DUNDEE REIT ***2007 First Quarter Report***

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Letter to unitholders

Dundee REIT continues to produce solid financial results and growth in each of our key performance indicators. Overall, occupancy reached 97%, a new high for us and well above the national industry average. Net operating income for the quarter is up by 48% to $50.0 million and on a comparative basis increased 4% to $33.6 million. Acquisitions continue to fuel much of our growth but gains achieved from our comparable property portfolio are not to be overlooked either.

During the quarter we acquired two office buildings in midtown Toronto, comprising 426,000 square feet, for $110.8 million. The addition of these high-quality properties to our already established presence in the St. Clair sub-market will help improve our market position, particularly given their excellent parking – a scarce commodity in this area. We also acquired a small office property in suburban Vancouver, our first acquisition in this market in a number of years. At the end of the quarter we completed the most significant acquisition of the period, the purchase of the Aspen portfolio, four office buildings in downtown Calgary totalling 543,000 square feet, for approximately $172.1 million. The occupancy rate of the portfolio at the time of acquisition was 99% with approximately 38% of the space rolling over through 2009. The bidding for this acquisition was competitive and we are pleased to have been successful as we anticipate significant increases in net operating income over the next few years from this portfolio.

Subsequent to quarter-end, we completed two additional transactions. The first was a small single-tenant industrial building in Vaughan, Ontario, for $6.8 million. The second transaction was the 2.1 million square foot property portfolio acquired from HCI Holdings for approximately $237.7 million. This portfolio comprises 59 industrial buildings in the Pine Valley Business Park in Vaughan, Ontario; one industrial building in Burlington, Ontario; one office building in Mississauga, Ontario; and 14 retail and auto park assets. The buildings in Burlington and Mississauga are in close proximity to other assets in our portfolio. For some time now we have wanted to increase our industrial property weighting in Toronto and believe that these properties, which are well located and well leased, will be a great complement to our portfolio.

Altogether, we have acquired $542.0 million of properties since the beginning of the year and have an additional $51.9 million under contract, nearly matching our acquisition total for all of 2006. Overall, cap rates on our acquisitions are lower than in prior quarters. I believe this reflects the quality and location of the buildings. We are now experiencing more competition for acquisitions than in prior years. However, we believe that our reputation in the marketplace and our innovative approach to sourcing acquisitions will continue to help us identify and acquire quality properties that are fairly valued.

The acquisitions completed to date were funded by the equity offerings completed in December 2006 and March 2007. The accretiveness of our acquisitions is evidenced by the fact that, while we have issued almost 14.4 million units over the past 12 months, our performance on a per unit basis continues to increase: funds from operations per unit is up 6% and adjusted funds from operations is up 10% over Q1 2006, respectively. We are very pleased that we have generated adjusted funds from operations in excess of our distributions for the third consecutive quarter. And, this was achieved notwithstanding the fact that we had unutilized cash from our equity issues both at the beginning and end of the first quarter.

Our properties are performing very well and are generating healthy growth. Our comparative property portfolio produced 4% growth in net operating income. This improvement was driven by the strong performance of our office portfolio nationally, up 5% to $24.6 million, reflecting the impact of occupancy growth and rising rental rates. The comparative office portfolio remains well occupied with the National Capital Region, Alberta and Toronto portfolios at virtually full economic occupancy. Performance by the comparative industrial portfolio remained steady, with strong performance by our Alberta portfolio, offsetting a weaker contribution from our Québec portfolio.

In general, we anticipate that the markets in central Canada will continue to lag the national average due to the weaknesses in the manufacturing sector resulting from a strong Canadian dollar and the softening of the U.S. economy. There is some speculation about whether or not the economic conditions in Alberta are sustainable. However, we believe that the Alberta market still offers attractive opportunities and holds great potential for us.

We are very pleased with the progress made by Dundee REIT in the last four years. Our market capitalization has grown from $330 million to $2.0 billion. Our per unit performance has improved by every measure and we are now among the five largest REITs in the country. Our first quarter results further highlight the soundness of our business and the continued momentum of our growth.

MICHAEL J. COOPER (signed)

Vice Chairman and Chief Executive Officer

Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands with the exception of rental rates, unit and per unit amounts)

Section I – Objectives and financial highlights

Basis of presentation

Our discussion and analysis of the financial position and results of operations of Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements of Dundee REIT for the year ended December 31, 2006, and the interim financial statements for the three months ended March 31, 2007.

This Management's Discussion and Analysis has been dated as at April 30, 2007, except where otherwise noted. For simplicity, throughout this discussion we may use "REIT Units" in reference to our REIT Units, Series A. Certain market information has been obtained from CB Richard Ellis Market View, 1st Quarter 2007, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dundee REIT's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, 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; our ability to source and complete accretive acquisitions; and interest and currency rate functions.

Although the forward-looking statements contained in this document are based upon what Dundee REIT believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain assumptions made in preparing forward-looking information and our objectives include the assumption that the Canadian economy will remain stable in 2007 and that inflation will remain relatively low. We have also assumed that interest rates will remain stable in 2007, that conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate and that the Canadian capital markets will continue to provide Dundee REIT with access to equity and/or debt at reasonable rates.

All forward-looking information in this Management's Discussion and Analysis speaks as of April 30, 2007, except where otherwise noted. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including the latest annual information form of Dundee REIT. These filings are also available on our web site at www.dundeereit.com.

Our objectives

We are committed to:

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

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit or $2.20 on an annual basis. We also have a Distribution Reinvestment and Unit Purchase Plan ("DRIP"), which allows unitholders to have their distributions automatically reinvested into additional units of the Trust. Unitholders who enrol in the DRIP receive a bonus distribution of 4% with each reinvestment. At March 31, 2007, approximately 28% of our total units were enrolled in the DRIP or the equivalent plan for LP Class B Units, Series 1 ("LP B Units"), including 14% of REIT Units, Series A and 100% of LP B Units (please see a description of our equity on page 5).

	Apr/06	May/06	June/06	July/06	Aug/06	Sept/06	Oct/06	Nov/06	Dec/06	**Jan/07**	**Feb/07**	**Mar/07**
Distribution rate	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	**$0.183**	**$0.183**	**$0.183**
Month-end closing price	$28.63	$28.11	$28.20	$28.75	$31.75	$34.58	$34.99	$36.45	$38.65	**$39.95**	**$40.68**	**$39.70**

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

We work to increase the value of our portfolio through continuous and active analysis of how our properties can achieve optimal performance. We identify strengths and weaknesses of individual properties and our portfolio as a whole, which allows us to quickly reposition assets when warranted. Through ongoing incremental improvements throughout our portfolio, we minimize the requirement for large capital expenditures.

We stagger our debt maturities in order to mitigate interest rate exposure and to ensure that there are no significant maturities in any given year. Lease maturities are similarly staggered to maintain continuity of income and to avoid significant lease turnovers and their associated leasing costs in any given year.

Building and maintaining a diversified portfolio

Diversifying our real estate portfolio decreases the overall risk of our business. Our portfolio is well diversified by asset type, geographic location and tenant mix. With approximately 1,900 tenants, renewals are frequent and the exposure to the loss of any single large tenant is minimized.

Meeting the needs of our tenants

A strong relationship with our tenants is critical to our success. We strive to make Dundee REIT the preferred landlord by meeting and anticipating our tenants' needs. We believe that providing a consistent, high level of service puts us in a better position to re-lease space to existing tenants and helps to attract new tenants to lease vacant space quickly and cost effectively.

Pursuing external growth strategy

We make acquisitions that represent an opportunity to improve the overall quality of our portfolio and enhance the sustainability of distributions. Our growth strategy is to acquire office and industrial properties mainly in five key markets – Montréal, Ottawa, Toronto, Calgary and Edmonton – and reposition existing properties where opportunities exist. This allows us to capitalize on operational efficiencies and further increase our presence and critical mass in these key markets.

Our assets

We provide high-quality, affordable business premises with a primary focus on mid-sized urban and suburban office properties as well as industrial and prestige industrial 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 and they have relatively diverse and sound economies and good real estate liquidity. Acquisition activity will generally be concentrated in these areas, as it enables us to take advantage of our established presence and management expertise, build on our current critical mass and achieve even greater operational efficiencies. In the past year we have also found compelling acquisition opportunities, offering lower risk and the potential for greater returns, beyond our target markets.

During the quarter, we purchased seven office buildings totalling 1.1 million square feet for $297.5 million. Four of the properties are located in Calgary, adding to our presence in the strong Alberta market. We also acquired two buildings in midtown Toronto adjacent to two of our existing properties. The final property acquired is located in suburban Vancouver.

Owned gross leasable area (sq. ft.)[1]

	March 31, 2007				December 31, 2006	
	Office	**Industrial**	**Total**	**%**	Total	%
Québec	**1,826,864**	**3,336,110**	**5,162,974**	**26**	5,162,587	28
National Capital Region	**1,594,096**	**103,438**	**1,697,534**	**9**	1,697,388	9
Toronto Region	**3,923,376**	**2,466,694**	**6,390,070**	**33**	5,968,817	32
Alberta	**2,695,505**	**2,404,999**	**5,100,504**	**26**	4,546,087	25
Western Canada	**1,143,975**	**–**	**1,143,975**	**6**	1,058,587	6
Total as at March 31	**11,183,816**	**8,311,241**	**19,495,057**	**100**	18,433,466	100
Percentage	**57%**	**43%**	**100%**			
Total as at December 31, 2006	10,121,765	8,311,701	18,433,466			
Percentage	55%	45%	100%			

[1] Excludes redevelopment properties and discontinued operations.

Office rental properties

Dundee REIT owns 117 office properties (142 buildings) comprising approximately 11.2 million square feet, excluding redevelopment properties, located in St. John's, Québec City, Montréal, Ottawa, Toronto, Regina, Saskatoon, Calgary, Edmonton, Yellowknife and Vancouver. Our office properties can generally be categorized as high-quality, yet affordable, suburban and downtown buildings. Acquisitions completed in 2007 have added 1.1 million square feet of well-occupied office properties to our portfolio.

The Canadian national office market performed well. The average occupancy rate in our office portfolio was unchanged at 97.0% compared to December 31, 2006, and remains well ahead of the national industry average of 92.6% (CB Richard Ellis, Canadian Office Market View, 1st Quarter 2007). 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 126 prime suburban industrial and prestige industrial properties (143 buildings) comprising approximately 8.3 million square feet, concentrated in Québec City, 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.

At March 31, 2007, the average occupancy rate across our industrial portfolio increased to 97.0%, from 95.6% at December 31, 2006, and ahead of the national industry average of 94.6% (CB Richard Ellis, Canadian Industrial Market View, 1st Quarter 2007).

Development and redevelopment properties

We are currently partners in two joint ventures to develop office and prestige industrial properties in major Canadian markets. Other than those properties completed on a build-to-suit basis, we have the first option to purchase the properties once they reach a predetermined occupancy requirement, at a discount to the then current market value. In addition, we independently own 60 acres of commercial development land, the majority of which is in Edmonton and is in the early stages of development.

Three of our properties are currently classified as redevelopment properties. Properties are generally classified as redevelopment until the project is completed and produces positive cash flow after servicing specific debt.

Our equity

Unitholders' equity

	March 31, 2007		December 31, 2006	
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**40,778,282**	**$ 937,153**	34,854,553	$ 745,348
LP Class B Units, Series 1	**7,948,515**	**135,988**	8,565,095	147,879
Cumulative foreign currency translation adjustment	**–**	**(5,175)**	–	(5,116)
Total	**48,726,797**	**$ 1,067,966**	43,419,648	$ 888,111

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP B Units. The LP B Units are held by Dundee Corporation and Dundee Realty Corporation, related parties to Dundee REIT. Both the REIT Units and Special Trust Units entitle the holder to one vote for each unit held at all meetings of the unitholders. The LP B Units 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 B Units and corresponding Special Trust Units together 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. There are no REIT Units, Series B outstanding.

Effective May 1, 2006, the terms of the LP B Units were amended to provide that they may not be transferred to a third party, other than subsidiaries of Dundee Corporation and Dundee Realty Corporation. As a result, if Dundee Corporation and Dundee Realty Corporation wish to transfer the LP B Units to a third party, they must first convert the LP B Units into REIT Units, Series B. This amendment allows us to treat the outstanding LP B Units as equity for financial statement purposes in accordance with Canadian generally accepted accounting principles (“GAAP”). As a result, effective May 1, 2006, all LP B Units are presented as equity. Prior to this date, the LP B Units were presented as non-controlling interest.

Key performance indicators

Performance is measured by these and other key indicators:

Three months ended March 31	2007	2006
Operations		
Occupancy rate (period-end)[1]	**97.0%**	95.6%
In-place rent per square foot (office and industrial)[1]	**$ 10.16**	$ 9.35
Operating results		
Rental properties revenue	**$ 87,177**	$ 62,970
Net operating income (“NOI”)[2]	**49,962**	33,858
Funds from operations (“FFO”)[3]	**31,771**	19,282
Adjusted funds from operations (“AFFO”)[4]	**25,169**	14,880
Distributions		
Distributable income[5]	**$ 28,969**	$ 17,980
Reinvestment to distribution ratio[6,7]	**27.0%**	35.7%
Cash distribution ratio	**73.0%**	64.3%
Financing		
Weighted average interest rate (period-end)	**5.88%**	6.11%
Debt-to-gross book value	**47.7%**	59.2%
Per unit amounts		
Basic:		
FFO	**$ 0.71**	$ 0.67
Distributable income	**0.64**	0.62
Distribution rate	**0.55**	0.55
Total distributions as a % of distributable income	**87.3%**	89.8%
AFFO	**0.56**	0.51
Diluted:[8]		
FFO	**$ 0.69**	$ 0.63
Distributable income	**0.63**	0.59

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

[1] Excludes redevelopment properties.

[2] NOI – rental property revenues less operating expenses, excluding redevelopment and discontinued operations. The reconciliation of NOI to net income can be found on pages 24 to 25.

[3] FFO –The reconciliation of FFO to net income can be found on page 15.

[4] AFFO –The reconciliation of AFFO to distributable income can be found on page 17.

[5] The reconciliation of distributable income to cash generated from operating activities can be found on page 16.

[6] These percentages do not include the additional 4% distributions available under the DRIP.

[7] Includes April 15, 2007, reinvestment of distributions declared in March 2007.

[8] Diluted amounts assume the conversion of the 6.5% and 5.7% Debentures.

Financial overview

Overall occupancy reached a new high of 97% during the first quarter, with lease rollover activity allowing us to take advantage of generally higher market rental rates, especially in our office portfolio. Our average office and industrial portfolio occupancy rates remain above the national industry averages. Details of our leasing profile are provided on page 8.

During the first quarter, we continued to grow our operations through strategic acquisitions and effectively managing our existing portfolio of properties. This has translated into NOI growth of $16.1 million or 48% when compared to the same period in 2006. With the continued growth of our office portfolio, this segment now generates nearly 80% of NOI. Details of our NOI are provided on page 24.

For the quarter, distributable income increased 61% to $29.0 million, on which we declared distributions of $25.0 million, resulting in an 86% distribution rate. This is a favourable improvement from the 89% distribution rate in 2006. As a result of the high level of participation in our DRIP, our cash payout ratio for the quarter is 73% of declared distributions. Details of our distributions and distributable income are provided on page 16.

