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DUNDEE REIT Q1

2008 First Quarter Report

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Letter to unitholders

Dundee REIT continues to produce strong results amidst this period of protracted market turmoil. Our occupancy rate remains high at 95%, behind the comparative period, yet ahead of the national industry average. Funds from operations ("FFO") per unit is $0.74, up 4%, compared to the first quarter of 2007. Net operating income ("NOI") is up 30%, compared to the first quarter of 2007, to $27 million, and on a comparative property basis, has remained steady. The strength of our results is supported by the composition of our portfolio and is driven by increases in rental rates on renewals and new leasing activity in Western Canada.

Year-over-year our occupancy rate softened to 95% from 97%. This decline primarily reflects a few specific vacancies, including for example, approximately 65,000 square feet of industrial space that was temporarily leased at year-end and is now vacant. This site alone accounts for about half of the vacancy increase. The balance reflects the time it has taken to lease space and the vacancy at the AIR MILES Tower, acquired during the quarter. In general, the leasing process is taking slightly longer than it has previously. However, we are continuing to make gains on our rental rates as we capture the difference between in-place and market rents. In-place rental rates have increased by nearly 40% over last year and 5% over the last quarter.

The Calgary market is currently being influenced by a substantial new supply of office product, the stress of a protracted boom period and concern about the new oil and gas royalty system. In general, we are finding vacant space is somewhat harder to lease, and tenants that are expanding are not as willing to extend their existing lease and sign up for terms as long as they would have last year. However, these changes are on the margins. Overall, tenants seem to believe that the market will become more favourable for them. We have had such a strong landlords market that a balanced market would still be pretty good. As an example, we have buildings with rents of $16 per square foot and the market rate is currently $32 per square foot. Even if rents came off by 25%, they would still be 50% higher than our current contracted rents.

Our financial performance is in line with our expectations. Comparative property performance is flat compared to last year and last quarter. FFO per unit is up 4%. Adjusted funds from operations ("AFFO") per unit, however, is off by 11%. AFFO was impacted by a couple of things. Firstly, the sale of the more stable, higher yielding assets in Ontario and Quebec last summer has temporarily reduced AFFO. We expect that prior to the end of the year, we will have absorbed all of the structural changes experienced in connection with this sale and that we will reach new highs in AFFO. Secondly, anticipating that it would become more difficult to secure debt financing as time went by, we completed a $125 million convertible debenture offering in the first quarter, in order to build up our capital reserve. This proved to be prudent as it has indeed become increasing difficult to secure new financing. With property prices still quite high, we are delaying the deployment of the cash until property prices come down or there is less uncertainty in the markets. This has also resulted in a short-term drag on AFFO. Our expectation is that the second half of the year will once again bring increases in AFFO.

The upside of having a large cash reserve is that Dundee REIT has significant capacity to grow. This is a competitive advantage for us because many other REITs are at their financial limits. Between the cash-on-hand and the proceeds of loans that are in process, we have sufficient capacity to acquire approximately $500 million in properties.

During the quarter, we acquired the AIR MILES Tower in downtown Toronto. The building was acquired, with some vacancy, at a 6.3% cap rate. Within a few months, we have leased a significant portion of the vacant space and improved our return. We also have secured under contract an interest in the IBM Corporate Park in Calgary. The three-building complex is of exceptionally high quality and also has a blue chip tenant base. The first building was completed in 2002, and the remaining two-thirds of the project was completed in 2008. Dundee REIT is acquiring one-third of the property with the remaining interest being acquired by a European institutional partner. Dundee REIT will manage the property. This is a real win for us — we are acquiring an interest in an institutional quality asset and will be earning the property management fees on the entire property, all of which is accretive to our bottom-line.

There is still a great deal of uncertainty in the marketplace and some important macro issues that demand consideration. Although we have no evidence that our assets or our business will be significantly affected by these issues, we are not prepared to invest our capital to grow our business without lower asset values or greater certainty. I believe that investors feel the same way — they are waiting to see if we can achieve the growth that we anticipate. For now, we are focused on operational excellence, and are otherwise reading and researching, reviewing our portfolio, and talking to people to see if there is any indication that the environment is getting better or worse.

Dundee REIT is a far better business than it would've been had we not completed the sale of the Eastern Portfolio last year. In addition to making our business more valuable, we provided our unitholders with a significant return on their investment. Our acquisition capacity is also greater than ever. This is a good position to be in, but like everyone else in just about every market, we are waiting to see what makes the most sense to do next.

Michael J. Cooper

Vice Chairman and Chief Executive Officer

Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands, except 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, 2007, and the interim financial statements for the three months ended March 31, 2008.

This management's discussion and analysis has been dated as at April 30, 2008, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

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

Certain market information has been obtained from the CB Richard Ellis Market View, 1st Quarter 2008, 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.

On August 24, 2007, Dundee REIT completed the sale of its portfolio of real estate assets located principally in Ontario, Québec and Newfoundland (the "Eastern Portfolio") to GE Real Estate ("GE") for a total purchase price of approximately $2.3 billion, including the assumption of liabilities by GE relating to the Eastern Portfolio (the "Transaction"). Dundee REIT's portfolio now comprises office and industrial properties located primarily in Western Canada. As a result of this Transaction, Dundee REIT has transformed into a more growth-oriented, opportunistic real estate investment trust.

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 fluctuations.

Although the forward-looking statements contained in this management's discussion and analysis are based upon what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain assumptions made in preparing forward-looking information and our objectives include the assumption that the Canadian economy will remain stable in 2008 and that inflation will remain relatively low. We have also assumed that interest rates will remain stable in 2008, that conditions within the real estate market, including competition for acquisitions and estimated market rental rates, will be consistent with the current climate, that the Canadian capital markets will continue to provide us with access to equity and/or debt at reasonable rates and that the specified investment flow-through trust ("SIFT") Rules and the Normal Growth Guidelines are not applicable to us.

All forward-looking information speaks as of April 30, 2008, 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:

- managing our business to provide growing cash flow and stable and sustainable returns through adapting our strategy and tactics to changes in the real estate industry and the economy;
- building a diversified, growth-oriented portfolio of office and industrial properties in Canada, based on an established platform in Western Canada;
- providing predictable and sustainable cash distributions to unitholders and prudently increasing distributions over time, allowing investors to benefit from the growth in its real estate operations; and
- maintaining a REIT that satisfies the REIT Exception under the new SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions and be more competitive in the real estate industry than other REITs which have not satisfied the REIT Exception.

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 (see a description of Our Equity on page 6).

	Apr/07	May/07	Jun/07	Jul/07	Aug/07	Sept/07	Oct/07	Nov/07	Dec/07	**Jan/08**	**Feb/08**	**Mar/08**
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	$40.10	$39.64	$46.00	$43.35	$37.23	$38.73	$36.75	$36.43	$33.72	**$31.90**	**$34.25**	**$32.48**

OUR STRATEGY

Dundee REIT's strategy is to rely on a core portfolio of office and industrial properties that provides a solid platform for stable and growing returns. Consistent with our strategy in the past, management intends to increase cash flow by adding value to existing properties, pursuing accretive acquisitions and identifying new trends and opportunities in the real estate market. In addition, our strategy will continue to include working within the capital markets to enhance value through the efficient use of capital and utilizing private and public debt and public equity to provide unitholders with the highest possible returns.

