ownership agreement that includes typical rights of the co-owners for dispute resolution and a one time put option exercisable by its co-owner. The put, if exercised, would require Dundee REIT to purchase the remaining 50% of the building, effective April 1, 2009, at the price paid by the Trust for its initial 50% interest in the property.

19. Supplementary Cash Flow Information

	For the Three Months Ended March 31	
	2005	2004
(Increase) decrease in accounts receivable	**$ (366)**	$ 214
(Decrease) increase in deferred costs (other than leasing costs)	**319**	(27)
(Increase) decrease in prepaid expenses and other assets (excluding restricted cash and mezzanine loan)	**(140)**	537
Increase in accounts payable and accrued liabilities (excluding leasing costs)	**1,324**	3,171
(Decrease) increase in accounts payable relating to leasing costs	**(1,849)**	734
Change in non-cash working capital	**$ (712)**	$ 4,629

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

	2005	2004
Interest	$ 10,272	$ 9,395
Income and large corporations taxes	$ –	$ –

20. Subsequent Events

Acquisition of Revenue Properties

Effective April 1, 2005, the Trust completed the acquisition of a 50% interest in 56 Wellesley Street West, a 216,000 square foot office building in downtown Toronto for a purchase price of $13,600 and assumed a mortgage of $4,364. The Trust now owns 100% of the property after completing the transaction.

Effective April 1, 2005, the Trust completed the acquisition of a 50% interest in 120 Valleywood Drive, a 59,000 square foot flex building in Markham, Ontario for a purchase price of $1,600 and assumed a mortgage of $804. The Trust now owns 100% of the property since completing the transaction.

On April 8, 2005, the Trust completed the purchase of 2280 Alfred-Nobel, Montreal for a purchase price of $5,250. The property is a 86,000 square foot vacant four-storey office building in Technoparc Saint-Laurent with excess land for a second, slightly smaller building. It is adjacent to the 13 building portfolio the Trust purchased in June 2004. No debt was assumed on the transaction.

On April 14, 2005, the Trust completed the purchase of 1000 St. Jean Boulevard, a 98% leased 112,000 square foot multi-tenant seven storey office building for a purchase price of $15,000. The Trust assumed a non-recourse mortgage of $6,000 as part of this transaction.

On April 18, 2005, the Trust completed the acquisition of 22000 Trans Canada and 115 Hymus Boulevard, two single tenant industrial buildings of 316,000 and 55,000 square feet respectively located in Montréal for a purchase price of approximately $23,800 paid entirely in cash.

Convertible Debenture Issue

On April 1, 2005, the Trust issued $100,000 principal amount of convertible unsecured subordinated debentures (the "5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31st and September 30th each year, and mature on March 31, 2015. Each 5.7% Debenture is convertible by the debenture holder into 33.33 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of $30.00 per unit. On or after March 31, 2009, but prior to March 31, 2011, the 5.7% Debentures may be redeemed by the Trust at par plus accrued and unpaid interest, provided that the market price for the Trust's units is not less than $37.50.

In accordance with Section 3860 of the CICA Handbook, the convertible debentures will be recorded on the balance sheet as debt of $98,800 and equity of $1,200. Issue costs of $4,450 and the discount related to the offering will be amortized to interest expense over 10 years.

Printed in Canada.

Dundee REIT
State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario M5C 3H1
www.dundeereit.com