Our AFFO increased 69% to $25.2 million for the quarter compared to the same period in 2006, representing $0.56 per unit. This marks the third quarter that AFFO has met or exceeded our declared distributions. The improvement reflects our commitment to grow our AFFO through acquisitions and effectively managing our leasing and capital costs. Details of our AFFO are provided on page 17.

Outlook

We are very pleased with the continued growth offered by our portfolio. Occupancy has reached yet another high and rental rates continue to climb, contributing to another quarter of growth in net operating income from our comparative property portfolio. Acquired properties are also performing extremely well, contributing to NOI and producing internal growth as vacancy is leased and as renewals are completed at market rates. In addition, our balance sheet reflects a solid financial foundation. With a modest debt ratio, a low percentage of variable rate debt and extensive debt capacity, we are well positioned to act quickly as acquisition opportunities arise.

Looking forward, we expect more of the same. Leasing trends remain positive for the near term throughout our portfolio, with positive leasing momentum and either rental rate stability or growth. In Alberta, demand for both office and industrial space remains strong and supply remains limited. With virtually full occupancy in our portfolio any further growth will be achieved through rental rate increases as leases expire or through acquisitions. For example, the Aspen portfolio, acquired during the quarter, is 99% leased but has over a third of its leases expiring between now and 2009 – offering great potential for future growth in rental rates. The outlook for the balance of Western Canada, the Toronto Region and the National Capital Region is also positive, with steady performance or incremental improvements expected in all markets. Montréal remains more of a tenants' market than the rest of Canada; however, leasing activity in our portfolio is encouraging and we expect to see an improvement in occupancy and NOI by the end of the year.

Section II – Executing the strategy

Our resources and financial condition

Rental properties

During the quarter, we purchased seven office buildings totalling 1.1 million square feet for $297.5 million. Four of the properties are located in Calgary, adding to our presence in the strong Alberta market. We also acquired two buildings in midtown Toronto adjacent to two of our existing properties. The final property acquired is located in a suburb of Vancouver.

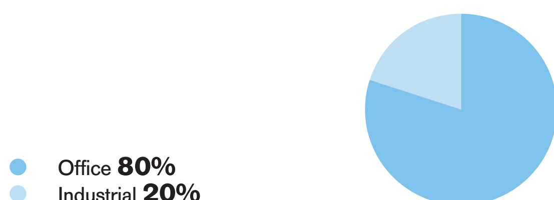
The net book value of segmented rental properties by geography and asset type is set out below.

	March 31, 2007[1]				December 31, 2006[1]	
	Office	**Industrial**	**Total**	**%**	Total	%
Québec	**$ 177,742**	**$ 132,440**	**$ 310,182**	**15**	$ 311,045	18
National Capital Region	**226,738**	**8,172**	**234,910**	**11**	236,222	13
Toronto Region	**504,729**	**134,644**	**639,373**	**31**	542,013	30
Alberta	**563,996**	**127,242**	**691,238**	**34**	532,601	30
Western Canada	**176,243**	**–**	**176,243**	**9**	163,310	9
Total as at March 31, 2007	**$ 1,649,448**	**$ 402,498**	**$ 2,051,946**	**100**	$ 1,785,191	100
Percentage	**80%**	**20%**	**100%**			
Total as at December 31, 2006	$ 1,381,034	$ 404,157	$ 1,785,191			
Percentage	77%	23%	100%			

[1] Excludes $23,930 related to Greenbriar Mall and $7,552 related to other redevelopment properties (December 31, 2006 – $31,620).

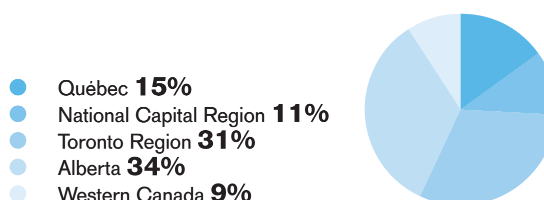
Portfolio asset type by net book value

At March 31, 2007



Geographic distribution of rental properties by net book value

At March 31, 2007



Leasing profile

The following key performance indicators related to our leasing profile influence the cash generated from operating activities:

Performance indicators[1]	March 31, 2007	December 31, 2006
Operating activities (office and industrial average)		
Occupancy level[2]	**97.0%**	96.4%
Tenant maturity profile – average term to maturity (years)	**4.4 years**	4.6 years
In-place rental rates	**$ 10.16**	$ 10.00

[1] Excludes properties under redevelopment and discontinued operations.

[2] Includes occupied and committed space.

The overall percentage of occupied and committed space across our rental properties portfolio was 97.0% at quarter-end – an all-time high for Dundee REIT. Both our average office and industrial portfolio occupancy rates remain above the national industry averages of 92.6% and 94.6%, respectively (CB Richard Ellis, Canadian Office and Industrial Market Views, 1st Quarter, 2007). The Dundee REIT occupancy rates discussed in this report include occupied and committed space at March 31, 2007, and exclude space to which the rent supplement (as described on page 26) is applied.

(%)	Total portfolio March 31, **2007**	December 31, 2006	Comparative properties March 31, **2007**	December 31, 2006
Office				
Québec	**91.0**	90.7	**91.0**	90.7
National Capital Region	**99.2**	99.0	**99.2**	99.0
Toronto Region	**97.7**	98.1	**98.0**	98.1
Alberta	**99.3**	99.5	**99.3**	99.5
Western Canada	**95.5**	96.3	**96.1**	96.3
Total office	**97.0**	97.0	**97.0**	97.0
Industrial				
Québec	**95.4**	93.2	**95.4**	93.2
Toronto Region	**96.1**	94.8	**96.1**	94.8
Alberta	**100.0**	99.7	**100.0**	99.7
Total industrial	**97.0**	95.6	**97.0**	95.6
Overall	**97.0**	96.4	**97.0**	96.4

Excludes redevelopment properties.

The percentage of occupied and committed space across our portfolio remains strong. Rates across most of our office portfolio represent virtually full economic occupancy, both for the total portfolio as well as for the comparative properties. The slight decline in occupancy in the Toronto Region office portfolio was the result of acquiring two properties with vacancy higher than our average. Occupancy rates in this portfolio otherwise remain strong. Occupancy in the Western Canada office portfolio was impacted by a lease surrender during the quarter. The industrial markets in central Canada improved as a result of leasing activity in Québec and Toronto. The Alberta industrial portfolio is at full occupancy; however, we anticipate some vacancy in the second quarter.

Summary of leasing activity to March 31, 2007:

(In square feet)	Office	Industrial	Total
Vacant space available – January 1, 2007	301,706	367,202	668,908
Remeasurements	778	(460)	318
Acquisitions	36,130	–	36,130
Leases terminated/expiring	340,887	331,197	672,084
Total space available for lease	679,501	697,939	1,377,440
New tenants	145,905	255,698	401,603
Renewals	194,964	190,702	385,666
Total space leased	340,869	446,400	787,269
Total space available for lease – March 31, 2007	338,632	251,539	590,171
Net decrease (increase) in vacant space	(36,926)	115,663	78,737

As a result of acquisitions completed in the quarter, our portfolio increased in size by 6% or 1.1 million square feet, including 36,000 square feet of vacancy. During the first quarter, approximately 0.7 million square feet of leases expired or were terminated and we completed approximately 0.8 million square feet of renewals and new leases resulting in a net decrease in vacant space.

Lease maturity profile as at March 31, 2007, by asset type:

(In square feet)	Current vacancy	Current monthly tenancies	2007	2008	2009	2010	2011 and thereafter	Total
Office	338,632	146,123	848,109	1,074,665	1,645,051	1,479,265	5,651,971	11,183,816
Industrial	251,539	159,211	1,284,770	1,308,610	1,225,908	853,480	3,227,723	8,311,241
Total	590,171	305,334	2,132,879	2,383,275	2,870,959	2,332,745	8,879,694	19,495,057
Percentage	3.0%	1.6%	11.0%	12.2%	14.7%	12.0%	45.5%	100%

Excludes redevelopment properties.

Throughout the remainder of 2007, 11.0% of our leases will be up for renewal. We have a long and successful track record in managing our lease rollovers. With average market rents increasing across the country, particularly in Calgary, our lease maturity profile affords us the opportunity to take advantage of buoyant economic conditions. As a result, we anticipate generating increased cash flow as space is re-leased.

The following table provides average expiring rents across our portfolio as well as an estimate of average market rents as at March 31, 2007:

	Current monthly tenancies	2007	2008	2009	2010	2011 and thereafter
Expiring rents						
Office	$ 6.74	$ 12.23	$ 12.12	$ 12.82	$ 13.90	$ 14.58
Industrial	5.07	4.45	4.80	5.00	6.07	6.13
Portfolio average	5.87	7.54	8.10	9.48	11.04	11.51
Market rents[1]						
Office	$ 12.92	$ 16.52	$ 15.85	$ 15.76	$ 17.65	$ 17.40
Industrial	5.12	4.83	5.08	5.39	6.14	6.24
Market rent average	8.85	9.36	9.94	11.32	13.44	13.33

[1] Estimate only, based on current market rents with no allowance for increases in future years and subject to change with market conditions in each market segment.

Our estimate of the current average market rental rate is approximately 24% higher than our 2007 expiring rental rate. While this is a positive indicator, the marketplace remains competitive and any uplift in our overall average rent will depend on the specific market and the amount of space rolling into the higher net rental rates.

Average remaining lease term and other portfolio information is as follows:

	March 31, 2007			December 31, 2006		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**[1]	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)[1]
Office	**4.59**	**8,381**	**$ 13.66**	4.72	8,554	$ 13.67
Industrial	**4.15**	**13,127**	**$ 5.45**	4.36	13,024	$ 5.47
Portfolio average	**4.40**	**9,908**	**$ 10.16**	4.56	10,105	$ 10.00

All amounts exclude redevelopment properties and discontinued operations.

[1] Average in-place rents include straight-line rent adjustments.

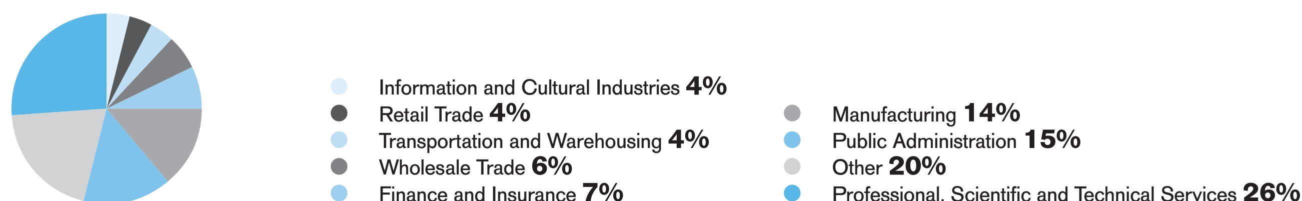
Our tenant maturity profile has remained consistent over a long period of time. The small decrease in the average term to maturity in the office and industrial portfolios reflects the impact of month-to-month tenancies as well as the time elapsed since year-end, partially offset by new leasing activity. In addition, the office portfolio was impacted by acquisitions completed in the quarter that had a lower average term to maturity of 4.17 years. We view the lease maturity profile of the acquired properties as an opportunity to capture an uplift on below market rents as the leases roll over.

Our tenant base includes a wide range of high-quality tenants including government, large international corporations and small entrepreneurial businesses across the country. With over 1,900 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 8,400 and 13,100 square feet, respectively, placing us at the lower end of our peer group. Effectively managing this diverse tenant base has become a key strength and has helped us to maintain consistently high occupancy levels.

The following graph 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. NAICS is a system used for classifying the industry in which tenants operate.

Tenant base by percentage contribution to total contract rent

At March 31, 2007



The stability and quality of our cash flow is further enhanced by government agencies contributing 15% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable businesses. The table below highlights the quality of these tenancies and outlines their contribution to our cash flow.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
Government of Canada	874,200	4.4	6.0	2007–2015
Government of Ontario	532,600	2.7	4.1	2007–2015
Telus Communications	311,500	1.6	2.8	2013–2016
Aviva	316,000	1.6	2.2	2016
Bell Canada	307,100	1.5	1.9	2007–2010
Government of Northwest Territories	108,700	0.5	1.2	2007–2012
Entrust	146,200	0.7	1.2	2015
State Street Trust Company	93,600	0.5	1.1	2012
International Financial Data Services	96,000	0.5	1.1	2007–2013
Government of British Columbia	137,300	0.7	1.2	2007–2016
Total	2,923,200	14.7	22.8	

Development and redevelopment properties

	March 31, 2007	December 31, 2006
Land under development	**$ 32,702**	$ 31,991
Land held for future development	**1,026**	1,021
Land held for sale	**8,388**	8,383
Total	**$ 42,116**	$ 41,395

These assets consist of land acquired in 2006 for the purpose of development, as well as capitalized development costs and interest incurred since acquisition.

A key component of our strategy is to grow our portfolio. Joint venture development activities where we provide mezzanine financing offer prudent opportunities for us to expand our portfolio while mitigating development and leasing risks.

On May 26, 2006, we entered into a joint venture agreement with a development partner to acquire land and develop office and prestige industrial properties in major Canadian markets. We have a 60% ownership interest in the joint venture. Other than those properties constructed on a build-to-suit basis for third parties, we have the first option to acquire the completed properties, once they reach a predetermined occupancy requirement, at a discount to the market value at the date of acquisition. As part of the agreement, we are to provide mezzanine financing equal to 90% of any funding requirement not otherwise provided by third-party lenders, up to a maximum of $45 million. We are also required to guarantee, when necessary, 90% of financing obtained from third parties. As at March 31, 2007, we have funded $9.8 million and provided a guarantee of $8.3 million on third-party financing related to two development projects in suburban Toronto that we expect will yield about 60 acres of developable lands.

The acquisition of the Princeton Portfolio on May 17, 2006, included approximately 60 acres of commercial land in Western Canada for which we paid $18.9 million. Included in this total are approximately 50 acres of serviced commercial land in the Sunwapta Business Park in Edmonton. We intend to develop 39 of the 50 acres that are zoned for office and industrial and sell the remaining 11 acres that are zoned for retail. The remaining 10 acres are mainly located in Yellowknife and are being held for future development.

Location	Property type	Acres	Investment	Development capacity (sq. ft.)	Status
Redevelopment properties					
2280 boul. Alfred Nobel, Montréal	office	–	$ 7,144	85,000	Construction is complete and the property is 48% leased.
Gallery Building, Yellowknife	office	–	408	25,000	Planning
Greenbriar Mall, Atlanta	retail	–	23,930	398,000	Property being redeveloped by our co-owner.
		–	$ 31,482	508,000	
Current development					
Barker Business Park, Richmond Hill (JV)[1]	office/ind.	40	$ 6,700	860,000	Site work, pre-leasing
Tullamore Business Park, Caledon (JV)[1]	industrial	19	3,056	375,000	Site work, pre-leasing
Sunwapta Business Park, Edmonton	office/ind.	39	10,593	800,000	Site work, pre-leasing
		98	$ 20,349	2,035,000	
Development opportunities					
Palladium Lands, Ottawa	office	3	$ 833	81,000	
10089 and 10079 Jasper Ave., Edmonton	office	–	4,783	250,000	
Speakman Project, Mississauga	office	14	–	100,000	
Station Tower Lands, Surrey	office	3	3,945	500,000	
Niven Lake Lands, Yellowknife	–	10	716	200,000	
		30	$ 10,277	1,131,000	
Held for sale					
Sunwapta Business Park, Edmonton	retail	11	$ 7,579	–	
19th Street Lands, Saskatoon	retail	0.5	809	–	
		11.5	$ 8,388	–	

[1] Joint venture ("JV").