Our track record includes issuing equity at increasing prices to finance rapid growth, increasing and decreasing our level of debt based on the relative cost of debt and equity, selling major portions of our portfolio when the value was high, increasing the growth potential of our remaining operations and returning capital to our unitholders when we had excess capital.

Dundee REIT's methodology to meet its strategy and objectives includes:

Effectively managing our business

We manage our properties to optimize long-term cash flow and value. Dundee REIT benefits from the expertise of a group of highly experienced real estate professionals through our internal property management function. In addition, through the asset management agreement, Dundee REIT benefits from the expertise of Dundee Real Estate Asset Management, which provides the strategy, leadership and execution of Dundee REIT's operating plan. All of these professionals have worked together for many years and will continue to work together to increase the value of Dundee REIT's portfolio through continuous and active analysis of how its properties and its portfolio as a whole can achieve optimal performance. We will continue to identify strengths and weaknesses of individual properties and our portfolio as a whole, which allows us to quickly reposition assets when desirable.

We actively manage our debt levels and interest rates in order to minimize financing and interest rate risk while maximizing overall performance. Dundee REIT manages its 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 managed to maintain continuity of income and to avoid significant lease turnovers and their associated leasing costs in any given year.

Pursuing growth

Dundee REIT will achieve growth by acquiring properties that enhance its overall portfolio, further improve the sustainability of distributions and help it mitigate risk. Dundee REIT's growth strategy is to acquire office and industrial properties in those Canadian markets that offer compelling investment opportunities and reposition existing properties where opportunities exist. Dundee REIT continuously evaluates individual properties, portfolios and entities with a view to maximizing performance and achieving the best value and growth potential.

Meeting the needs of our tenants

Dundee REIT has a committed team of in-house property management professionals. A strong relationship with our tenants is critical to our success. We strive to be 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 attract new tenants to lease vacant space quickly and cost-effectively.

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 Western Canada, primarily in Calgary, as well as Vancouver, Edmonton, Saskatoon, Regina, Yellowknife and Toronto.

Owned gross leasable area (square feet)

				March 31, 2008	December 31, 2007	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**449,939**	**—**	**449,939**	**7**	449,939	7
Alberta	**2,749,248**	**1,847,661**	**4,596,909**	**69**	4,593,902	73
Saskatchewan & NWT	**848,976**	**—**	**848,976**	**13**	848,857	14
Ontario	**728,861**	**—**	**728,861**	**11**	406,304	6
Total as at March 31	**4,777,024**	**1,847,661**	**6,624,685**	**100**	6,299,002	100
Percentage	**72%**	**28%**	**100%**			
Total as at December 31, 2007	4,451,341	1,847,661	6,299,002			
Percentage	71%	29%	100%			

Excludes redevelopment properties.

Office rental properties

Dundee REIT owns 41 office properties (43 buildings) comprising approximately 4.8 million square feet, excluding redevelopment properties, located in Vancouver, Calgary, Edmonton, Regina, Saskatoon, Yellowknife and Toronto. These office properties can generally be categorized as high-quality, affordable, suburban and downtown buildings. At March 31, 2008, the average occupancy rate across our office portfolio was 96.0%. Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized. The national industry average occupancy rate was 95.2% (CB Richard Ellis, Canadian Office Market View, 1st Quarter 2008).

Industrial rental properties

Our industrial portfolio consists of 36 prime suburban industrial properties (40 buildings) comprising approximately 1.8 million square feet, concentrated in Calgary and Edmonton. Dundee REIT's strategy is to own clusters of properties, allowing it to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. At March 31, 2008, the average occupancy rate across our industrial portfolio was 92.3%. The market availability rates in Calgary and Edmonton were 2.1% and 2.7%, respectively (CB Richard Ellis, Canadian Industrial Market View, 1st Quarter 2008).

OUR EQUITY

				Unitholders' equity
		March 31, 2008		December 31, 2007
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**17,143,922**	**$ 296,969**	17,072,154	$ 300,216
REIT Units, Series B	**476,316**	**14,179**	476,316	14,376
LP Class B Units, Series 1	**3,354,851**	**99,567**	3,315,349	99,791
Cumulative foreign currency translation adjustment	**—**	**(6,094)**	—	(6,243)
Total	**20,975,089**	**$ 404,621**	20,863,819	$ 408,140

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 ("DRC"), related parties to Dundee REIT, and the REIT B Units are held by GE. Both the REIT Units and Special Trust Units entitle the holder to one vote for each unit at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT B Units, at the option of the holder, which can then be converted into REIT A Units. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT A Units. The REIT A Units and REIT B Units have economic and voting rights equivalent in all material respects to each other.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

For the three months ended March 31	**2008**	2007
Operations		
Occupancy rate (period-end)[1]	**95.0%**	97.0%
In-place rent per square foot (office and industrial)[1]	**$ 14.12**	$ 10.16
Operating results		
Rental properties revenue[2]	**$ 44,195**	$ 33,442
Net operating income[3] ("NOI")	**27,005**	20,849
Funds from operations[4] ("FFO")	**15,697**	31,771
Adjusted funds from operations[5] ("AFFO")	**10,635**	25,169
Distributions		
Declared distributions	**$ 11,491**	$ 25,031
Distributions paid in cash	**8,426**	18,275
DRIP participation ratio	**27%**	27%
Financing		
Weighted average interest rate (period-end)	**5.93%**	5.88%
Interest coverage ratio	**2.35 times**	2.28 times
Per unit amounts		
Basic:		
FFO	**$ 0.74**	$ 0.71
Distributable income	**0.58**	0.64
Distribution rate	**0.55**	0.55
Total distributions as a % of distributable income	**94.1%**	87.3%
AFFO	**0.50**	0.56
Diluted[6]:		
FFO	**$ 0.72**	$ 0.69
Distributable income	**0.58**	0.63

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

[1] Excludes redevelopment properties.

[2] Prior year comparatives have been restated for discontinued operations.

[3] NOI — rental property revenues less operating expenses, excluding redevelopment and discontinued operations. Prior year comparatives have been restated as a result of discontinued operations. The reconciliation of NOI to net income can be found on page 24.

[4] FFO — the reconciliation of FFO to net income can be found on page 15.

[5] AFFO — the reconciliation of AFFO to distributable income can be found on page 17.

[6] Diluted amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures.

FINANCIAL OVERVIEW

Overall occupancy remains very strong at 95%, with lease rollover activity allowing us to take advantage of generally higher market rental rates, especially in our Calgary office portfolio. Our average office portfolio occupancy rate remains well above the national industry average. Details of our leasing profile begin on page 9.

During the first quarter, we continued to grow our operations by effectively managing our portfolio and through strategic acquisitions, as evidenced by NOI growth of $6.2 million or 30% compared to the same period in 2007. The office portfolio now generates nearly 89% of our NOI. Details of our NOI begin on page 24.

For the quarter, distributable income decreased 57% to $12.3 million, mainly as a result of the disposition of the Eastern Portfolio in the third quarter of 2007. The corresponding reduction of Units outstanding resulted in a substantial reduction of declared distributions to $11.5 million. As a result of the participation in our DRIP, our year-to-date cash payout ratio is 73% of declared distributions. Details of our distributions and distributable income begin on page 15.