Liquidity and capital resources

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

The following table details the change in cash and cash equivalents:

For the three months ended March 31	2007	2006
Cash generated from operating activities	**$ 32,071**	$ 17,167
Cash utilized in investing activities	**(269,672)**	(26,403)
Cash generated from financing activities	**226,164**	15,154
Increase (decrease) in cash and cash equivalents	**$ (11,437)**	$ 5,918

At March 31, 2007, cash and cash equivalents were $59.6 million, a decrease of $11.4 million compared to December 31, 2006. The decrease was a result of the cash flows indicated above, including the impact of acquisitions, new financing activity and equity issues. The large cash balance on hand at March 31, 2007, was mainly residual from the proceeds of the public offering completed in March. A portion of the funds raised were used to fund the acquisition of the Aspen portfolio in Calgary, completed on March 13, 2007, and the balance will be used to fund a portfolio acquisition closing in the second quarter. We have an $80.0 million revolving credit facility, of which approximately $79.3 million is available to provide further funding for working capital or as a bridge facility to fund acquisitions.

Operating activities

The following table details the cash generated from operating activities:

For the three months ended March 31	2007	2006
Net income	**$ 8,418**	$ 3,189
Non-cash items:		
Amortization of market rent adjustments on acquired leases	**(1,912)**	(156)
All other depreciation and amortization	**22,025**	14,297
Internalization of property manager	**1,230**	–
Deferred unit compensation expense	**453**	265
Future income taxes	**(117)**	174
Straight-line rent adjustment	**(933)**	(839)
Non-controlling interest	**–**	1,349
	29,164	18,279
Deferred leasing costs incurred	**(1,358)**	(1,034)
Change in non-cash working capital	**4,265**	(78)
Cash generated from operating activities	**$ 32,071**	$ 17,167

The change in cash generated from operations during the quarter primarily reflects the impact of acquisitions.

The amortization of market rent adjustments on acquired leases represents the impact of leases with below market rents, mainly related to certain properties acquired in Alberta during 2006. Below market leases are recorded as intangible liabilities and are amortized to rental property revenue over the terms of the related leases.

In the second quarter of 2006, we fully internalized our property management function through the purchase of the remaining 50% interest of Dundee Management Limited Partnership ("DMLP"). On closing, 92,000 LP B Units were issued, placed in trust and enrolled in the DRIP to satisfy the maximum number of units that Dundee Realty Corporation ("DRC") could be entitled to receive on June 30, 2007, as a result of qualifying property acquisitions being completed by us. The cost of these units has been expensed and added to cumulative capital as qualifying properties have been acquired by Dundee REIT. Pursuant to the agreement, any units that are not ultimately issued to DRC as additional consideration were to be returned to Dundee Properties Limited Partnership ("DPLP") for cancellation. During the three months ended March 31, 2007, we acquired $214.4 million of qualifying properties and accordingly $1.2 million was expensed and added to cumulative capital representing the cost of the additional 44,674 LP B Units that DRC is entitled to receive. With the completion of these acquisitions, DRC has earned the full allotment of LP B Units.

The straight-line rent adjustment represents the difference between the straight-line method of rental revenue recognition and the cash rents received. Any cumulative difference is included in accounts receivable.

Deferred leasing costs include fees and related costs, except for initial leasing costs that are included in rental properties, and deferred leasing costs associated with acquisitions. Deferred leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense. Deferred leasing costs for the quarter increased by $0.3 million compared to the same period in 2006 due to increased leasing activity.

The variance in the change in non-cash working capital over the prior quarter mainly reflects the increase in accounts payable as a result of property tax accruals, tenant deposits on acquired properties and timing of vendor payments. We expect to meet all working capital requirements from cash generated from operating activities.

Leasing costs and tenant improvements

Leasing costs include leasing fees and related costs, broker commissions and tenant inducements. Tenant improvements include costs incurred to make leasehold improvements to the leased space. Leasing cost and tenant improvement expenditures are dependent on asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases, and leasing costs associated with office space are generally higher than costs associated with industrial space.

During 2007, office leasing activity increased 41% and resulted in 0.3 million square feet of new leasing and renewals. Related expenditures incurred during this period only increased by 28%, reflecting our continued commitment to managing expenditures. Industrial leasing activity increased 4% and resulted in 0.4 million square feet of new leases and renewals. Related expenditures decreased by $0.4 million or 41%. The decline largely reflects that much of the renewal activity was for short-terms, for which we do not generally incur leasing costs, but also reflects our commitment to managing expenditures.

Performance indicators	Office[1]	Industrial	Total
Operating activities			
Portfolio size (sq. ft.)	11,183,816	8,311,241	19,495,057
Occupied and committed	97.0%	97.0%	97.0%
Square footage leased and occupied in 2007	300,618	562,655	863,273
Leasing costs	$ 976	$ 372	$ 1,348
Tenant improvements	$ 1,205	$ 280	$ 1,485

[1] Excludes redevelopment properties.

The table below provides our annualized estimates of expected leasing activity and leasing costs over a two- to three-year time horizon. These estimates are based on our portfolio at the end of 2006 and assume that market conditions remain consistent with our current experience.

	Office	Industrial
Estimated average annual leasing activity (sq. ft.)	1,180,000	1,790,000
Average leasing costs (per sq. ft.)	$ 8.75	$ 2.00
Expected average annual leasing costs	$ 10,300	$ 3,500

Other assets and liabilities

Other assets consist of deferred costs, prepaid expenses, intangible assets and liabilities, mezzanine loans, deposits and restricted cash. Other liabilities consist of intangible liabilities related to below market leases acquired.

The net increase in deferred costs during the quarter was $1.8 million. This change includes an approximate $10.1 million increase in deferred charges related to acquisitions and a $3.1 million increase in additional deferred expenditures, less $4.5 million in amortization and less $7.0 million of deferred financing costs that was transferred to the related debt upon adopting new accounting policies for financial instruments. Complete details of deferred costs are provided in Note 5 of the financial statements.

Intangible assets and liabilities include the value of above and below market leases, in-place leases, lease origination costs and tenant relationships. Complete details of these assets and liabilities are provided in Note 9 of the financial statements. As of March 31, 2007, net intangible assets increased $27.2 million from December 31, 2006, comprising approximately $33.3 million related to acquisitions, offset by $6.1 million in amortization expense. Net intangible liabilities increased by $21.2 million during the quarter, comprising $23.4 million related to acquisitions, offset by amortization of $2.2 million.

As at March 31, 2007, we had $4.2 million in mezzanine loans outstanding related to our joint venture developments, as discussed under "Development and redevelopment properties" on page 11.

Deposits of $1.3 million represent cash amounts held for repayment of tenant security deposits as required by various lending agreements and deposits for potential acquisitions. The $2.7 million net decrease is a result of acquisitions completed in the quarter.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages. The balance as of March 31, 2007, is $5.5 million, down $0.1 million from December 31, 2006.

Funds from operations

Management believes FFO is an important measure of our operating performance and is indicative of our 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 GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs.

In 2005, the Real Property Association of Canada ("REALpac") provided guidelines on the definition of FFO to help promote more consistent disclosure. Until such time as all income trusts adopt this policy, our computation of FFO may not be comparable to other REITs or income trusts.

For the three months ended March 31	2007	2006
Net income	**$ 8,418**	$ 3,189
Add (deduct):		
Depreciation of rental properties	**12,336**	8,570
Amortization of deferred leasing costs, tenant improvements and intangibles	**9,843**	5,725
Imputed amortization of leasing costs related to the rent supplement	**79**	256
Internalization of property manager	**1,230**	–
Loss on disposal of rental property	**–**	24
Future income tax	**(117)**	174
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(18)**	(5)
Non-controlling interest	**–**	1,349
FFO	**$ 31,771**	$ 19,282
FFO per unit – basic	**$ 0.71**	$ 0.67
FFO per unit – diluted	**$ 0.69**	$ 0.63

The increase in FFO per unit compared to the same quarter last year is primarily due to additional revenue generated by acquisitions as well as growth in occupancy and rising rental rates. A reduction in our weighted average interest rate also had a positive impact on FFO. Below market rents, which result in a non-cash amortization to our operating results, positively impact our FFO. The impact of below market rents on diluted FFO per unit was $0.04.

Diluted FFO per unit amounts assume the conversion of the 6.5% and 5.7% Debentures. The weighted average number of units outstanding for basic and diluted FFO calculations for the quarter are 44,954,392 and 47,732,198, respectively. Diluted FFO includes interest and amortization adjustments of $1.2 million.

Distributions and distributable income

Our Declaration of Trust requires us to make monthly cash distributions to our unitholders equal to at least 80% of distributable income ("DI") on an annual basis. Amounts retained in excess of the distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate with time and should not affect our distribution policy, we disregard it when determining distributable income. In times of working capital deficiency, the high participation in our DRIP program provides the necessary cash to temporarily fund cash shortfalls.

Distributable income per unit for the quarter was $0.64 and declared distributions were $0.55, representing an 86% payout ratio. In the comparative period, distributable income per unit was $0.62 and declared distributions were $0.55, representing an 89% payout ratio.

Distributable income

For the three months ended March 31	2007	2006
Cash generated from operating activities	**$ 32,071**	$ 17,167
Add (deduct):		
Deferred leasing costs incurred	**1,358**	1,034
Amortization of deferred financing costs incurred prior to June 30, 2003	**87**	94
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**16**	21
Amortization of tenant inducement	**26**	–
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(18)**	(5)
Loss on disposal of rental property	**–**	24
Amortization of deferred financing costs	**(306)**	(433)
Change in non-cash working capital	**(4,265)**	78
Distributable income	**$ 28,969**	$ 17,980
Distributable income per unit – basic	**$ 0.64**	$ 0.62
Distributable income per unit – diluted	**$ 0.63**	$ 0.59
Distributions	**$ 0.55**	$ 0.55

Distributable income is not a measure defined by GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust to facilitate the determination of distributions to our unitholders. On August 4, 2006, the Canadian Securities Administrators (the "CSA") issued CSA Staff Notice 52-306 (Revised) "Non-GAAP Financial Measures" (the "Notice"). The Notice provides that, in the view of CSA staff, all distributable cash presentations should begin with cash flows from operating activities. In compliance with the Notice, our table reconciles distributable income, as defined by our Declaration of Trust, to cash generated from operating activities.

Distributions

The distributions presented in the table below comprise $20.8 million relating to REIT Units and $4.5 million relating to LP B Units. Cash distributions were only paid to holders of REIT Units as all of the LP B Units are enrolled in the DRIP.

	Declared distributions	4% additional distributions	Total
2007 distributions			
Paid in cash or reinvested in units	$ 16,132	$ 170	$ 16,302
Payable at March 31, 2007	8,899	81	8,980
Total distributions	$ 25,031	$ 251	$ 25,282
2007 reinvestment			
Reinvested to March 31, 2007	$ 4,254	$ 170	$ 4,424
Reinvested on April 15, 2007	2,502	81	2,583
Total distributions reinvested	$ 6,756	$ 251	$ 7,007
Distributions paid in cash	$ 18,275		
Reinvestment to distribution ratio	27.0%		
Cash distribution payout ratio	73.0%		

Distributions declared in the three months ended March 31, 2007, totalled $25.0 million or 86% of distributable income, an increase of $9.1 million over the comparative period. Of this amount, $6.8 million or 27% was reinvested in additional units. The increase in declared distributions arises from an incremental increase in units generated through the DRIP, REIT Units issued as part of public offerings completed in April, June and December 2006, and March 2007, as well as REIT Units issued on the conversion of debentures. As a result of the high level of participation in the DRIP, our cash payout ratio for our distributions is 73%.

In the three months ended March 31, 2007, we declared $4.4 million in distributions on LP B Units, which was satisfied by the issuance of 101,070 REIT Units and 6,424 LP B Units.

Adjusted funds from operations

For the three months ended March 31	**2007**	2006
Distributable income	**$ 28,969**	$ 17,980
Adjusted for:		
Normalized leasing costs and tenant improvements	**(3,450)**	(2,750)
Normalized non-recoverable recurring capital expenditures	**(350)**	(350)
AFFO	**$ 25,169**	$ 14,880
AFFO per unit – basic	**$ 0.56**	$ 0.51

Management believes adjusted funds from operations ("AFFO") is an important measure of our economic performance and is indicative of our ability to pay distributions. This measurement is generally accepted as one of the most appropriate measures for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs. Please see our description of distributable income on page 16, which reconciles distributable income to cash flow from operations.

Our calculation of AFFO starts with our distributable income and then deducts an estimate of normalized non-recoverable maintenance capital expenditures, leasing costs and tenant improvements that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of normalized leasing costs and tenant improvements are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2006. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditure for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and the growth in our business resulting from property acquisitions.

Investing activities

The following table details our cash utilized in investing activities:

For the three months ended March 31	**2007**	2006
Investment in rental properties	**$ (2,423)**	$ (2,107)
Investment in tenant improvements	**(1,485)**	(1,937)
Investment in land development	**(721)**	–
Acquisition of rental properties and land	**(263,833)**	(21,490)
Acquisition deposit on rental properties	**(1,100)**	(1,200)
Investment in mezzanine loan	**(222)**	–
Change in restricted cash, net	**112**	331
Cash utilized in investing activities	**$ (269,672)**	$ (26,403)

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

Performance indicators for the three months ended March 31	**2007**	2006
Investing activities		
Acquisition of rental properties	**$ 297,515**	$ 31,366
Building improvements	**$ 1,587**	$ 1,489
Acquisition and development of land	**$ 721**	$ –

Acquisitions and dispositions

During the first quarter of 2007, we acquired $297.5 million of rental properties, land and related intangible assets funded by $263.8 million in cash. Acquisitions completed during 2006 and 2007 have increased net operating income by approximately $13.2 million for the three-month period.

Three months ended March 31, 2007	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
30 and 55 St. Clair Avenue West, Toronto	office	100.0	426,000	96	$ 110,798	$ –	January 9, 2007
625 Agnes Street, New Westminster, British Columbia	office	100.0	83,000	88	14,587	–	January 24, 2007
Aspen Portfolio, Calgary	office	100.0	543,000	99	172,130	29,225	March 13, 2007
Total			1,052,000	97	$ 297,515	$ 29,225	

Acquisitions subsequent to quarter-end

Subsequent to quarter-end, we acquired a portfolio of industrial properties in Toronto, Ontario, comprised of 69 buildings totalling 2.1 million square feet for approximately $237.7 million, including assumed mortgages of approximately $56.7 million. In addition, we acquired a 76,000 square foot industrial building in Vaughan, Ontario, for approximately $6.8 million.

We also have under contract, subject to a variety of conditions, approximately $51.9 million of office properties totalling 0.2 million square feet.

Building improvements

For the three months ended March 31	**2007**	2006
Building improvements:		
Recurring recoverable	**$ 540**	$ 506
Recurring non-recoverable	**357**	70
Non-recurring	**690**	913
Total	**$ 1,587**	$ 1,489

For the three-month period, capital expenditures or expenditures accrued for rental property building improvements and equipment were $1.6 million (March 31, 2006 – $1.5 million). Recurring recoverable costs incurred in the quarter include $0.5 million for various roof replacements, lighting retrofits and general building maintenance required throughout our portfolio.

Recurring non-recoverable costs incurred during the quarter include $0.4 million for various roof replacements required in the Québec industrial portfolio.

Non-recurring expenditures of $0.7 million for the quarter include $0.2 million related to properties under development and $0.5 million for floor slab-work required in the Québec industrial portfolio.

As part of our acquisition due diligence, we endeavour to identify any near-term capital expenditure requirements and factor those costs into our investment analysis and purchase price negotiations. Such potential expenditures are approved in the acquisition process and will be identified as incurred. There are no expected non-recoverable capital expenditures associated with acquisitions completed in the first quarter.

Financing activities

We finance the ownership of our assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures. Our debt strategy includes staggering our maturity schedule to help mitigate interest rate risk and limit exposure in any given year, as well as fixing the rates and extending loan terms as long as possible when interest rates are favourable.

The following table details our cash generated from financing activities:

For the three months ended March 31	2007	2006
Mortgages placed, net of costs	**$ 100,090**	$ 43,334
Mortgage principal repayments	**(7,052)**	(5,530)
Mortgage lump sum repayments	**(12,736)**	(12,926)
Term debt principal repayments	**(28)**	(99)
Term debt placed, net of costs	**37**	–
Distributions paid on REIT Units	**(17,903)**	(9,837)
Units issued, net of costs	**163,756**	212
Cash generated from financing activities	**$ 226,164**	$ 15,154

Debt

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

	March 31, 2007	December 31, 2006
Financing activities		
Average interest rate	**5.88%**	5.95%
Level of debt (debt-to-gross book value)	**47.7%**	50.6%
Interest coverage ratio	**2.84 times**	2.46 times
Proportion of total debt due within one year	**2.8%**	4.7%
Debt – average term to maturity (years)	**6.0**	5.8
Variable rate debt as percentage of total debt	**2.0%**	2.2%

The interest coverage ratio, which reflects our ability to cover interest expense requirements, has improved since the beginning of the year to 2.84 times. This improvement reflects the reduction in our overall level of debt-to-gross book value to 47.7%, from 50.6% at the beginning of the year, as well as the lower average interest rate, now at 5.88% compared to 5.95% at the beginning of the year.

As a result of refinancing activity during the quarter, the proportion of total debt due in the remainder of 2007 decreased to 2.8%. Our variable rate debt as a percentage of total debt also decreased during the quarter as a result of new mortgage financing. During the quarter, we drew $52.3 million from our revolving credit facility, which we repaid by March 31, 2007. The facility is used as an interim measure until conventional mortgage debt or other long-term financing is in place.

			March 31, 2007			December 31, 2006
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 1,142,971**	**$ 18,916**	**$ 1,161,887**	$ 1,036,909	$ 19,402	$ 1,056,311
Term debt	**2,247**	**5,526**	**7,773**	2,238	5,526	7,764
Debenture – 6.5%	**17,402**	**–**	**17,402**	24,438	–	24,438
Debenture – 5.7%	**43,915**	**–**	**43,915**	65,281	–	65,281
Total	**$ 1,206,535**	**$ 24,442**	**$ 1,230,977**	$ 1,128,866	$ 24,928	$ 1,153,794
Percentage	**98.0%**	**2.0%**	**100.0%**	97.8%	2.2%	100%

Mortgages payable include a $9.1 million fair value adjustment (December 31, 2006 – $9.6 million) reflecting the fair value of mortgages assumed in connection with acquisitions. The fair value adjustment and discount are amortized to interest expense over the term to maturity of the related debt. During the quarter, $26.0 million of debentures were converted into 906,748 REIT Units. Amounts recorded as at March 31, 2007, for the 6.5% and 5.7% Debentures are net of the $0.6 million premiums allocated to their conversion features. Further detail on the conversions is provided on page 22.

Debt-to-gross book value

Our Declaration of Trust limits our overall debt to 65% of gross book value. At March 31, 2007, our debt-to-gross book value decreased to 47.7% (December 31, 2006 – 50.6%) mainly as a result of funding $297.5 million of acquisitions with the proceeds of equity offerings totalling $163.5 million completed in March and net mortgage financing of $80.3 million. In addition, as a result of the higher trading price of our units, we received $26.0 million of debenture conversions, which also contributed to a significant reduction in our debt-to-gross book value. We anticipate that once we complete the acquisitions under contract at the end of the first quarter and finance future acquisitions with debt, our debt level should return to a target range of between 53% and 55%.

	March 31, 2007
Total assets	**$ 2,412,661**
Accumulated depreciation	**132,569**
Accumulated amortization of acquired intangibles and leasing costs	**37,437**
Gross book value	**$ 2,582,667**
Outstanding debt	**$ 1,230,977**
Unamortized discount component of convertible debentures	**631**
Total debt	**$ 1,231,608**
Debt-to-gross book value	**47.7%**

We consider our convertible debentures to be debt and treat them as such when computing our debt ratios. Assuming the conversion of all of the 6.5% and 5.7% Debentures, our debt-to-gross book value would decrease to 45.3%.

Debt financing activity

During the quarter we secured approximately $100.1 million in new mortgage financing. The new financing was completed with an average term to maturity of 10 years and an average interest rate of 5.21%. As a result, our overall average interest rate decreased to 5.88% and our average term to maturity was extended to 6.0 years.

Changes in debt levels since December 31, 2006, result from:

	Mortgages	Term debt	Revolving credit facility	Convertible debentures	Total
Debt as at December 31, 2006	$ 1,056,311	$ 7,764	$ –	$ 89,719	$ 1,153,794
Adjustment on adoption of new financial instrument accounting standard	(3,596)	–	–	(3,746)	(7,342)
New debt assumed on rental property acquisitions	29,225	–	–	–	29,225
New debt placed	100,090	37	52,356	–	152,483
Scheduled repayments	(7,052)	(28)	–	–	(7,080)
Lump sum repayments	(12,736)	–	(52,356)	–	(65,092)
Conversion to unit equity	–	–	–	(25,957)	(25,957)
Marked-to-market and other adjustments	(355)	–	–	1,301	946
Debt as at March 31, 2007	**$ 1,161,887**	**$ 7,773**	**$ –**	**$ 61,317**	**$ 1,230,977**

Effective January 1, 2007, we adopted new accounting standards for recognizing and measuring financial assets and liabilities on our balance sheet. This standard is applied prospectively and does not require the restatement of prior periods. As a result of adopting the standard, deferred financing costs of $3.6 million and $3.7 million have been deducted from mortgages and convertible debentures, respectively.

In connection with acquisitions completed during the quarter, we assumed $29.2 million in mortgages, with an average 8.4-year term to maturity and a weighted average interest rate of 5.16%.

	March 31, 2007					December 31, 2006
	Debt maturities	**Scheduled principal repayments on non-matured debt**	**Amount**	**%**	**Weighted average interest rate on balance due at maturity %**	Amount
2007	**$ 10,911**	**$ 22,970**	**$ 33,881**	**2.8**	**5.55**	$ 52,117
2008	**110,032**	**30,556**	**140,588**	**11.4**	**6.50**	138,521
2009	**122,963**	**27,066**	**150,029**	**12.2**	**6.50**	147,724
2010	**38,629**	**24,549**	**63,178**	**5.1**	**5.58**	60,752
2011	**160,533**	**21,343**	**181,876**	**14.8**	**6.30**	179,286
2012 and thereafter	**599,146**	**60,090**	**659,236**	**53.7**	**5.62**	565,827
Total	**$ 1,042,214**	**$ 186,574**	**$ 1,228,788**	**100.0**	**5.92**	$ 1,144,227
Fair value adjustments			**8,455**			9,567
Deferred financing costs			**(6,266)**			–
			$ 1,230,977			$ 1,153,794

Convertible debentures

During the quarter we issued 906,748 REIT Units upon the conversion of $26.0 million of the principal amount of 6.5% and 5.7% Debentures.

With respect to the 6.5% Debenture, during the quarter, we issued 249,200 REIT Units upon the conversion of $6.2 million of the principal amount. Subsequent to quarter-end, we issued an additional 25,840 REIT Units upon the conversion of $0.6 million of the principal amount. The total principal amount outstanding at April 30, 2007, was $17.7 million, and is convertible into 708,280 REIT Units.

With respect to the 5.7% Debenture, during the quarter, we issued 657,548 REIT Units upon the conversion of $19.7 million of the principal amount. Subsequent to quarter-end, we issued an additional 137,464 REIT Units upon the conversion of $4.1 million of the principal amount. The total principal amount outstanding at April 30, 2007, was $42.1 million, and is convertible into 1,402,666 REIT Units.

Equity

The following table summarizes the changes in our outstanding equity:

	REIT Units, Series A	LP Class B Units, Series 1	Total
Units issued and outstanding on December 31, 2006	34,854,553	8,565,095	43,419,648
Units issued pursuant to public offerings	4,195,000	–	4,195,000
Units issued pursuant to internalization of property manager	–	44,674	44,674
Units issued pursuant to DRIP	152,832	6,708	159,540
Units issued pursuant to Deferred Unit Incentive Plan	1,287	–	1,287
Unit redemption	(100)	–	(100)
Conversion of 6.5% Debentures	249,200	–	249,200
Conversion of 5.7% Debentures	657,548	–	657,548
Exchange of LP B Units	667,962	(667,962)	–
Total units outstanding on March 31, 2007	**40,778,282**	**7,948,515**	**48,726,797**
Percentage of all units	83.7%	16.3%	100%
Units issued pursuant to DRIP on April 15, 2007	63,223	2,280	65,503
Units issued pursuant to Unit Purchase Plan	151	–	151
Conversion of 6.5% Debentures	25,840	–	25,840
Conversion of 5.7% Debentures	137,464	–	137,464
Exchange of LP B Units	30,329	(30,329)	–
Total units outstanding on April 30, 2007	41,035,289	7,920,466	48,955,755
Percentage of all units	83.8%	16.2%	100%

Public offering of units

On March 12, 2007, the Trust completed a public offering of 3,700,000 REIT Units for gross cash proceeds of $150.8 million at a price of $40.75 per unit. On March 29, 2007, the Trust issued an additional 495,000 REIT Units pursuant to the exercise of the over-allotment option granted to the underwriters for gross proceeds of approximately $20.2 million. The exercise of the over-allotment option increased the total gross proceeds of the offering to approximately $170.9 million. Costs relating to the offering of $7.4 million were charged directly to unitholders' equity.

Our results of operations

For the three months ended March 31	2007	2006
Revenues		
Rental properties revenue	**$ 87,177**	$ 62,970
Interest and fee income	**664**	499
	87,841	63,469
Expenses		
Rental properties operating expenses	**36,672**	28,067
Interest	**17,249**	14,978
Depreciation of rental properties	**12,336**	8,540
Amortization of deferred leasing costs, tenant improvements and intangibles	**9,843**	5,710
General and administrative	**2,204**	1,508
	78,304	58,803
Income before the undernoted item	**9,537**	4,666
Internalization of property manager	**(1,230)**	–
Income before income taxes	**8,307**	4,666
Income taxes		
Current income and large corporations taxes	**5**	45
Future income taxes	**(117)**	174
	(112)	219
Income before non-controlling interest and discontinued operations	**8,419**	4,447
Income attributable to non-controlling interest	**–**	(1,323)
Income before discontinued operations	**8,419**	3,124
Discontinued operations	**(1)**	65
Net income	**$ 8,418**	$ 3,189

Rental properties revenue

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 increase in rental property revenue is primarily a result of additional revenues generated by acquisitions as well as receiving 100% of the fees earned by the property manager, effective May 1, 2006.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management 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 quarter to quarter.

Rental properties operating expenses

Operating expenses mainly comprise 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 $8.6 million or 31% increase in operating expenses over the comparative quarter mainly reflects the additional costs associated with acquired properties.

Interest expense

The $2.3 million or 15% increase in interest expense for the three-month period was mainly the result of additional debt incurred in connection with acquisitions. Although the overall dollar amount of our debt increased, the impact on interest expense was mitigated to some extent by the reduction in our weighted average interest rate to 5.88% compared with 5.95% at December 31, 2006.

Depreciation of rental properties

Depreciation increased by $3.8 million or 44% compared with the same quarter in 2006 mainly as a result of acquisitions.

Amortization of deferred leasing costs, tenant improvements and intangibles

Amortization increased by $4.1 million or 72% over the comparative period, largely due to the allocation of a portion of the purchase price on new acquisitions to intangibles.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations. Expenses for the quarter were $2.2 million, an increase of $0.7 million or 46% over the comparative period reflecting the growth of our business and the additional costs resulting from the internalization of the property manager. The increase in expense is offset by increased property management fees as we now own 100% of the property manager.

Income tax expense

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

Discontinued operations

Discontinued operations include assets that have been categorized as held for sale or sold and meet specific criteria as discontinued assets in accordance with GAAP. These assets and operations are disclosed separately on the income statement and balance sheet.

Related-party transactions

From time to time Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Prior to May 1, 2006, Dundee REIT, DPLP (an indirect subsidiary of Dundee REIT), DMLP (an indirect subsidiary of Dundee REIT) and DRC were parties to a property management agreement and an administrative services agreement (the "Management Agreement" and the "Services Agreement"). In addition, DMLP and DRC are parties to a separate administrative services agreement. Effective May 1, 2006, the Trust acquired DRC's 50% interest in DMLP. As a result, DRC is no longer party to the Management Agreement, other than to its rent supplement obligation, and the Services Agreement. DMLP and DRC have extended the term of the DRC Services Agreement until June 30, 2013.

During the quarter, we received $0.1 million in fees related to the rent supplement and $0.5 million related to the DRC services agreement.

Net operating income

Net operating income is an important measure used by management to evaluate the operating performance of the properties; however, it is not defined by GAAP, does not have a standard meaning and may not be comparable with other income trusts. Provided below is our reconciliation of NOI to net income:

For the three months ended March 31	2007	2006
Net income	**$ 8,418**	$ 3,189
Add (deduct):		
Interest expense	**17,249**	14,978
Depreciation of rental properties	**12,336**	8,540
Amortization of deferred leasing costs, tenant improvements and intangibles	**9,843**	5,710
General and administrative expenses	**2,204**	1,508
Internalization of property manager	**1,230**	–
Interest and fee income	**(664)**	(499)
Income taxes	**(112)**	219
Non-controlling interest	**–**	1,323
Discontinued operations	**–**	106
NOI	**$ 50,504**	$ 35,074

We define NOI as the total of rental property revenues less rental property operating expenses. NOI, before redevelopment and discontinued operations, for the quarter increased 48% over the comparative period, primarily due to income generated by properties acquired in 2006, and properties acquired in the first quarter of 2007. Our comparative portfolio performance increased $1.4 million or 4%, reflecting strong NOI growth in our office portfolio and consistent results from our industrial portfolio. Redevelopment properties include the results of Greenbriar Mall, Atlanta. Discontinued operations mainly reflects the results of Kameyosek Shopping Centre, which was sold on June 29, 2006.