For the quarter, AFFO decreased to $10.6 million or $0.50 per unit, largely reflecting the impact of the Transaction and dilution arising from surplus cash on our balance sheet.

OUTLOOK

Dundee REIT continues to produce strong results. Overall occupancy rates remain high at 95%, behind the comparative period yet ahead of the national industry average. Funds from operations (“FFO”) per unit is $0.74, up 4%, compared to the first quarter of 2007. Net operating income (“NOI”) is up 30%, compared to the first quarter of 2007, to $27 million, and on a comparative property basis, has remained steady. Adjusted funds from operations (“AFFO”) per unit, however, is off by 11%. This decline is due to the impact of the sale of the Eastern Portfolio in 2007 and the dilutionary impact of having excess capital. Our expectation is that the second half of the year will once again bring increases in AFFO as we continue to capitalize on the difference between in-place and market rents and as we deploy our cash.

The strength of our results is supported by the composition of our portfolio and is driven by increases in rental rates on renewals and new leasing activity in Western Canada. Even if rents were to soften in Western Canada, as some predict they may, there will still be a notable difference between contract and market rents upon which we may capitalize. We are also in the enviable position of having a strong balance sheet and cash-on-hand, enabling us to act on compelling investment opportunities as they arise.

During the quarter, we acquired the AIR MILES Tower in downtown Toronto. We will experience greater benefit from this property in the second quarter of 2008 as it contributes to our results for a full quarter. In addition, the building was acquired with some vacancy, a significant portion of which has now been leased. Subsequent to quarter-end, we secured under contract an interest in a 357,000 square foot office property in Calgary, which should close in the second quarter. While our ownership interest will only be one-third, Dundee Realty Management Corp. will be the property manager, and we will therefore benefit from receiving the management fees on 100% of the property.

There is still a great deal of uncertainty in the marketplace and some important macro issues that demand consideration. Although we have no evidence that our assets or our business will be significantly affected by these issues, we are not prepared to invest our capital to grow our business without lower asset values or greater certainty. As always, we will wait patiently for the right opportunities to further grow our portfolio, and will act accordingly as they are uncovered. In the meantime, our financial performance remains in line with our expectations, and we have great confidence in our underlying business and the inherent growth potential it possesses.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

Rental Properties

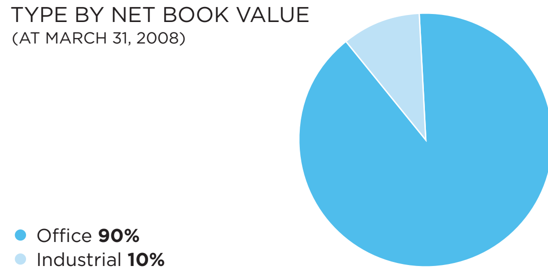
During the first quarter, we acquired an office property in downtown Toronto, comprising 322,557 square feet for approximately $92.2 million.

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

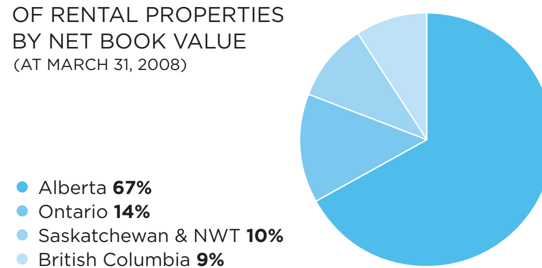
			March 31, 2008[1]			December 31, 2007[1]	
	Office	Industrial	Total	%		Total	%
British Columbia	$ 93,541	$ —	$ 93,541	9		$ 94,072	10
Alberta	603,424	104,387	707,811	67		711,916	72
Saskatchewan & NWT	111,126	—	111,126	10		111,813	11
Ontario	152,194	—	152,194	14		66,551	7
Total as at March 31, 2008	**$ 960,285**	**$ 104,387**	**$ 1,064,672**	**100**		$ 984,352	100
Percentage	**90%**	**10%**	**100%**				
Total as at December 31, 2007	$ 879,218	$ 105,134	$ 984,352				
Percentage	89%	11%	100%				

[1] Excludes $19.6 million related to Greenbriar Mall and $0.9 million related to other redevelopment properties totalling $20.5 million (December 31, 2007 — $19.9 million).

PORTFOLIO ASSET TYPE BY NET BOOK VALUE
(AT MARCH 31, 2008)



GEOGRAPHIC DISTRIBUTION OF RENTAL PROPERTIES BY NET BOOK VALUE
(AT MARCH 31, 2008)



Leasing profile

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

Performance indicators	**March 31, 2008**	December 31, 2007
Operating activities (office and industrial average)		
Occupancy level	**95.0%**	96.7%
Tenant maturity profile — average term to maturity (years)	**4.3 years**	3.9 years
In-place rental rates	**$ 14.12**	$ 13.49

Excludes redevelopment properties.

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

(Percentage)	**Q1 2008**	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Office	**96.0**	96.7	98.3	96.5	97.0	97.0	96.4	96.1	96.1
Industrial	**92.3**	96.7	94.0	95.8	97.0	95.6	95.9	95.7	95.2
Overall	**95.0**	96.7	97.0	96.2	97.0	96.4	96.2	95.9	95.6

Excludes redevelopment properties.

The overall percentage of occupied and committed space across our rental properties portfolio was 95.0% at quarter-end. Our average office portfolio occupancy rate declined slightly to 96.0%, however, remains ahead of the national industry average of 95.2%. The average occupancy rate across our industrial portfolio decreased to 92.3% mainly due to a 115,000 square foot vacancy at a building in Calgary. The market availability rates for industrial space in Calgary and Edmonton were 2.1% and 2.7%, respectively (CB Richard Ellis, Canadian Office and Industrial Market Views, 1st Quarter 2008). The Trust's occupancy rates discussed in this report include occupied and committed space at March 31, 2008, and exclude space to which the rent supplement is applied.

	Total portfolio			Comparative properties		
(Percentage)	**March 31, 2008**	December 31, 2007	March 31, 2007	**March 31, 2008**	December 31, 2007	March 31, 2007
Office						
British Columbia	**97.8**	96.8	94.7	**99.0**	98.4	94.7
Alberta	**96.7**	97.7	99.2	**96.9**	97.5	99.2
Saskatchewan & NWT	**96.7**	95.8	95.7	**96.7**	95.8	95.7
Ontario	**91.4**	91.6	97.4	**91.6**	91.6	97.4
Sold properties	**—**	—	96.4	**—**	—	—
Total office	**96.0**	96.7	97.0	**96.5**	96.6	98.0
Industrial						
Alberta	**92.3**	96.7	100.0	**92.3**	96.7	100.0
Sold properties	**—**	—	96.0	**—**	—	—
Total industrial	**92.3**	96.7	97.0	**92.3**	96.7	100.0
Overall	**95.0**	96.7	97.0	**95.2**	96.7	98.6

Excludes redevelopment properties.

The percentage of occupied and committed space across our portfolio remains strong. While rates across a large part of our Western Canadian office portfolio represent virtually full economic occupancy, we currently have some vacancy in our Calgary portfolio representing space that we were able to take back from the tenant before the lease expiry date. Much of this space has been leased at higher rates, with occupancy to commence in the second quarter.

During the first quarter, approximately 790,000 square feet of leases expired or were terminated, we acquired 29,000 square feet of vacant space and we completed approximately 696,000 square feet of renewals and new leasing, resulting in a 126,000 square foot increase in vacant space.

The following tables provide a summary of leasing activity in our continuing portfolio to March 31, 2008.

	For the three months ended March 31, 2008		
(in square feet)	Office	Industrial	Total
Vacant space available — January 1, 2008	146,368	60,256	206,624
Remeasurements	2,737	—	2,737
Acquisitions	28,634	—	28,634
Leases terminated/expiring	632,683	157,807	790,490
Total space available for lease	810,422	218,063	1,028,485
New tenants	114,661	16,315	130,976
Renewals	505,269	59,980	565,249
Total space leased	619,930	76,295	696,225
Total space available for lease — March 31, 2008	190,492	141,768	332,260
Net increase in vacant space	(44,124)	(81,512)	(125,636)

Lease maturity profile as at March 31, 2008, by asset type and geographic segment:

(in square feet)	Current vacancy	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter	Total
Office	190,492	37,304	388,128	382,778	650,467	584,693	2,543,162	4,777,024
Industrial	141,768	19,320	176,324	287,497	235,942	315,126	671,684	1,847,661
Total	332,260	56,624	564,452	670,275	886,409	899,819	3,214,846	6,624,685
Percentage	5.0%	0.9%	8.6%	10.1%	13.4%	13.6%	48.4%	100%

Excludes redevelopment properties.

(in square feet)	Current vacancy	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter	Total
British Columbia	9,717	—	33,411	51,052	28,403	74,331	253,025	449,939
Alberta	231,696	54,260	337,442	542,065	729,257	736,630	1,965,561	4,596,909
Saskatchewan & NWT	28,279	2,364	166,452	75,386	109,302	62,208	404,985	848,976
Ontario	62,568	—	27,147	1,774	19,447	26,650	591,275	728,861
Total	332,260	56,624	564,452	670,275	886,409	899,819	3,214,846	6,624,685
Percentage	5.0%	0.9%	8.6%	10.1%	13.4%	13.6%	48.4%	100.0%

Excludes redevelopment properties.

We have a long and successful track record in managing our lease rollovers. In the remainder of 2008, approximately 8.6% of our leases will be up for renewal. With average market rents well above expiring rents, particularly in Alberta where the majority of our properties are located, our lease maturity profile affords us the opportunity to take advantage of the market conditions. As a result, we anticipate generating substantially higher cash flow as space is re-leased.

The following table provides expiring rents across our portfolio as well as an estimate of average market rents as at March 31, 2008:

	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter
Expiring rents						
Office	$ 19.33	$ 12.13	$ 15.00	$ 15.31	$ 18.93	$ 19.51
Industrial	8.57	5.21	5.55	8.61	7.52	7.78
Portfolio average	15.66	9.97	10.95	13.52	14.93	17.06
Market rents[1]						
Office	$ 24.77	$ 20.58	$ 22.88	$ 24.68	$ 24.96	$ 23.26
Industrial	12.09	7.54	8.72	11.95	10.95	8.54
Market rent average	20.44	16.51	16.80	21.29	20.05	20.18

[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.

	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter
Expiring rents						
British Columbia	$ —	$ 14.39	$ 14.50	$ 15.35	$ 14.19	$ 17.96
Alberta	15.64	8.56	9.41	12.75	14.31	16.33
Saskatchewan & NWT	16.00	11.23	19.57	18.22	21.82	17.95
Ontario	—	14.39	10.50	13.42	18.22	18.51
Portfolio average	15.66	9.97	10.95	13.52	14.93	17.06
Market rents[1]						
British Columbia	$ —	$ 15.86	$ 20.34	$ 20.18	$ 17.11	$ 21.24
Alberta	20.63	16.90	15.67	21.63	20.12	20.80
Saskatchewan & NWT	16.00	16.29	22.68	20.59	23.25	17.64
Ontario	—	13.80	12.50	14.22	19.05	19.41
Market rent average	20.44	16.51	16.80	21.29	20.05	20.18

[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 average 2008 market rental rate is approximately 66% higher than our 2008 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 our ability to release the space quickly at the higher net rental rates.

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

	March 31, 2008			December 31, 2007		
	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	**4.63**	**9,399**	**$ 16.82**	4.08	9,121	$ 16.30
Industrial	**3.43**	**7,582**	**6.86**	3.50	7,909	6.71
Portfolio average	**4.30**	**8,825**	**14.12**	3.91	8,728	13.49

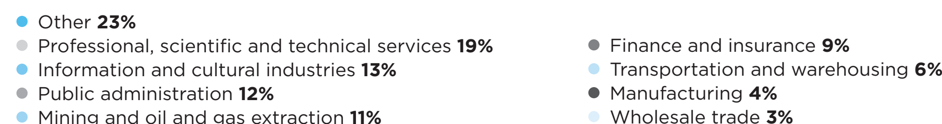
Excludes redevelopment properties.

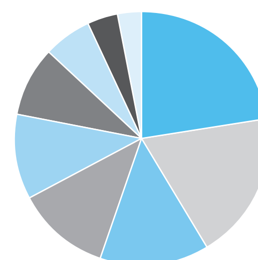
[1] Average in-place rents include straight-line rent adjustments.

Our tenant base includes a wide range of high-quality tenants, including government, large international corporations and small entrepreneurial businesses across the country. With 713 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 9,400 and 7,600 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, 2008)





The stability and quality of our cash flow is further enhanced by government and government agencies contributing 17.3% 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 Loyalty Management Group became a part of our largest tenants group this quarter as a result of the AIR MILES Tower acquisition in Toronto. The table below sets out our ten largest tenants and 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
TELUS Communications	311,479	4.7	6.4	2013–2016
Government of Canada	271,083	4.1	5.0	2008–2016
Loyalty Management Group	176,566	2.7	4.0	2017
Government of British Columbia	171,274	2.6	3.3	2008–2014
Government of Northwest Territories	117,258	1.8	3.0	2008–2012
Government of Ontario	123,872	1.9	2.7	2009
State Street Trust Company	93,589	1.4	2.6	2012
SNC Lavalin	87,382	1.3	2.0	2012
Hatch Optima Ltd.	83,080	1.3	1.8	2011–2016
International Financial Data Services	67,262	1.0	1.7	2013
Total	1,502,845	22.8	32.5	

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	**2008**	2007
Cash generated from operating activities	**$ 11,585**	$ 32,071
Cash utilized in investing activities	**(79,157)**	(269,672)
Cash generated from financing activities	**106,957**	226,164
Increase (decrease) in cash and cash equivalents	**$ 39,385**	$ (11,437)

At March 31, 2008, cash and cash equivalents were $77.1 million, an increase of $39.4 million compared to December 31, 2007, and an increase of $17.6 million compared to the same quarter last year. The increase primarily reflects the completion of new financing activity without the corresponding acquisitions activity. We have a total of $50.0 million in revolving credit facilities, all of which is currently 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	2008	2007
Net income	**$ 2,662**	$ 8,418
Non-cash items:		
Amortization of market rent adjustments on acquired leases	**(2,916)**	(1,912)
All other depreciation and amortization	**13,101**	22,025
Internalization of property manager	**—**	1,230
Deferred unit compensation expense	**—**	453
Future income taxes	**68**	(117)
Straight-line rent adjustment	**(245)**	(933)
	12,670	29,164
Deferred leasing costs incurred	**(760)**	(1,358)
Change in non-cash working capital	**(325)**	4,265
Cash generated from operating activities	**$ 11,585**	$ 32,071

Cash generated from operations for the quarter decreased as a result of the loss of contribution from the Eastern Portfolio, which was partially offset by the contribution of acquisitions completed in Western Canada and Toronto.