For the three months ended March 31

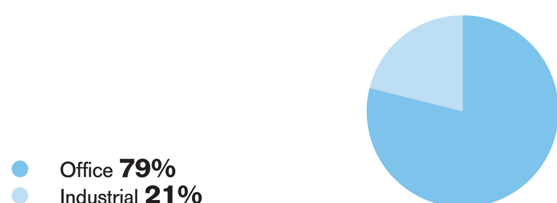
			Growth	
	2007	2006	Amount	%
Office	**$ 39,451**	$ 24,351	$ 15,100	62
Industrial	**10,511**	9,507	1,004	11
NOI	**49,962**	33,858	16,104	48
Redevelopment	**543**	1,045	(502)	
Discontinued operations	**(1)**	171	(172)	
NOI including redevelopment and discontinued operations	**$ 50,504**	$ 35,074	$ 15,430	44

For the three months ended March 31

			Growth	
	2007	2006	Amount	%
Québec	**$ 8,015**	$ 8,228	$ (213)	(3)
National Capital Region	**6,070**	5,754	316	5
Toronto Region	**16,068**	11,162	4,906	44
Alberta	**14,846**	7,362	7,484	102
Western Canada	**4,963**	1,352	3,611	267
NOI	**49,962**	33,858	16,104	48
Redevelopment	**543**	1,045	(502)	
Discontinued operations	**(1)**	171	(172)	
NOI including redevelopment and discontinued operations	**$ 50,504**	$ 35,074	$ 15,430	44

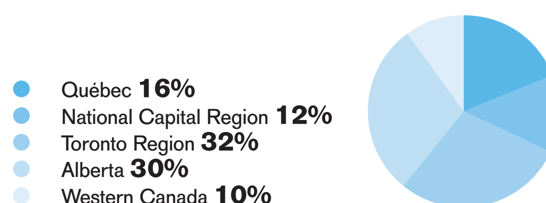
NOI by segment

Three months ended March 31, 2007



NOI by region

Three months ended March 31, 2007



NOI comparative portfolio

NOI shown below highlights comparative and non-comparative items to assist in understanding the impact each component has on NOI. We have classified our remaining interest in Greenbriar Mall as a redevelopment property, as it is being redeveloped by our partner, and also to reflect the fact that we no longer actively manage the property. The discontinued operations that contributed to NOI are shown separately to conform with the required income statement presentation. Comparative NOI and acquisitions exclude GAAP adjustments that relate to straight-line rents and amortization of market rent adjustments on acquired leases.

For the three months ended March 31				
			Growth	
	2007	2006	Amount	%
Office	**$ 24,595**	$ 23,348	$ 1,247	5
Industrial	**9,037**	8,905	132	1
Comparative properties	**33,632**	32,253	1,379	4
Acquisitions	**13,379**	205	13,174	
Rent supplement	**147**	464	(317)	
GAAP adjustments	**2,804**	936	1,868	
NOI	**49,962**	33,858	16,104	48
Redevelopment	**543**	1,045	(502)	
Discontinued operations	**(1)**	171	(172)	
NOI including redevelopment and discontinued operations	**$ 50,504**	$ 35,074	$ 15,430	44

For the three months ended March 31				
			Growth	
	2007	2006	Amount	%
Québec	**$ 7,380**	$ 7,806	$ (426)	(5)
National Capital Region	**5,728**	5,565	163	3
Toronto Region	**10,965**	10,596	369	3
Alberta	**7,952**	6,932	1,020	15
Western Canada	**1,607**	1,354	253	19
Comparative properties	**33,632**	32,253	1,379	4
Acquisitions	**13,379**	205	13,174	
Rent supplement	**147**	464	(317)	
GAAP adjustments	**2,804**	936	1,868	
NOI	**49,962**	33,858	16,104	48
Redevelopment	**543**	1,045	(502)	
Discontinued operations	**(1)**	171	(172)	
NOI including redevelopment and discontinued operations	**$ 50,504**	$ 35,074	$ 15,430	44

Comparative NOI growth was driven by strong performance by our office portfolio nationally, as well as occupancy growth and rising rental rates.

The rent supplement from DRC contributed $0.1 million for the quarter. 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 for office and three years for industrial space. The rent supplement decreased in the quarter as a result of leasing activity in supplemented office space, and the expiry of the supplement period for industrial properties on June 30, 2006.

Comparative office portfolio

	For the three months ended March 31			
			Growth	
	2007	2006	Amount	%
Québec	**$ 4,280**	$ 4,538	$ (258)	(6)
National Capital Region	**5,728**	5,565	163	3
Toronto Region	**8,208**	7,802	406	5
Alberta	**4,772**	4,089	683	17
Western Canada	**1,607**	1,354	253	19
Comparative properties	**24,595**	23,348	1,247	5
Acquisitions	**12,241**	–	12,241	
Rent supplement	**147**	292	(145)	
GAAP adjustments	**2,468**	711	1,757	
Office NOI	**$ 39,451**	$ 24,351	$ 15,100	62

Our comparative office portfolio remains well occupied with the National Capital Region, Alberta and Toronto portfolios boasting virtually full economic occupancy. Strong comparative NOI growth in the office portfolio is largely a result of improved occupancy and higher rental rates achieved on renewals and new leasing.

On a regional basis, occupancy in our Québec portfolio remained steady, yet the portfolio produced weaker NOI, primarily as a result of a lease renegotiation completed in December 2006 that negatively impacts quarterly NOI by $0.2 million. Looking ahead, we anticipate significant leasing at our redevelopment property in Montréal in the second quarter that should contribute to NOI by the third quarter. The National Capital Region portfolio benefited from a slight increase in occupancy and rental rates. Lease renewals completed on new terms also contributed to improved performance, reflecting tenant recoveries not previously permitted by the gross lease. Growth in the Toronto Region reflects improved occupancy and the impact of internal growth in rental rates as well as renewals and new leasing completed at market rates. The Alberta office portfolio leads our growth, benefiting from increases in occupancy and rental rates. Occupancy in our Western Canada portfolio declined slightly but weaker results were offset by a $0.3 million lease surrender payment received during the quarter. This space has subsequently been re-leased for a 10-year term.

Comparative industrial portfolio

	For the three months ended March 31			
			Growth	
	2007	2006	Amount	%
Québec	**$ 3,100**	$ 3,268	$ (168)	(5)
Toronto Region	**2,757**	2,794	(37)	(1)
Alberta	**3,180**	2,843	337	12
Comparative properties	**9,037**	8,905	132	1
Acquisitions	**1,138**	205	933	
Rent supplement	**–**	172	(172)	
GAAP adjustments	**336**	225	111	
Industrial NOI	**$ 10,511**	$ 9,507	$ 1,004	11

The comparative industrial portfolio performance remained stable for the quarter mainly as a result of higher rates achieved on leasing and incremental NOI from the build-to-suit project in Edmonton completed in May 2006. This result was partially offset by the impact of slightly weaker average occupancy throughout the quarter compared to the same period in 2006.

The decline in NOI from our comparative Québec portfolio mainly reflects the impact of downtime experienced while leasing a property and the free rental period provided to the tenant, as well as non-recoverable charges related to a number of tenants. Results from our Toronto portfolio remained stable with NOI contributed by tenants whose free rent incentive period has ended being partially offset by a slight decline in average occupancy throughout the quarter compared to the same period in 2006. Our Alberta industrial portfolio continues to produce strong results, reflecting both increases in occupancy and higher rates on lease renewals.

NOI prior quarter comparison

Overall, comparative properties are maintaining a high level of occupancy, achieving incremental improvements in rental rates and producing modest growth in NOI. Total NOI increased by 7% quarter-over-quarter, largely reflecting the impact of acquisitions as well as the benefits of leasing activity in Alberta and Western Canada.

For the three months ended	March 31, 2007	December 31, 2006	Growth Amount	Growth %
Office	**$ 24,595**	$ 24,628	$ (33)	–
Industrial	**9,037**	9,176	(139)	(2)
Comparative properties	**33,632**	33,804	(172)	(1)
Acquisitions	**13,379**	9,948	3,431	
Rent supplement	**147**	150	(3)	
GAAP adjustments	**2,804**	2,356	448	
NOI	**49,962**	46,258	3,704	8
Redevelopment	**543**	778	(235)	
Discontinued operations	**(1)**	–	(1)	
NOI including discontinued operations	**$ 50,504**	$ 47,036	$ 3,468	7

For the three months ended	March 31, 2007	December 31, 2006	Growth Amount	Growth %
Québec	**$ 7,380**	$ 8,019	$ (639)	(8)
National Capital Region	**5,728**	5,843	(115)	(2)
Toronto Region	**10,965**	10,922	43	–
Alberta	**7,952**	7,656	296	4
Western Canada	**1,607**	1,364	243	18
Comparative properties	**33,632**	33,804	(172)	(1)
Acquisitions	**13,379**	9,948	3,431	
Rent supplement	**147**	150	(3)	
GAAP adjustments	**2,804**	2,356	448	
NOI	**49,962**	46,258	3,704	8
Redevelopment	**543**	778	(235)	
Discontinued operations	**(1)**	–	(1)	
NOI including discontinued operations	**$ 50,504**	$ 47,036	$ 3,468	7

Comparative NOI remained stable with overall occupancy increasing slightly. Excluding the impact of a $0.3 million one-time lease surrender payment in the prior quarter, NOI from the office portfolio increased by $0.3 million. Results from our industrial portfolio were down slightly, mainly as a result of $0.2 million of free rent provided to a new tenant in Montréal and $0.1 million in tenant provisions, partially offset by a $0.1 million increase generated by improved occupancy and rental rates.

The decline in the Québec portfolio mainly reflects the impact of one-time tenant provisions and a lease renegotiation totalling $0.4 million, a $0.3 million lease surrender payment recorded in the previous quarter and free rent inducements. The National Capital Region portfolio remains stable with the slight decrease in NOI reflecting one-time recovery adjustments that occurred in the previous quarter. The growth in our Alberta portfolio is due to increased occupancy and our continued focus on cost management resulting in lower non-recoverable expenses. The increase in Western Canada is mainly due to a $0.3 million surrender payment received in the quarter.

Quarterly information

The following tables show quarterly information since March 31, 2005.

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005
Revenues								
Rental properties revenue	**$ 87,177**	$ 81,995	$ 76,778	$ 66,051	$ 62,970	$ 60,391	$ 57,385	$ 52,720
Interest and fee income	**664**	1,257	1,038	852	499	397	410	619
	87,841	83,252	77,816	66,903	63,469	60,788	57,795	53,339
Expenses								
Rental properties operating expenses	**36,672**	34,959	31,380	27,744	28,067	27,190	25,216	23,427
Interest	**17,249**	17,307	17,934	15,833	14,978	14,701	14,378	13,215
Depreciation of rental properties	**12,336**	11,259	10,824	9,227	8,540	8,087	7,967	6,800
Amortization of deferred leasing costs, tenant improvements and intangibles	**9,843**	9,384	9,007	6,513	5,710	5,907	5,565	4,405
General and administrative	**2,204**	1,861	1,688	1,755	1,508	1,641	1,362	1,245
	78,304	74,770	70,833	61,072	58,803	57,526	54,488	49,092
Income before the undernoted items	**9,537**	8,482	6,983	5,831	4,666	3,262	3,307	4,247
Provision for impairment in value of rental property	**–**	–	–	–	–	(11,533)	–	–
Internalization of property manager	**(1,230)**	(615)	27	(13,090)	–	–	–	–
Gain (loss) on disposal of rental property	**–**	9	(445)	216	–	–	–	–
Dilution gain	**–**	–	–	–	–	296	269	652
Income (loss) before income and large corporations taxes	**8,307**	7,876	6,565	(7,043)	4,666	(7,975)	3,576	4,899
Income taxes								
Current income and large corporations taxes	**5**	22	(81)	76	45	49	44	41
Future income taxes (recovery)	**(117)**	(111)	(202)	2,453	174	(4,286)	259	183
Income tax expense (recovery)	**(112)**	(89)	(283)	2,529	219	(4,237)	303	224
Income (loss) before non-controlling interest and discontinued operations	**8,419**	7,965	6,848	(9,572)	4,447	(3,738)	3,273	4,675
Loss (income) attributable to non-controlling interest	**–**	–	–	(517)	(1,323)	1,192	(1,007)	(1,330)
Income (loss) before discontinued operations	**8,419**	7,965	6,848	(10,089)	3,124	(2,546)	2,266	3,345
Discontinued operations	**(1)**	(13)	(25)	3,343	65	(2,469)	(43)	75
Net income (loss)	**$ 8,418**	$ 7,952	$ 6,823	$ (6,746)	$ 3,189	$ (5,015)	$ 2,223	$ 3,420
Net income (loss) per unit								
Basic	**$ 0.19**	$ 0.24	$ 0.19	$ (0.23)	$ 0.15	$ (0.28)	$ 0.13	$ 0.20
Diluted[1]	**$ 0.19**	$ 0.24	$ 0.19	$ (0.23)	$ 0.15	$ (0.29)	$ 0.12	$ 0.17

[1] Excludes impact of 6.5% and 5.7% Debentures, which are currently not dilutive to net income.

Calculation of funds from operations and distributable income

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005
Net income (loss)	**$ 8,418**	$ 7,952	$ 6,823	$ (6,746)	$ 3,189	$ (5,015)	$ 2,223	$ 3,420
Add (deduct):								
Depreciation of rental properties	**12,336**	11,259	10,824	9,255	8,570	8,117	8,053	6,884
Amortization of deferred leasing costs and intangibles	**9,843**	9,384	9,007	6,527	5,725	5,918	5,765	4,524
Future income tax	**(117)**	(111)	(202)	2,453	174	(4,286)	259	183
Imputed amortization of leasing costs related to the rent supplement	**79**	81	68	289	256	318	168	204
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(18)**	(17)	(18)	(13)	(5)	(6)	(4)	(3)
Dilution gain	**–**	–	–	–	–	(296)	(269)	(652)
(Gain) loss on disposal of rental properties	**–**	4	415	(3,453)	24	3,837	–	25
Provision for impairment in value of rental property	**–**	–	–	–	–	11,533	–	–
Internalization of property manager	**1,230**	615	(27)	13,090	–	–	–	–
Non-controlling interest	**–**	–	–	527	1,349	(2,281)	986	1,367
Funds from operations	**$ 31,771**	$ 29,167	$ 26,890	$ 21,929	$ 19,282	$ 17,839	$ 17,181	$ 15,952
Funds from operations per unit								
Basic[1]	**$ 0.71**	$ 0.74	$ 0.74	$ 0.67	$ 0.67	$ 0.68	$ 0.68	$ 0.64
Diluted	**$ 0.69**	$ 0.71	$ 0.70	$ 0.64	$ 0.63	$ 0.64	$ 0.63	$ 0.60
Cash generated from operating activities	**$ 32,071**	$ 24,003	$ 22,058	$ 24,634	$ 17,167	$ 13,204	$ 16,351	$ 19,862
Add (deduct):								
Deferred leasing costs incurred	**1,358**	2,352	972	1,739	1,034	1,602	831	1,034
Amortization of deferred financing costs incurred prior to June 30, 2003	**87**	65	81	94	94	94	98	87
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**16**	16	17	19	21	25	78	4
Amortization of tenant inducements	**26**	20	–	–	–	–	–	–
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(18)**	(17)	(18)	(13)	(5)	(4)	(4)	(3)
Loss (gain) on disposal of rental property	**–**	–	–	(25)	24	–	–	–
Amortization of deferred financing costs	**(306)**	(445)	(619)	(425)	(433)	(415)	(440)	(401)
Change in non-cash working capital	**(4,265)**	660	1,378	(5,524)	78	2,040	(924)	(6,374)
Distributable income	**$ 28,969**	$ 26,654	$ 23,869	$ 20,499	$ 17,980	$ 16,546	$ 15,990	$ 14,209
Distributable income per unit								
Basic[1]	**$ 0.64**	$ 0.67	$ 0.66	$ 0.63	$ 0.62	$ 0.63	$ 0.63	$ 0.57
Diluted	**$ 0.63**	$ 0.65	$ 0.63	$ 0.60	$ 0.59	$ 0.60	$ 0.59	$ 0.54
Weighted average units outstanding for FFO and DI								
Basic	**44,954,392**	39,588,295	36,350,417	32,727,091	28,968,219	26,266,118	25,387,969	25,081,201
Diluted	**47,732,198**	43,447,393	42,292,776	38,953,240	35,281,362	32,562,042	31,712,785	31,480,407

[1] The LP Class B Units, Series 1 are included in the calculation of Basic FFO per unit and Basic DI per unit.

For the period-end, occupied and committed space is as follows:

(%)	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005
Office	**97.0**	97.0	96.4	96.1	96.1	96.3	95.5	95.7
Industrial	**97.0**	95.6	95.9	95.7	95.2	96.3	97.0	96.3
Overall	**97.0**	96.4	96.2	95.9	95.6	96.3	96.1	95.8

Excludes properties under redevelopment and properties held for sale for the respective period.

Section III – Risks and our strategy to manage

For a full list and explanation of our risks and uncertainties, please refer to our 2006 Annual Report or our annual information form for the year ended December 31, 2006, filed on SEDAR (www.sedar.com).

Section IV – Critical accounting policies

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 2006 Annual Report.

Changes in accounting policies

Financial instruments

On January 1, 2007, the Trust adopted new Canadian Institute of Chartered Accountants ("CICA") accounting standards comprising CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", and Section 1530, "Comprehensive Income".

Section 3855, "Financial Instruments – Recognition and Measurements" prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet, and at what amount. The standards require that all financial assets be classified as held for trading, available for sale, held to maturity or loans and receivables. In addition, the standards require that all financial assets be measured at fair value, with the exception of loans, receivables and investments intended to be, and classified as, held to maturity, which are required to be measured at amortized cost. Any adjustment to the Trust's financial statements as a result of adopting Section 3855 was recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated. The Trust was impacted as follows:

- Deferred financing costs have been reclassified to reduce the outstanding debt balances to which they relate with interest recognized based on the new effective interest rate derived from the resulting balance. Deferred financing costs of $7.0 million that were outstanding at the end of 2006 have been reclassified by reducing mortgages and convertible debentures by $3.6 million and $3.7 million, respectively, and by increasing prepaid expenses by $0.1 million. Unitholders' equity was increased by $0.4 million to adjust for the additional interest expense that was recognized in prior periods by amortizing deferred financing costs using the straight-line method compared to the interest expense that would have been recognized using the effective interest rate method.
- Guarantees provided by the Trust were not assigned any value, as it was determined that the likelihood that the guarantee would be called was minimal.
- The Trust completed a review of its significant lease, debt and energy contracts and has determined that no material embedded derivatives exist.

In conjunction with Section 3855, the Trust also adopted CICA Handbook Section 1530, "Comprehensive Income", which will require the Trust to disclose Other Comprehensive Income ("OCI") in its financial statements.

The Trust has included this disclosure on its statement of net income. Foreign currency translation losses of $0.1 million related to the net investment in Greenbriar Mall are disclosed as OCI. Previously these amounts were disclosed as a component of unitholders' equity. Any change as a result of a reduction in the net investment will be disclosed as comprehensive income. The comparative financial statements were restated by reclassifying the opening cumulative foreign currency translation adjustment of $5.1 million to accumulated other comprehensive income on the statement of unitholders' equity, with 2006 being restated to conform with the new presentation.

Additional information relating to Dundee REIT, including the latest annual information form of Dundee REIT, is available on SEDAR at www.sedar.com.

Consolidated balance sheets

(Unaudited) (In thousands of dollars)	Note	**March 31, 2007**	December 31, 2006
Assets			
Rental properties	4	**$ 2,083,428**	$ 1,816,811
Deferred costs	5	**75,264**	73,455
Land	6	**42,116**	41,395
Amounts receivable	7	**19,491**	18,606
Prepaid expenses and other assets	8	**19,218**	20,240
Cash and cash equivalents		**59,560**	70,997
Intangible assets	9	**113,584**	86,416
		$ 2,412,661	$ 2,127,920
Liabilities			
Debt	10	**$ 1,230,977**	$ 1,153,794
Amounts payable and accrued liabilities	11	**46,400**	40,701
Distributions payable	12	**8,980**	8,013
Future income tax liability		**3,817**	3,950
Intangible liabilities	9	**54,521**	33,351
		1,344,695	1,239,809
Unitholders' equity	13	**1,067,966**	888,111
		$ 2,412,661	$ 2,127,920

See accompanying notes to the consolidated financial statements

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

NED GOODMAN (signed)
Trustee

MICHAEL J. COOPER (signed)
Trustee

Consolidated statements of net income and comprehensive income

(Unaudited)
(In thousands of dollars, except per unit amounts)

For the three months ended March 31	Note	2007	2006
Revenues			
Rental properties revenue		$ **87,177**	$ 62,970
Interest and fee income		**664**	499
		87,841	63,469
Expenses			
Rental properties operating expenses		**36,672**	28,067
Interest	14	**17,249**	14,978
Depreciation of rental properties		**12,336**	8,540
Amortization of deferred leasing costs, tenant improvements and intangibles		**9,843**	5,710
General and administrative		**2,204**	1,508
		78,304	58,803
Income before the undernoted item		**9,537**	4,666
Internalization of property manager	21	**(1,230)**	–
Income before income taxes		**8,307**	4,666
Income taxes			
Current income taxes		**5**	45
Future income taxes		**(117)**	174
		(112)	219
Income before non-controlling interest and discontinued operations		**8,419**	4,447
Income attributable to non-controlling interest	13	**–**	(1,323)
Income before discontinued operations		**8,419**	3,124
Discontinued operations	18	**(1)**	65
Net income		$ **8,418**	$ 3,189
Basic income per unit	15		
Continuing operations		$ **0.19**	$ 0.15
Discontinued operations		**–**	–
Net income		$ **0.19**	$ 0.15
Diluted income per unit	15		
Continuing operations		$ **0.19**	$ 0.15
Discontinued operations		**–**	–
Net income		$ **0.19**	$ 0.15
Net income		$ **8,418**	$ 3,189
Other comprehensive income (loss):			
Cumulative foreign currency translation adjustment		**(59)**	13
Comprehensive income		$ **8,359**	$ 3,202

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity

(Unaudited) **(In thousands of dollars, except number of units)**	**Note**	**Number of units**	**Cumulative capital**	**Cumulative net income**	**Cumulative distributions**	**Accumulated other comprehensive income**	**Total**
Unitholders' equity, January 1, 2007		**43,419,648**	**$ 1,067,125**	**$ 33,388**	**$ (207,286)**	**$ (5,116)**	**$ 888,111**
Adjustment to opening Unitholders' equity to comply with new accounting standard	**2**	**–**	**–**	**448**	**–**	**–**	**448**
Unitholders' equity, January 1, 2007 (restated)		**43,419,648**	**$ 1,067,125**	**$ 33,836**	**$ (207,286)**	**$ (5,116)**	**$ 888,559**
Net income		**–**	**–**	**8,418**	**–**	**–**	**8,418**
Distributions paid	**12**	**–**	**–**	**–**	**(16,302)**	**–**	**(16,302)**
Distributions payable	**12**	**–**	**–**	**–**	**(8,980)**	**–**	**(8,980)**
Public offering of REIT Units	**13**	**4,195,000**	**170,946**	**–**	**–**	**–**	**170,946**
Distribution Reinvestment Plan	**13**	**159,540**	**6,412**	**–**	**–**	**–**	**6,412**
Conversion of 6.5% Debentures	**13**	**249,200**	**6,230**	**–**	**–**	**–**	**6,230**
Conversion of 5.7% Debentures	**13**	**657,548**	**19,726**	**–**	**–**	**–**	**19,726**
Units to be issued on internalization of property manager	**21**	**44,674**	**1,230**	**–**	**–**	**–**	**1,230**
Deferred Unit Incentive Plan	**13**	**1,287**	**453**	**–**	**–**	**–**	**453**
Issue costs		**–**	**(8,663)**	**–**	**–**	**–**	**(8,663)**
Unit redemptions		**(100)**	**(4)**	**–**	**–**	**–**	**(4)**
Change in foreign currency translation adjustment		**–**	**–**	**–**	**–**	**(59)**	**(59)**
Unitholders' equity, March 31, 2007		**48,726,797**	**$ 1,263,455**	**$ 42,254**	**$ (232,568)**	**$ (5,175)**	**$ 1,067,966**

(Unaudited) (In thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income	Total
Unitholders' equity, January 1, 2006		20,449,209	$ 446,678	$ 15,844	$ (85,680)	$ (5,100)	$ 371,742
Net income		–	–	3,189	–	–	3,189
Distributions paid		–	–	–	(7,564)	–	(7,564)
Distributions payable		–	–	–	(3,816)	–	(3,816)
Distribution Reinvestment Plan	13	232,550	6,256	–	–	–	6,256
Unit Purchase Plan	13	8,693	234	–	–	–	234
Conversion of 6.5% Debentures	13	77,400	1,935	–	–	–	1,935
Deferred Unit Incentive Plan	13	–	265	–	–	–	265
Issue costs		–	(112)	–	–	–	(112)
Change in foreign currency translation adjustment		–	–	–	–	13	13
Unitholders' equity, March 31, 2006		20,767,852	$ 455,256	$ 19,033	$ (97,060)	$ (5,087)	$ 372,142

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(Unaudited)
(In thousands of dollars)

For the three months ended March 31	Note	2007	2006
Generated from (utilized in) operating activities			
Net income		**$ 8,418**	$ 3,189
Non-cash items:			
Depreciation of rental properties		**12,336**	8,570
Amortization of deferred leasing costs, tenant improvements and intangibles		**9,843**	5,725
Amortization of deferred financing costs		**306**	433
Amortization of fair value adjustment on acquired debt		**(460)**	(431)
Internalization of property manager		**1,230**	–
Deferred unit compensation expense		**453**	265
Future income taxes		**(117)**	174
Amortization of market rent adjustments on acquired leases		**(1,912)**	(156)
Straight-line rent adjustment		**(933)**	(839)
Non-controlling interest		**–**	1,349
		29,164	18,279
Deferred leasing costs incurred		**(1,358)**	(1,034)
Change in non-cash working capital	20	**4,265**	(78)
		32,071	17,167
Generated from (utilized in) investing activities			
Investment in rental properties		**(2,423)**	(2,107)
Investment in tenant improvements		**(1,485)**	(1,937)
Investment in land development		**(721)**	–
Acquisition of rental properties and land	3	**(263,833)**	(21,490)
Acquisition deposit on rental properties		**(1,100)**	(1,200)
Investment in mezzanine loan		**(222)**	–
Change in restricted cash, net		**112**	331
		(269,672)	(26,403)
Generated from (utilized in) financing activities			
Mortgages placed, net of costs		**100,090**	43,334
Mortgage principal repayments		**(7,052)**	(5,530)
Mortgage lump sum repayments		**(12,736)**	(12,926)
Term debt principal repayments		**(28)**	(99)
Term debt placed, net of costs		**37**	–
Distributions paid on REIT Units	12	**(17,903)**	(9,837)
Units issued for cash, net of costs		**163,756**	212
		226,164	15,154
Increase (decrease) in cash and cash equivalents		**(11,437)**	5,918
Cash and cash equivalents, beginning of period		**70,997**	16,516
Cash and cash equivalents, end of period		**$ 59,560**	$ 22,434

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

1.
Organization

Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario.

The consolidated financial statements of Dundee REIT include the accounts of Dundee REIT and its subsidiaries, together with Dundee REIT's proportionate share of the assets and liabilities, and revenues and expenses of joint ventures in which it participates.

On May 12, 2006, the Trust acquired the remaining 50% interest in Dundee Management Limited Partnership ("DMLP"), a joint venture with Dundee Realty Corporation ("DRC") comprising property management operations relating to revenue properties. As discussed in Note 21 – "Internalization of property manager", this transaction increased the Trust's ownership of DMLP to 100%.

At March 31, 2007, Dundee Corporation, the majority shareholder of DRC, did not hold any REIT Units, Series A ("REIT Units"), but indirectly held 7,948,515 LP Class B Units, Series 1 ("LP B Units"), including 100,000 LP B Units it is entitled to receive on June 30, 2007, but that are held in trust (December 31, 2006 – 127,955, 8,565,095 and 55,326 units, respectively).

2.
Summary of significant accounting policies

The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual statements. These interim financial statements should be read in conjunction with the consolidated financial statements of Dundee REIT as at, and for the year ended, December 31, 2006. These financial statements are in conformity with the 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 consolidated 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 the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

These consolidated financial statements follow the same accounting policies and methods of their application as used in the December 31, 2006, financial statements, except as described below:

Financial instruments

On January 1, 2007, the Trust adopted new CICA accounting standards comprising CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement”, Section 1530, “Comprehensive Income”, and Section 3251, “Equity”.

The standards require that all financial assets be classified as held for trading, available for sale, held to maturity or loans and receivables. In addition, the standards require that all financial assets be measured at fair value, with the exception of loans, receivables and investments intended to be, and classified as, held to maturity, which are required to be measured at amortized cost. Any adjustment to the Trust’s financial statements, as a result of adopting Section 3855, is recognized by restating the balance of opening unitholders’ equity. Comparative periods are not permitted to be restated.

Accumulated other comprehensive income is included as a separate component of unitholders’ equity and comprises only accumulated foreign currency gains and losses related to the Trust’s net investment in Greenbriar Mall. In accordance with Section 1530, the comparative financial statements have been restated by reclassifying the cumulative foreign currency translation adjustment to accumulated other comprehensive income.

All loans and receivables and all financial liabilities are recorded at amortized cost. Upon initial recognition, these instruments are recorded at fair value less any related transaction costs. As a result, effective January 1, 2007, financial liabilities are reduced by related deferred financing costs that were previously disclosed as a component of deferred costs (see Note 5). Deferred financing costs of $6,966 that were related to outstanding debt at December 31, 2006, have been reclassified by reducing mortgages and convertible debentures by $3,596 and $3,746, respectively, and in the case of deferred financing costs related to revolving lines of credit, increasing prepaid expenses by $72. As required by the accounting standards, prior year comparative figures have not been restated.