The amortization of market rent adjustments on acquired leases represents the impact of leases with below-market rents, mainly related to certain properties acquired from 2006 to 2008. Below-market leases are recorded as intangible liabilities and are amortized to rental property revenue over the terms of the related leases.

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 current 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 consolidated balance sheet and consolidated statement of income and comprehensive income.

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.

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. Leasing costs 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.

For the ongoing properties, leasing costs and tenant improvements for the three months ended March 31, 2008, decreased 13% to $1.1 million, while leasing activity increased 67% and resulted in 325,000 square feet of leased and occupied space. The average leasing costs for office properties during the quarter was $4.40 per square foot, reflecting a high percentage of renewals as well as our ability to lease space without having to incur significant tenant improvement costs. Leasing costs for industrial space were $2.20 per square foot leased and occupied in the quarter, which is in line with our estimates.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)	4,777,024	1,847,661	6,624,685
Occupied and committed	96.0%	92.3%	95.0%
Square footage leased and occupied in 2008	182,135	142,821	324,958
Leasing costs	$ 568	$ 189	$ 757
Tenant improvements	$ 235	$ 120	$ 355

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 December 31, 2007, and assume that market conditions remain consistent with our current experience.

	Office	Industrial
Estimated average annual leasing activity (sq. ft.)	616,000	335,000
Average leasing costs (per sq. ft.)	$ 8.75	$ 2.00
Expected average annual leasing costs	$ 5,386	$ 670

Commitments and contingencies

We are contingently liable with respect to 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 our financial statements.

Our future minimum commitments under operating and capital leases are as follows:

Year ending December 31	Operating lease payments	Capital lease payments
Remainder of 2008	$ 800	$ 106
2009	851	142
2010	738	142
2011	723	106
2012	682	—
2013 and thereafter	615	—
Total	$ 4,409	$ 496

Funds from operations

Management believes FFO is an important measure of our operating performance. 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.

For the three months ended March 31		2008		2007
Net income	**$**	**2,662**	$	8,418
Add (deduct):				
Depreciation of rental properties		**6,360**		12,336
Amortization of deferred leasing costs, tenant improvements and intangibles		**6,653**		9,843
Imputed amortization of leasing costs related to the rent supplement		**10**		79
Internalization of property manager		**—**		1,230
Future income tax		**68**		(117)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003		**(56)**		(18)
FFO	**$**	**15,697**	$	31,771
FFO per unit — basic	**$**	**0.74**	$	0.71
FFO per unit — diluted	**$**	**0.72**	$	0.69

The 51% decrease in FFO reflects the impact of the sale of the Eastern Portfolio in 2007, offset by revenue generated by acquisitions as well as rising rental rates. Below-market rents, which result in a non-cash amortization to our operating results, positively impacted FFO by $2.9 million.

Diluted FFO per unit amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures. The weighted average number of Units outstanding for basic and diluted FFO calculations for the quarter are 21,179,939 and 24,609,778, respectively. Diluted FFO includes interest and amortization adjustments of $1.9 million. The basic and diluted weighted average number of units outstanding include 259,803 vested deferred trust units for the three-month period.

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. Subject to unitholder approval at a meeting to be held on May 7, 2008, the Declaration of Trust will be amended to remove this restriction, and the trustees will have the discretion to determine the level of distribution that would be in the best interest of the Trust. Amounts retained in excess of the distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining distributable income. We also exclude the impact of deferred leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. Additionally, we exclude the impact of the amortization of deferred financing and non-recoverable costs that were incurred prior to the formation of the Trust, but deduct amortization of non-real estate assets such as software, office equipment and building improvement costs incurred after the formation of the Trust.

For the quarter ended March 31, 2008, distributable income per unit was $0.58 and declared distributions were $0.55, representing a 95% payout ratio on a per unit basis. In the prior year comparative period, distributable income per unit was $0.64 and declared distributions were $0.55, representing an 86% payout ratio on a per unit basis.

Distributable income

For the three months ended March 31		2008		2007
Cash generated from operating activities	**$**	**11,585**	$	32,071
Add (deduct):				
Deferred leasing costs incurred		**760**		1,358
Amortization of deferred financing costs incurred prior to June 30, 2003		**11**		87
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003		**—**		16
Amortization of tenant inducements		**37**		26
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003		**(56)**		(18)
Amortization of deferred financing costs		**(313)**		(306)
Change in non-cash working capital		**325**		(4,265)
Distributable income	**$**	**12,349**	$	28,969
Distributable income per unit — basic	**$**	**0.58**	$	0.64
Distributable income per unit — diluted	**$**	**0.58**	$	0.63
Distributions	**$**	**0.55**	$	0.55

Distributable income is not 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. In compliance with the Canadian Securities Administrators Staff Notice 52-306 (Revised) “Non-GAAP Financial Measures”, our table reconciles distributable income to cash generated from operating activities.

Distributable income exceeds distributions paid and payable by $0.7 million for the quarter. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

Distributions

The distributions presented in the table below comprise $9.5 million relating to REIT A Units, $0.3 million relating to REIT B Units and $1.9 million relating to LP B Units. Prior to June 28, 2007, cash distributions were only paid to holders of the REIT A Units as there were no REIT B Units outstanding, and all of the LP B Units were enrolled in the DRIP.

		Declared distributions		4% additional distributions		Total
2008 distributions						
Paid in cash or reinvested in units	$	7,652	$	84	$	7,736
Payable at March 31, 2008		3,839		47		3,886
Total distributions	$	11,491	$	131	$	11,622
2008 reinvestment						
Reinvested to March 31, 2008	$	2,089	$	84	$	2,173
Reinvested on April 15, 2008		976		47		1,023
Total distributions reinvested	$	3,065	$	131	$	3,196

Distributions paid in cash	$	8,426
Reinvestment to distribution ratio		27%
Cash distribution payout ratio		73%

Distributions declared in the period ended March 31, 2008, totalled $11.5 million, a decrease of $13.5 million over the comparative period mainly due to the redemption of outstanding units in connection with the sale of the Eastern Portfolio. Of this amount, $3.1 million or 27% was reinvested in additional units and our cash payout ratio for our distributions was 73%.

Effective July 6, 2007, the Canadian Securities Administrators announced amendments to National Policy 41-201 "Income Trusts and Other Indirect Offerings", providing additional guidance with respect to disclosure around distributable cash. The following table outlines the differences between cash flow from operating activities and cash distributions as well as the differences between net income and cash distributions in accordance with the guidelines:

For the three months ended March 31	2008	2007
Net income	$ 2,662	$ 8,418
Cash flow from operating activities	11,585	32,071
Distributions paid and payable	11,622	25,282
Excess/(shortfall) of cash flow from operating activities over cash distributions	(37)	6,789
Excess/(shortfall) of net income over cash distributions	(8,960)	(16,864)

Cash flow from operating activities is virtually equal to distributions paid and payable reflecting our ability to fund distributions from cash from operating activities. We do not expect cash distributions to exceed cash flow from operating activities in the future, other than for changes in non-cash working capital balances. Net income exceeded distributions paid and payable by $9.0 million for the quarter. This excess was mainly a result of non-cash depreciation, amortization expense, and future income taxes, which are not considered in determining our cash distribution policy.

Adjusted funds from operations

For the three months ended March 31	2008	2007
Distributable income	$ 12,349	$ 28,969
Adjusted for:		
Normalized leasing costs and tenant improvements	(1,514)	(3,450)
Normalized non-recoverable recurring capital expenditures	(200)	(350)
AFFO	$ 10,635	$ 25,169
AFFO per unit — basic	$ 0.50	$ 0.56

Management believes that 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 15, which reconciles distributable income to cash flow from operating activities.

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 2007, adjusted for properties that have been sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and 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		2008		2007
Investment in rental properties	$	**(363)**	$	(2,423)
Investment in tenant improvements		**(369)**		(1,485)
Investment in land development		**—**		(721)
Acquisition of rental properties		**(89,637)**		(263,833)
Acquisition deposit on rental properties		**(800)**		(1,100)
Investment in mezzanine loan		**—**		(222)
Repayment of promissory note		**12,116**		—
Change in restricted cash, net		**(104)**		112
Cash utilized in investing activities	**$**	**(79,157)**	$	(269,672)

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

For the three months ended March 31		2008		2007
Investing activities				
Acquisition of rental properties	**$**	**92,171**	$	297,515
Building improvements		**157**		1,587

Acquisitions and dispositions

During the quarter, we completed the acquisition of the AIR MILES Tower, a 322,557 square foot office building located in downtown Toronto. The property was purchased for $92.2 million, with no assumed mortgage.

We also have under contract, subject to a variety of conditions, approximately $59.0 million of office properties.

Building improvements

For the three months ended March 31		2008		2007
Building improvements:				
Recurring recoverable	**$**	**35**	$	540
Recurring non-recoverable		**—**		357
Non-recurring		**122**		690
Total	**$**	**157**	$	1,587

Capital expenditures or expenditures accrued for rental property building improvements and equipment were $0.2 million (March 31, 2007 — $1.6 million). Non-recurring expenditures were $0.1 million in the quarter. 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. Anticipated non-recoverable capital expenditures associated with the current quarter acquisition are expected to be approximately $2.0 million and will be incurred over the next two to three years. These expenditures were factored into the purchase price paid for our acquisitions.

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 managing 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	2008	2007
Mortgages placed, net of costs	**$ (128)**	$ 100,090
Mortgage principal repayments	**(3,273)**	(7,052)
Mortgage lump sum repayments	**—**	(12,736)
Term debt principal repayments	**(34)**	(28)
Term debt placed, net of costs	**—**	37
Convertible debentures issued, net of costs	**119,200**	—
Distributions paid on Units	**(9,381)**	(17,903)
Units issued, net of costs	**573**	163,756
Cash generated from financing activities	**$ 106,957**	$ 226,164

Debt

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

	March 31, 2008	December 31, 2007
Financing activities		
Average interest rate	**5.93%**	5.76%
Level of debt (net debt-to-enterprise value)[1]	**51.3%**	47.7%
Interest coverage ratio[2]	**2.35 times**	2.51 times
Proportion of total debt due within one year	**3.8%**	4.8%
Debt — average term to maturity (years)	**6.0**	6.1
Variable rate debt as percentage of total debt	**2.1%**	2.4%

[1] Net debt-to-enterprise value is calculated as total debt less cash and cash equivalents as a percentage of enterprise value, where enterprise value is based on the total number of outstanding units multiplied by period-end market price per unit, plus debt less cash and cash equivalents.

[2] Interest coverage ratio is calculated as NOI from continuing operations plus interest and fee income, less general and administrative expense from continuing operations, divided by interest expense.

Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. The interest coverage ratio replaces the limit on our overall debt-to-gross book value in our Declaration of Trust as a key metric in evaluating the management of our debt. The interest coverage ratio is 2.35 times as at March 31, 2008, and reflects our ability to cover interest expense requirements. The slight decline in the interest coverage ratio from December 31, 2007, reflects the 6.0% Debenture issuance in January 2008 as well as having undeployed cash during the quarter. Our average interest rate as at March 31, 2008, was 5.93%, an increase over the prior quarter, again reflecting the impact of the 6.0% Debenture issuance which had an effective rate of 7.08%.

Variable rate debt as a percentage of total debt decreased during the quarter to 2.1% of total portfolio.

			March 31, 2008			December 31, 2007
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 648,260**	**$ 17,068**	**$ 665,328**	$ 651,844	$ 16,344	$ 668,188
Term debt	**417**	**—**	**417**	451	—	451
6.5% Debentures	**3,609**	**—**	**3,609**	3,857	—	3,857
5.7% Debentures	**7,879**	**—**	**7,879**	7,983	—	7,983
6.0% Debentures	**117,213**	**—**	**117,213**	—	—	—
Total	**$ 777,378**	**$ 17,068**	**$ 794,446**	$ 664,135	$ 16,344	$ 680,479
Percentage	**97.9%**	**2.1%**	**100%**	97.6%	2.4%	100%

Mortgages payable includes $4.6 million of fair value adjustments (December 31, 2007 — $4.8 million), mainly reflecting the fair value of mortgages assumed in connection with acquisitions. Amounts recorded as at March 31, 2008, for the 6.5%, 5.7% and 6.0% Debentures are net of $2.2 million of premiums allocated to their conversion features. The fair value adjustments and premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activity

Effective January 14, 2008, the Trust completed a public offering of $125.0 million principal amount of convertible unsecured subordinated debentures with a coupon rate of 6.0% per annum payable semi-annually on June 30 and December 31, commencing on June 30, 2008, and due on December 31, 2014 (the "6.0% Debentures"). We have allocated $2.2 million of the principal amount relating to the conversion feature as a component of unitholders' equity. In addition, there were $5.8 million of financing costs, which along with the equity component, are deferred and amortized over the term of the debt resulting in an effective interest rate of 7.08%. As a result, our overall average interest rate increased to 5.93% while our average term to maturity remained stable at 6.0 years.

A demand revolving credit facility is available up to a formula-based maximum of $50.0 million, bearing interest generally at the bank prime rate (5.25% as at March 31, 2008) plus 0.375% or bankers' acceptance rates. The facility is secured by a first-ranking collateral mortgage on four of the Trust's properties and a second-ranking collateral mortgage on one property. As at March 31, 2008, the facility was undrawn.

Changes in debt levels are as follows:

	For the three months ended March 31, 2008			
	Mortgages	Term debt	Convertible debentures	Total
Debt as at December 31, 2007	$ 668,188	$ 451	$ 11,840	$ 680,479
New debt placed	—	—	125,000	125,000
Scheduled repayments	(3,273)	(34)	—	(3,307)
Conversion to unit equity	—	—	(385)	(385)
Amortization and other adjustments	413	—	(7,754)	(7,341)
Debt as at March 31, 2008	**$ 665,328**	**$ 417**	**$ 128,701**	**$ 794,446**

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average interest rate on balance due at maturity %	Weighted average face rate on balance due at maturity
Remainder of 2008	$ 19,964	$ 10,141	$ 30,105	3.8	6.12	6.12
2009	51,766	13,661	65,427	8.2	6.22	6.30
2010	5,867	14,359	20,226	2.5	5.24	5.24
2011	70,348	14,231	84,579	10.5	6.03	6.83
2012	99,994	12,085	112,079	14.0	5.57	5.46
2013 and thereafter	459,216	28,930	488,146	61.0	6.03	5.81
Total	$ 707,155	$ 93,407	$ 800,562	100.0	n/a	5.90

Fair value adjustments	2,334
Deferred financing costs	(8,450)
Total	$ 794,446

Convertible debentures

During the quarter we issued 14,591 REIT A Units upon the conversion of $0.4 million of the principal amount of 6.5% and 5.7% Debentures.