Interest expense related to the financial liabilities, including deferred financing costs, is recognized on an effective interest rate basis. Prior to January 1, 2007, the deferred financing costs and the premium allocated to the conversion feature of the convertible debentures were amortized to interest expense on a straight-line basis over the life of the instrument to which the costs related. This had the effect of increasing interest expense by $448 ($361 from the change in amortization of deferred financing costs and $87 from the change in amortization of the premium allocated to the conversion feature of the convertible debentures), compared to the interest expense that would have been recognized under the effective interest rate method. With the adoption of this new policy, these amounts have been recorded as a $448 increase in unitholders’ equity. As required by the accounting standards, prior year comparative figures have not been restated.

The fair values of the mezzanine loans, mortgages and term debt are determined by discounting the future contractual cash flows under current financing arrangements. The discount rates represent management’s best estimate of borrowing rates presently available to the Trust for loans with similar terms and maturities.

For certain of the Trust’s financial instruments, including cash and cash equivalents and short-term deposits, amounts receivable, amounts payable and accrued liabilities, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity.

Comparative figures

Certain of the prior year’s figures have been reclassified to conform with the current year’s financial statement presentation.

3.
Property acquisitions

The Trust completed the following acquisitions during the three months ended March 31, 2007 and 2006, which have contributed to operating results from the date of acquisition:

For the three months ended March 31, 2007	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
30 and 55 St. Clair Avenue West, Toronto	**office**	**100**	**426,000**	**96**	**$ 110,798**	**$ –**	**January 9, 2007**
625 Agnes Street, New Westminster, British Columbia	**office**	**100**	**83,000**	**88**	**14,587**	**–**	**January 24, 2007**
Aspen Portfolio, Calgary	**office**	**100**	**543,000**	**99**	**172,130**	**29,225**	**March 13, 2007**
Total			**1,052,000**	**97**	**$ 297,515**	**$ 29,225**	

For the three months ended March 31, 2006	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Park 19, Edmonton	industrial	100	48,000	100	$ 2,726	$ –	January 10, 2006
70 Disco Road, Toronto	industrial	100	99,000	100	7,577	3,117	January 12, 2006
SEC Portfolio, Québec	office/industrial	100	265,000	99	21,063	6,199	January 27, 2006
Total			412,000	99	$ 31,366	$ 9,316	

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

For the three months ended March 31	2007	2006
Rental properties		
Land	**$ 62,710**	$ 4,508
Buildings	**214,781**	22,679
	277,491	27,187
Tenant improvements acquired	**10,114**	1,151
Intangible assets		
Value of in-place leases	**16,645**	1,404
Lease origination costs	**2,950**	416
Value of above market rent leases	**612**	88
Value of tenant relationships	**13,083**	1,382
	320,895	31,628
Intangible liabilities		
Value of below market rent leases	**(23,380)**	(262)
Total purchase price	**$ 297,515**	$ 31,366
The consideration paid consists of:		
Cash		
Paid during the period	**$ 263,833**	$ 21,490
Deposit	**3,600**	560
	267,433	22,050
Assumed mortgages at fair value	**29,225**	9,316
Assumed accounts payable and accrued liabilities	**857**	–
Total consideration	**$ 297,515**	$ 31,366

The allocations of the purchase prices to fair values of assets acquired and liabilities assumed for property acquisitions completed during the current quarter have not been finalized and will be subject to adjustment.

4.
Rental properties

	March 31, 2007			December 31, 2006		
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Land	**$ 363,235**	**$ –**	**$ 363,235**	$ 300,553	$ –	$ 300,553
Buildings and improvements	**1,843,193**	**(131,780)**	**1,711,413**	1,627,185	(119,580)	1,507,605
Fixed assets and equipment	**1,984**	**(789)**	**1,195**	2,040	(773)	1,267
Rental properties under development	**7,585**	**–**	**7,585**	7,386	–	7,386
Total	**$ 2,215,997**	**$ (132,569)**	**$ 2,083,428**	$ 1,937,164	$ (120,353)	$ 1,816,811

5.
Deferred costs

	March 31, 2007			December 31, 2006		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Deferred leasing costs	**$ 21,821**	**$ (8,256)**	**$ 13,565**	$ 20,903	$ (7,490)	$ 13,413
Tenant improvements	**84,429**	**(29,620)**	**54,809**	72,690	(26,733)	45,957
Deferred recoverable costs	**13,849**	**(7,634)**	**6,215**	13,816	(7,409)	6,407
Deferred financing costs	**–**	**–**	**–**	11,705	(4,739)	6,966
Other deferred costs	**1,826**	**(1,151)**	**675**	1,847	(1,135)	712
Total	**$ 121,925**	**$ (46,661)**	**$ 75,264**	$ 120,961	$ (47,506)	$ 73,455

Amortization of deferred recoverable costs included in operating expenses for the three months ended March 31, 2007, was $389 (March 31, 2006 – $404). Effective January 1, 2007, deferred financing costs are deducted from the specific debt carrying values to which they relate (see Notes 2 and 10).

6.
Land

	March 31, 2007	December 31, 2006
Land under development	**$ 32,702**	$ 31,991
Land held for development	**1,026**	1,021
Land held for sale	**8,388**	8,383
Total	**$ 42,116**	$ 41,395

7.
Amounts receivable

Amounts receivable include straight-line rents receivable of $13,823 (December 31, 2006 – $12,874) and are net of credit adjustments of $9,097 (December 31, 2006 – $6,659).

8.
Prepaid expenses and other assets

	March 31, 2007	December 31, 2006
Prepaid expenses	**$ 8,208**	$ 6,729
Mezzanine loans	**4,226**	3,893
Deposits	**1,298**	4,020
Restricted cash	**5,486**	5,598
Total	**$ 19,218**	$ 20,240

On May 26, 2006, the Trust entered into a joint venture agreement with a development partner to jointly own and develop prestige industrial and office properties in its target markets. The Trust has a 60% ownership interest in the joint venture. As part of the agreement, the Trust is required to provide mezzanine financing equal to 90% of any funding requirement, up to a maximum of $45,000, not otherwise provided by third-party lenders. The Trust is also required to guarantee, when necessary, 90% of financing obtained from third parties. As at March 31, 2007, the Trust had advanced $9,756 of the funding requirement for the purchase and development of approximately 60 acres of serviced land in suburban Toronto. The amount invested is accounted for and comprises a mezzanine loan of $4,226 and land under development of $13,690, net of term debt of $7,571 and accrued liabilities of $589. The Trust has also provided an $8,289 guarantee on the financing provided by a third-party lender of which $5,526 is included in term debt. The Trust has the right to purchase the completed properties, other than any build-to-suit properties that will be sold to third parties. The mezzanine loan to the joint venture bears interest at a rate of 11%, for which no payment has been received to date. As at March 31, 2007, the mezzanine loan comprises $3,902 of principal and $324 of interest, which is receivable by June 7, 2011, unless extended under the terms of the mezzanine loan agreement.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages.

9.
Intangible assets and liabilities

	March 31, 2007			December 31, 2006		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above market rent leases	**$ 7,734**	**$ (2,476)**	**$ 5,258**	$ 7,134	$ (2,190)	$ 4,944
Value of in-place leases	**69,745**	**(19,637)**	**50,108**	53,558	(16,343)	37,215
Lease origination costs	**16,831**	**(4,333)**	**12,498**	13,974	(3,768)	10,206
Value of tenant relationships	**55,151**	**(9,431)**	**45,720**	42,168	(8,117)	34,051
Total	**$ 149,461**	**$ (35,877)**	**$ 113,584**	$ 116,834	$ (30,418)	$ 86,416
Intangible liabilities						
Value of below market rent leases	**$ 63,329**	**$ (8,808)**	**$ 54,521**	$ 40,049	$ (6,698)	$ 33,351

10.
Debt

	March 31, 2007	December 31, 2006
Mortgages	**$ 1,161,887**	$ 1,056,311
Convertible debentures	**61,317**	89,719
Term debt	**7,773**	7,764
Total	**$ 1,230,977**	$ 1,153,794

Mortgages 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 development lands and rental properties with certain flexibility to repay floating rate debt without incurring a penalty.

Convertible debentures comprise $43,915 of convertible unsecured subordinated debentures issued April 1, 2005 (the "5.7% Debentures"), and $17,402 of convertible unsecured subordinated debentures issued June 21, 2004 (the "6.5% Debentures").

A demand revolving credit facility is available up to a formula-based maximum not to exceed $80,000, bearing interest generally at the bank prime rate (6.0% as at March 31, 2007) plus 0.375% or bankers' acceptance rates. The facility expires on June 19, 2007, and is secured by a first ranking collateral mortgage on nine of the Trust's properties and a second ranking collateral mortgage on two properties. As at March 31, 2007, the formula-based amount available under this facility was $80,000, of which $697 was utilized in the form of letters of guarantee (December 31, 2006 – $733). As at March 31, 2007, the amount still available under this facility was $79,303.

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

	Weighted average interest rates			Debt amount	
	March 31, 2007	December 31, 2006	Maturity dates	**March 31, 2007**	December 31, 2006
Fixed rate					
Mortgages	**5.80%**	5.89%	2007–2019	**$ 1,142,971**	$ 1,036,909
Convertible debentures	**6.56%**	6.08%	2014–2015	**61,317**	89,719
Term debt	**7.24%**	7.17%	2008–2011	**2,247**	2,238
Total fixed rate debt	**5.84%**	5.90%		**1,206,535**	1,128,866
Variable rate					
Mortgages	**8.37%**	8.40%	2008	**18,916**	19,402
Term debt	**7.00%**	7.00%	2007	**5,526**	5,526
Total variable rate debt	**8.06%**	8.09%		**24,442**	24,928
Total debt	**5.88%**	5.95%		**$ 1,230,977**	$ 1,153,794

The variable rate mortgage debt outstanding at March 31, 2007, bears interest generally at the rate of LIBOR plus 3.05% up to a maximum of 8.75%. At March 31, 2007, the LIBOR rate was 5.32%. The variable rate term debt outstanding at March 31, 2007, bears interest at prime plus 1%. At March 31, 2007, the prime rate was 6%.

The scheduled principal repayments and debt maturities are as follows:

For the years ending December 31	Mortgages	Term debt	Convertible debentures	Total
Remainder of 2007	$ 32,398	$ 1,483	$ –	$ 33,881
2008	140,475	113	–	140,588
2009	144,503	5,526	–	150,029
2010	63,178	–	–	63,178
2011	181,225	651	–	181,876
2012 and thereafter	594,679	–	64,557	659,236
	$ 1,156,458	$ 7,773	$ 64,557	$ 1,228,788
Deferred financing cost and fair value adjustments	5,429	–	(3,240)	2,189
	$ 1,161,887	$ 7,773	$ 61,317	$ 1,230,977

Effective January 1, 2007, mortgages and convertible debentures have been reduced by $7,342 in deferred financing costs comprising $6,894 that was outstanding at December 31, 2006, plus an adjustment of $448 to restate the balance to that which would have resulted using the effective interest rate method. As of March 31, 2007, $6,266 of deferred financing costs are included in mortgages and convertible debentures. As a result of this accounting policy change, interest is now recognized using the effective interest rate.

Included in mortgages are $9,086 in fair value adjustments (December 31, 2006 – $9,567), which reflect the fair value of mortgages assumed as part of acquisitions. The convertible debentures are net of a $631 premium allocated to their conversion features and $2,609 of unamortized deferred financing costs. The fair value adjustment, discount and deferred financing costs are amortized to interest expense over the term to maturity of the related debt.

11.
Amounts payable and accrued liabilities

	March 31, 2007	December 31, 2006
Trade payables	**$ 4,473**	$ 1,664
Accrued liabilities and other payables	**21,140**	20,104
Accrued interest	**6,083**	6,072
Deposits	**10,441**	9,863
Rent received in advance	**4,263**	2,998
Total	**$ 46,400**	$ 40,701

12.
Distributions

The following table sets out distribution payments for the three months ended March 31, 2007:

	REIT Units, Series A	LP Class B Units, Series 1	Total
Paid in cash	$ 17,903	$ –	$ 17,903
Paid by way of reinvestment in REIT Units	1,759	4,384	6,143
Paid by way of reinvestment in LP B Units	–	269	269
Less: Payable at December 31, 2006	(6,393)	(1,620)	(8,013)
Plus: Payable at March 31, 2007	7,486	1,494	8,980
Total	$ 20,755	$ 4,527	$ 25,282

The amount payable at March 31, 2007, was satisfied on April 15, 2007, by way of $6,396 in cash and $2,493 by way of 63,223 REIT Units, and $91 by way of 2,280 LP B Units. Included in the total distributions is $251 representing the 4% bonus distribution that forms part of the Distribution Reinvestment Plan. The holders of LP B Units elected to receive their distributions in the form of REIT Units, except for those units issued to DRC on the internalization of the property manager, which elected to receive its distributions in the form of LP B Units.

Our Declaration of Trust requires monthly cash distributions to unitholders of at least 80% of distributable income on an annual basis. The Trust may reduce the percentage of distributable income if the Trustees determine it would be in the best interest of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or less than the estimates used for those prior periods. In addition, the Trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust to the extent that such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust to facilitate the determination of distributions to unitholders. The Trust declares distributions of $0.183 per unit per month, or $0.549 per quarter.

13.
Unitholders' equity

	March 31, 2007		December 31, 2006	
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	40,778,282	$ 937,153	34,854,553	$ 745,348
LP Class B Units, Series 1	7,948,515	135,988	8,565,095	147,879
Cumulative foreign currency translation adjustment	–	(5,175)	–	(5,116)
Total	48,726,797	$ 1,067,966	43,419,648	$ 888,111

On May 12, 2006, the terms of the LP B Units were amended to restrict the transfer of such units except to a subsidiary of the holder. As a result, if an existing holder of LP B Units wants to transfer the LP B Units to a third party, they must first be converted into REIT Units, Series B. This amendment permits the Trust to classify the outstanding LP B Units as equity for financial statement purposes in accordance with GAAP. As a result, effective May 1, 2006, the LP B Units are presented as unitholders' equity. Prior to this date, the LP B Units were presented as non-controlling interest. For the three months ending March 31, 2006, $1,323 was attributable to the non-controlling interest in the consolidated statement of net income.

During the three months ended March 31, 2007, 667,962 LP B Units were exchanged indirectly by Dundee Corporation for 667,962 REIT Units, Series B, which were then exchanged for 667,962 REIT Units, Series A. The exchanges were measured at a pro rata carrying amount of the LP B Units.