With respect to the 6.5% Debentures, we issued 10,560 REIT A Units upon the conversion of $0.3 million of the principal amount. Subsequent to quarter-end, we issued an additional 11,760 REIT A Units upon the conversion of $0.3 million of the principal amount. The total principal amount outstanding at April 30, 2008, was $3.6 million, and is convertible into 142,120 REIT A Units.

With respect to the 5.7% Debentures, we issued 4,031 REIT Units upon the conversion of $0.1 million of the principal amount. Subsequent to quarter-end, we issued an additional 1,965 REIT A Units upon the conversion of $0.1 million of the principal amount. The total principal amount outstanding at April 30, 2008, was $8.1 million, and is convertible into approximately 270,600 REIT A Units.

Equity

The following table summarizes the changes in our outstanding equity:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Units issued and outstanding on December 31, 2007	17,072,154	476,316	3,315,349	20,863,819
Units issued pursuant to DRIP	28,428	—	39,502	67,930
Unit Purchase Plan	18,257	—	—	18,257
Units issued pursuant to Deferred Unit Incentive Plan	10,492	—	—	10,492
Conversion of 6.5% Debentures	10,560	—	—	10,560
Conversion of 5.7% Debentures	4,031	—	—	4,031
Total units outstanding on March 31, 2008	17,143,922	476,316	3,354,851	20,975,089
Percentage of all units	82%	2%	16%	100%
Units issued pursuant to DRIP on April 15, 2008	11,533	—	18,902	30,435
Conversion of 6.5% Debentures	11,760	—	—	11,760
Conversion of 5.7% Debentures	1,965	—	—	1,965
Purchased under normal course issuer bid	(3,000)	—	—	(3,000)
Total units outstanding on April 30, 2008	17,166,180	476,316	3,373,753	21,016,249
Percentage of all units	82%	2%	16%	100%

Normal course issuer bid

On August 30, 2007, we filed with the Toronto Stock Exchange ("TSX") a Notice of Intention to make a normal course issuer bid. Under the bid, Dundee REIT has the ability to purchase for cancellation up to a maximum of 1,359,844 of its REIT A Units (representing 10% of the REIT's public float of 13,598,446 REIT A Units on August 30, 2007) through the facilities of the TSX. The bid commenced on September 5, 2007, and will remain in effect until the earlier of September 4, 2008, or the date on which the REIT has purchased the maximum number of units permitted under the bid. As of March 31, 2008, the number of issued and outstanding REIT A Units is 17,143,922. Based on the March 31, 2008 closing price of the REIT A Units, the Trust may purchase up to $44.2 million worth of REIT A Units. No Units were purchased during the quarter. Subsequent to March 31, 2008, we purchased and cancelled 3,000 REIT A Units totalling $0.1 million pursuant to this bid.

OUR RESULTS OF OPERATIONS

For the three months ended March 31	2008	2007
Revenues		
Rental properties revenue	**$ 44,195**	$ 33,442
Interest and fee income	**1,170**	664
	45,365	34,106
Expenses		
Rental properties operating expenses	**16,675**	12,050
Interest	**11,581**	8,706
Depreciation of rental properties	**6,360**	5,223
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,653**	4,198
General and administrative	**1,421**	2,202
	42,690	32,379
Income before the undernoted item	**2,675**	1,727
Internalization of property manager	**—**	(1,230)
Income before income taxes	**2,675**	497
Income taxes		
Current income taxes	**(55)**	5
Future income taxes	**68**	(117)
	13	(112)
Income before discontinued operations	**2,662**	609
Discontinued operations	**—**	7,809
Net Income	**$ 2,662**	$ 8,418

Rental properties revenue

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs and property taxes from tenants. The $10.8 million or 32% increase in rental property revenue is primarily a result of additional revenues generated by acquisitions completed in 2007 and 2008.

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. The $0.5 million increase in interest is mainly a result of higher interest on undeployed cash and interest on the promissory note.

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. Expenses for the quarter increased $4.6 million or 38% mainly reflecting the additional costs associated with acquired properties.

Interest expense

Interest expense for the quarter increased $2.9 million, reflecting debt assumed on acquisitions completed in 2007 and the 6% Debentures issued during the quarter. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, is 2.35 times as at March 31, 2008.

Depreciation of rental properties

Depreciation increased by $1.1 million or 22% compared with the same period in 2007 mainly as a result of acquisitions.

Amortization of deferred leasing costs, tenant improvements and intangibles

Amortization for the quarter was $6.7 million, an increase of $2.5 million or 58% over the comparative year. The increase is largely due to the allocation of a portion of the purchase price to intangibles on new acquisitions.

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 $1.4 million, a decrease of $0.8 million or 35% over the comparative year resulting from decreased management expenses including stock exchange fees, audit and consulting expenses. Prior year expenses included costs related to the internalization 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 operations are disclosed separately on the income statement. Discontinued operations primarily refer to the Eastern Portfolio.

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. Effective August 24, 2007, Dundee REIT entered into an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries as disclosed in Note 17 to the financial statements. Dundee Management Limited Partnership ("DMLP") and DRC have extended the term of the DRC Services Agreement until June 30, 2013. During the quarter, we received $0.4 million related to the DRC Services Agreement and paid $2.2 million related to the Asset Management Agreement.

In the second quarter of 2006, we purchased the remaining 50% interest of DMLP in exchange for 100,000 LP B Units and fully internalized our property management function. The cost of these units was expensed and added to cumulative capital in 2006 and 2007.

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:

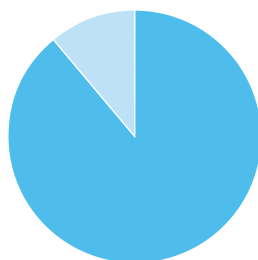
For the three months ended March 31		2008		2007
Net income	**$**	**2,662**	$	8,418
Add (deduct):				
Interest expense		**11,581**		8,706
Depreciation of rental properties		**6,360**		5,223
Amortization of deferred leasing costs, tenant improvements and intangibles		**6,653**		4,198
General and administrative expenses		**1,421**		2,202
Internalization of property manager		**—**		1,230
Interest and fee income		**(1,170)**		(664)
Income taxes		**13**		(112)
Depreciation, amortization and interest, included in discontinued operations		**—**		21,302
NOI including redevelopment and discontinued operations	**$**	**27,520**	$	50,503

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 30% over the comparative period, primarily due to income generated by properties acquired in 2007. NOI generated by our comparative portfolio increased $0.2 million or 1% for the quarter, largely driven by higher rental rates achieved on renewals and new leasing in our industrial portfolio. Discontinued operations mainly reflects the results of the Eastern Portfolio.