	REIT Units, Series A		LP Class B Units, Series 1		Accumulated other comprehensive income	Total	
	Number of units	Amount	Number of units	Amount	income	Number of units	Amount
Unitholders' equity, January 1, 2007	34,854,553	$ 745,348	8,565,095	$ 147,879	$ (5,116)	43,419,648	$ 888,111
Adjustment to opening Unitholder's equity to comply with new accounting standard (Note 2)	–	360	–	88	–	–	448
Unitholders' equity, January 1, 2007 (restated)	34,854,553	$ 745,708	8,565,095	$ 147,967	$ (5,116)	43,419,648	$ 888,559
Net income	–	6,883	–	1,535	–	–	8,418
Distributions paid	–	(13,269)	–	(3,033)	–	–	(16,302)
Distributions payable	–	(7,486)	–	(1,494)	–	–	(8,980)
Public offering of REIT Units	4,195,000	170,946	–	–	–	4,195,000	170,946
Distribution Reinvestment Plan	152,832	6,143	6,708	269	–	159,540	6,412
Deferred Unit Incentive Plan	1,287	453	–	–	–	1,287	453
Conversion of 6.5% Debentures	249,200	6,230	–	–	–	249,200	6,230
Conversion of 5.7% Debentures	657,548	19,726	–	–	–	657,548	19,726
Units to be issued on internalization of property manager (Note 21)	–	–	44,674	1,230	–	44,674	1,230
Issue costs	–	(8,663)	–	–	–	–	(8,663)
Exchange of LP B Units	667,962	10,486	(667,962)	(10,486)	–	–	–
Unit redemptions	(100)	(4)	–	–	–	(100)	(4)
Change in foreign currency translation adjustment	–	–	–	–	(59)	–	(59)
Unitholders' equity, March 31, 2007	40,778,282	$ 937,153	7,948,515	$ 135,988	$ (5,175)	48,726,797	$1,067,966

Public offering of REIT Units

On March 12, 2007, the Trust completed a public offering of 3,700,000 REIT Units at a price of $40.75 per unit for gross cash proceeds of $150,775. On March 29, 2007, the Trust issued an additional 495,000 REIT Units pursuant to the exercise of the over-allotment option granted to the underwriters for gross proceeds of approximately $20,171. The exercise of the over-allotment option increased the total gross proceeds of the offering to approximately $170,946. Costs relating to the offering of $7,413 were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

In August 2003, Dundee REIT established a Distribution Reinvestment and Unit Purchase Plan ("DRIP") for holders of REIT Units, Series A and REIT Units, Series B.

The DRIP allows unitholders, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee REIT reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of REIT Units equal to 4% of each cash distribution that was reinvested. A similar distribution reinvestment arrangement exists for holders of LP B Units. The price per unit is calculated by reference to a five-day weighted average closing price of the REIT Units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

For the three months ended March 31, 2007, 152,832 REIT Units and 6,708 LP B Units were issued under the DRIP for $6,412 (March 31, 2006 – 232,550 REIT Units for $6,256).

Unit Purchase Plan

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

For the three months ended March 31, 2007, there were no REIT Units issued under the Unit Purchase Plan (March 31, 2006 – 8,693 REIT Units for $234).

Conversion of debentures

During the three months ended March 31, 2007, the Trust issued 249,200 REIT Units upon conversion of $6,230 principal amount of the 6.5% Debentures (March 31, 2006 – issued 77,400 REIT Units upon conversion of $1,935 principal amount) and 657,548 REIT Units upon conversion of $19,727 principal amount of the 5.7% Debentures (March 31, 2006 – nil).

Deferred Unit Incentive Plan

During the three months ended March 31, 2007, $453 of compensation expense was recorded (March 31, 2006 – $265) and is included in general and administrative expenses. Income Deferred Trust Units are accounted for as a distribution and an issuance of REIT Units when the related Deferred Trust Units vest. No amount in relation to Income Deferred Trust Units is recognized in net income.

	Weighted average grant date value	Deferred Trust Units	Income Deferred Trust Units	Total units
Outstanding at January 1, 2007	$ 27.87	266,200	38,076	304,276
Granted during the period	**40.34**	**2,200**	**4,142**	**6,342**
Cancelled	**–**	**–**	**–**	**–**
Issuance of REIT Units on vesting	**30.78**	**(1,200)**	**(87)**	**(1,287)**
Fractional units paid in cash	**–**	**–**	**(2)**	**(2)**
Outstanding and payable at March 31, 2007	**$ 27.96**	**267,200**	**42,129**	**309,329**
Vested but not issued at March 31, 2007	**$ 22.76**	**72,267**	**19,695**	**91,962**

14.
Interest

Interest incurred and charged to earnings is recorded as follows:

For the three months ended March 31	2007	2006
Interest expense incurred, at stated rate of debt	**$ 17,964**	$ 15,061
Amortization of deferred financing costs	**306**	433
Fair value rate adjustment	**(460)**	(431)
Interest capitalized	**(561)**	(85)
Interest expense	**$ 17,249**	$ 14,978

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the remaining life of the debt. Interest capitalized includes interest on specified and general debt attributed to a recently acquired property considered to be under redevelopment and land under development.

15.
Income per unit

The weighted average number of units outstanding was as follows:

For the three months ended March 31	2007	2006
REIT Units	**36,709,176**	20,587,809
LP B Units	**8,161,679**	–
Vested Deferred Trust Units	**83,537**	43,045
Total weighted average number of units outstanding for basic income per unit amounts	**44,954,392**	20,630,854
Add incremental units:		
Unvested Deferred Trust Units	**70,372**	46,874
Income Deferred Trust Units	**29,956**	21,834
Total weighted average number of units outstanding for diluted income per unit amounts	**45,054,720**	20,699,562

The 8,337,365 incremental LP B Units for the three months ended March 31, 2006, have been excluded from the calculation of diluted net income per unit as they were anti-dilutive.

The 2,677,477 incremental units to be issued upon an assumed conversion of both debenture issues at March 31, 2007 (March 31, 2006 – 6,244,435 incremental units), have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

16.
Segmented information

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

In June 2006, the Trust sold Kameyosek Shopping Centre in Edmonton and a 50% interest in Greenbriar Mall in Atlanta. As a result, the Trust no longer actively operates in the retail segment and has reclassified the remaining operations as "Other" in comparative figures to conform to the current period's presentation. Also, because the Trust's remaining interest in Greenbriar Mall is not significant, the Trust no longer discloses segments by country as virtually all of its operations are conducted in Canada. The category titled "Other" represents the results of operations of the Trust's interest in redevelopment properties.

For the three months ended March 31, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 69,581	$ 16,491	$ 86,072	$ 1,105	$ 87,177
Operating expenses	30,130	5,980	36,110	562	36,672
Net operating income	39,451	10,511	49,962	543	50,505
Depreciation of rental properties	9,604	2,547	12,151	185	12,336
Amortization of deferred leasing costs, tenant improvements and intangibles	8,319	1,463	9,782	61	9,843
Segment income	$ 21,528	$ 6,501	$ 28,029	$ 297	28,326
Interest expense					(17,249)
General and administrative					(2,204)
Internalization of property manager					(1,230)
Interest and fee income					664
Income taxes					112
Discontinued operations					(1)
Net income					$ 8,418
Segment rental properties	$ 1,649,448	$ 402,498	$ 2,051,946	$ 31,482	$ 2,083,428
Capital expenditures					
Investment in rental properties	$ (1,512)	$ (880)	$ (2,392)	$ (31)	$ (2,423)
Investment in tenant improvements	(1,205)	(280)	(1,485)	–	(1,485)
Investment in land development	–	–	–	(721)	(721)
Acquisition of rental properties and land	(263,833)	–	(263,833)	–	(263,833)
Deferred leasing costs	(976)	(372)	(1,348)	(10)	(1,358)
Total capital expenditures	$ (267,526)	$ (1,532)	$ (269,058)	$ (762)	$ (269,820)

For the three months ended March 31, 2006	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 45,595	$ 15,178	$ 60,773	$ 2,197	$ 62,970
Operating expenses	21,244	5,671	26,915	1,152	28,067
Net operating income	24,351	9,507	33,858	1,045	34,903
Depreciation of rental properties	5,802	2,347	8,149	391	8,540
Amortization of deferred leasing costs, tenant improvements and intangibles	4,006	1,611	5,617	93	5,710
Segment income	$ 14,543	$ 5,549	$ 20,092	$ 561	20,653
Interest expense					(14,978)
General and administrative					(1,508)
Interest and fee income					499
Income taxes					(219)
Income attributable to non-controlling interest					(1,323)
Discontinued operations					65
Net income					$ 3,189
Segment rental properties	$ 920,119	$ 380,171	$ 1,300,290	$ 49,286	$ 1,349,576
Capital expenditures					
Investment in rental properties	$ (788)	$ (1,251)	$ (2,039)	$ (68)	$ (2,107)
Investment in tenant improvements	(1,203)	(631)	(1,834)	(103)	(1,937)
Acquisition of rental properties and land	(9,356)	(12,134)	(21,490)	–	(21,490)
Deferred leasing costs	(503)	(466)	(969)	(65)	(1,034)
Total capital expenditures	$ (11,850)	$ (14,482)	$ (26,332)	$ (236)	$ (26,568)

17.
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. Prior to May 1, 2006, Dundee REIT, Dundee Properties Limited Partnership ("DPLP", an indirect subsidiary of Dundee REIT), DMLP (an indirect subsidiary of Dundee REIT) and DRC were parties to a property management agreement and an administrative services agreement (the "Management Agreement" and the "Services Agreement"). In addition, DMLP and DRC are parties to a separate administrative services agreement. Effective May 1, 2006, the Trust acquired DRC's 50% interest in DMLP (see Note 21). As a result, DRC is no longer party to the Management Agreement, other than its rent supplement obligation, and the 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	2007	2006
Fees received		
Rent supplement received by Dundee REIT under the Management Agreement (included in rental properties revenue)	**$ 147**	$ 465
Fees, cost recovery and rental income received by Dundee REIT under the DRC Services Agreement (included as a reduction of operating expenses)	**500**	155
Fees paid		
Fees paid by Dundee REIT under the Management Agreement prior to May 1, 2006		
Management fees, included in rental properties' operating expenses	**–**	998
Construction fees, capitalized to the related assets	**–**	59
Lease administration fees, included in deferred leasing costs	**–**	186
Fees paid by Dundee REIT under the Services Agreement prior to May 1, 2006		
Acquisition and financing fees, capitalized to the related assets	**–**	137

Included in amounts receivable at March 31, 2007, is $110 related to the DRC Services Agreement (December 31, 2006 – $231). Accrued liabilities and other payables at March 31, 2007, also include nil for amounts collected on behalf of DRC (December 31, 2006 – $316).

18.
Discontinued operations

The fulfillment of obligations and realization of assets related to the property noted below, that was sold in a prior period, has been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475.

On June 29, 2006, the Trust completed the sale of Kameyosek Shopping Centre, a 46,143 square foot retail property. The Trust received proceeds of $8,375 and recognized a gain on sale of $3,274.

For the three months ended March 31		2007		2006
Revenues				
Rental properties revenue	**$**	**–**	$	(56)
Expenses				
Rental properties operating expenses		**1**		(227)
Depreciation of rental properties		**–**		29
Amortization of deferred leasing costs		**–**		15
		1		(183)
Income before the undernoted item		**(1)**		127
Other income		**–**		(12)
(Loss) on sale of rental properties, net		**–**		(24)
Income (loss) from discontinued operations before non-controlling interest		**(1)**		91
Loss attributable to non-controlling interest		**–**		(26)
Income (loss) from discontinued operations	**$**	**(1)**	$	65

19.
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.

Dundee REIT has four ground leases on three properties. The terms of the first two leases extend to 2083 and 2076; the last two extend to 2060, including renewals. The leases are at fixed rates for the entire term with respect to the first and third lease, until September 30, 2007, for the second lease and until June 30, 2010, for the fourth lease. The renewal terms beyond these dates for the second and fourth leases are defined as variable percentages of the market value of these properties at the date of the renewal.

Purchase and other obligations

As part of an acquisition in 2004, the Trust acquired leases relating to three buildings in Montréal that allow the tenants, 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. In addition, through acquisitions completed in 2004 and 2005, 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 existing and certain adjacent lands. The terms of these leases include various provisions including renewal obligations on the tenants' existing premises and agreement on the terms of the new space. Furthermore, certain of these leases include provisions that would allow the Trust to charge rates to recover a reasonable return on its investment.

The Trust has entered into lease agreements that require tenant improvement costs of $4,435.

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.

The Trust has entered into conditional contracts to acquire an additional $51,944 of rental properties.

20.
Supplementary cash flow information

For the three months ended March 31		2007		2006
Increase in accounts receivable	$	(10)	$	(793)
Decrease in deferred costs (other than leasing costs)		298		264
Increase in prepaid expenses and other assets (excluding restricted cash and mezzanine loans)		(1,323)		(839)
Increase in accounts payable and accrued liabilities (excluding leasing costs)		4,850		1,349
Increase (decrease) in accounts payable relating to leasing costs		450		(59)
Change in non-cash working capital	$	4,265	$	(78)

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

For the three months ended March 31		2007		2006
Interest	$	18,001	$	15,376
Income taxes		3		5

21.
Internalization of property manager

On May 12, 2006, through DPLP, the Trust acquired DRC's 50% interest in DMLP, the entity that provides property management and real estate advisory services to the Trust. The transaction was effective May 1, 2006, and increased the Trust's ownership of DMLP to 100%.

On closing, 450,000 LP B Units were issued for total consideration of $12,393, of which $417 was allocated to the net tangible assets acquired of DMLP and $12,154, including $178 of transaction costs, was expensed. The $27.54 issue price per LP B Unit was estimated based on a five-day weighted average trading price of the REIT Units on the Toronto Stock Exchange with the midpoint being May 4, 2006, the date the substantive terms of the internalization were publicly announced, net of an implied discount for issuance costs.

Also on closing, 92,000 LP B Units were issued, placed in trust and enrolled in the DRIP to satisfy the maximum number of units that DRC may be entitled to receive on June 30, 2007. The cost of these units has been expensed and added to cumulative capital as qualifying properties are acquired. During the three months ended March 31, 2007, DPLP acquired $214,432 of qualifying properties and accordingly $1,230 was expensed and added to cumulative capital representing the cost of the additional 44,674 LP B Units that DRC is entitled to receive on June 30, 2007. As of March 31, 2007, DRC has earned the maximum cumulative additional 100,000 LP B Units that it is entitled to receive.

22.
Subsequent events

Effective May 1, 2007, the Trust completed the purchase of an industrial property portfolio located in Toronto, Ontario, for a purchase price of approximately $237,679 including assumed mortgages of approximately $56,676. The portfolio consists of 69 buildings totalling 2,100,000 square feet.

Effective May 1, 2007, the Trust completed the purchase of 501 Applewood Crescent in Vaughan, Ontario, for a purchase price of approximately $6,782. The property consists of a 76,000 square foot single-tenant industrial building.

Corporate information

Head office

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

Transfer agent

(for change of address, registration or other unitholder inquiries)
Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Phone: (514) 982-7555 or
1 800 564-6253
Fax: (416) 263-9394 or
1 888 453-0330
E-mail: service@computershare.com

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Toronto-Dominion Centre
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Corporate counsel

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Investor relations

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Toll free: 1 877 365-3535
E-mail: info@dundeereit.com
Web site: www.dundeereit.com

Taxation of distributions

Management estimates that 60% of the distributions to be made by the REIT in 2007 will be tax deferred. For more detailed information, please visit our web site.

Stock exchange listing

The Toronto Stock Exchange

Listing symbols

REIT Units, Series A: D.UN
6.5% Debentures: D.DB
5.7% Debentures: D.DB.A

Distribution Reinvestment and Unit Purchase Plan ("DRIP")

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

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

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

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

To enrol contact:
Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Services

Or call their Customer Contact Centre
at 1 800 564-6253 (toll free) or (514) 982-7555

For more information you may also visit our web site:
www.dundeereit.com

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