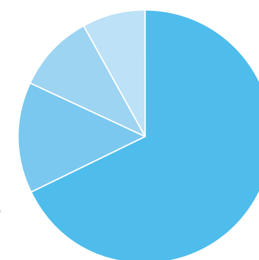
	For the three months ended March 31						
					Growth		
		2008		2007		Amount	%
Office	**$**	**23,998**	$	17,933	$	6,065	34
Industrial		**3,007**		2,916		91	3
NOI		**27,005**		20,849		6,156	30
Redevelopment		**515**		543		(28)	
Discontinued operations		**—**		29,111		(29,111)	
NOI including redevelopment and discontinued operations	**$**	**27,520**	$	50,503	$	(22,983)	(46)

	For the three months ended March 31						
					Growth		
		2008		2007		Amount	%
British Columbia	**$**	**2,171**	$	1,607	$	564	35
Alberta		**18,468**		13,858		4,610	33
Saskatchewan & NWT		**3,636**		3,367		269	8
Ontario		**2,730**		2,017		713	35
NOI		**27,005**		20,849		6,156	30
Redevelopment		**515**		543		(28)	
Discontinued operations		**—**		29,111		(29,111)	
NOI including redevelopment and discontinued operations	**$**	**27,520**	$	50,503	$	(22,983)	(46)

NOI BY SEGMENT
(THREE MONTHS ENDED MARCH 31, 2008)



NOI BY REGION
(THREE MONTHS ENDED MARCH 31, 2008)



NOI comparative portfolio

NOI shown below highlights comparative and non-comparative items to assist in understanding the impact each component has on NOI. The Eastern Portfolio is classified as discontinued operations. Discontinued operations contributing to NOI are shown separately to conform to 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	
	2008	2007	Amount	%
Office	**$ 15,542**	$ 15,499	$ 43	—
Industrial	**2,955**	2,845	110	4
Comparative properties	**18,497**	18,344	153	1
Acquisitions	**5,363**	648	4,715	
Rent supplement	**21**	23	(2)	
GAAP adjustments	**3,124**	1,834	1,290	
NOI	**27,005**	20,849	6,156	30
Redevelopment	**515**	543	(28)	
Discontinued operations	**—**	29,111	(29,111)	
NOI including redevelopment and discontinued operations	**$ 27,520**	$ 50,503	$ (22,983)	(46)

	For the three months ended March 31			
			Growth	
	2008	2007	Amount	%
British Columbia	**$ 1,240**	$ 1,423	$ (183)	(13)
Alberta	**11,890**	11,586	304	3
Saskatchewan & NWT	**3,575**	3,310	265	8
Ontario	**1,792**	2,025	(233)	(12)
Comparative properties	**18,497**	18,344	153	1
Acquisitions	**5,363**	648	4,715	
Rent supplement	**21**	23	(2)	
GAAP adjustments	**3,124**	1,834	1,290	
NOI	**27,005**	20,849	6,156	30
Redevelopment	**515**	543	(28)	
Discontinued operations	**—**	29,111	(29,111)	
NOI including redevelopment and discontinued operations	**$ 27,520**	$ 50,503	$ (22,983)	(46)

Comparative NOI increased 1% compared to 2007 reflecting increases in rental rates on renewals in Western Canada, offset by a vacancy at one of our Toronto buildings. Adjusting for the impact of a $0.3 million surrender payment received in 2007, our comparative NOI growth is 2%. Our comparative industrial portfolio NOI increased 4% as rental rate increases on renewals and new leases offset a slight decrease in occupancy.

Comparative office portfolio

	For the three months ended March 31			
			Growth	
	2008	2007	Amount	%
British Columbia	$ **1,240**	$ 1,423	$ (183)	(13)
Alberta	**8,935**	8,741	194	2
Saskatchewan & NWT	**3,575**	3,310	265	8
Ontario	**1,792**	2,025	(233)	(12)
Comparative properties	**15,542**	15,499	43	—
Acquisitions	**5,363**	648	4,715	
Rent supplement	**21**	23	(2)	
GAAP adjustments	**3,072**	1,763	1,309	
Office NOI	$ **23,998**	$ 17,933	$ 6,065	34

Our comparative office portfolio remains well occupied with most Western markets being virtually fully occupied. Overall NOI is consistent with that of the prior year, reflecting higher rental rates on renewals and new leasing, offset by slightly lower occupancy. NOI generated by the Saskatchewan and Northwest Territories portfolio increased 8%, reflecting higher rental rates on renewal and increased occupancy. The Alberta office portfolio experienced modest growth, reflecting higher rental rates on renewals in downtown Calgary, offset by slightly lower occupancy. Occupancy in the comparative Alberta office portfolio was 97% at period-end compared to 99% in the prior year comparative period. After adjusting for a surrender payment of $0.3 million received in 2007, the British Columbia portfolio produced NOI growth of 9%, reflecting higher rental rates and slightly higher occupancy.

Comparative industrial portfolio

	For the three months ended March 31			
			Growth	
	2008	2007	Amount	%
Alberta	$ **2,955**	$ 2,845	$ 110	4
Comparative properties	**2,955**	2,845	110	4
GAAP adjustments	**52**	71	(19)	
Industrial NOI	$ **3,007**	$ 2,916	$ 91	3

The majority of our comparative property growth came from our industrial portfolio, and was mainly due to the impact of higher rental rates, offset by lower occupancy compared to the prior year.

NOI prior quarter comparison

The comparative properties disclosed in the following table are based on properties that were acquired prior to October 1, 2007. Overall, comparative properties are maintaining a high level of occupancy with the Western Canada office portfolio reporting occupancy in excess of 96%. Comparative property NOI was flat compared to the prior quarter with rental rate increases and recoveries being offset by slightly lower occupancy. During the current and prior quarters, we intentionally took back a significant amount of office space when presented with the opportunity in order to re-lease that space at current market rental rates. We are currently in the process of leasing those spaces and expect occupancy to occur by the second quarter of 2008. The decrease in the Ontario portfolio reflects the impact of a vacancy that we are in the process of leasing and that we anticipate will be occupied by the fourth quarter of 2008.

	For the three months ended			
			Growth	
	March 31, 2008	December 31, 2007	Amount	%
Office	**$ 19,331**	$ 19,354	$ (23)	—
Industrial	**2,955**	2,932	23	1
Comparative properties	**22,286**	22,286	—	—
Acquisitions	**1,574**	595	979	
Rent supplement	**21**	22	(1)	
GAAP adjustments	**3,124**	3,553	(429)	
NOI	**27,005**	26,456	549	2
Redevelopment	**515**	430	85	
Discontinued operations	**—**	(46)	46	
NOI including redevelopment and discontinued operations	**$ 27,520**	$ 26,840	$ 680	3

	For the three months ended			
			Growth	
	March 31, 2008	December 31, 2007	Amount	%
British Columbia	**$ 1,818**	$ 1,798	$ 20	1
Alberta	**15,101**	14,992	109	1
Saskatchewan & NWT	**3,575**	3,493	82	2
Ontario	**1,792**	2,003	(211)	(11)
Comparative properties	**22,286**	22,286	—	—
Acquisitions	**1,574**	595	979	
Rent supplement	**21**	22	(1)	
GAAP adjustments	**3,124**	3,553	(429)	
NOI	**27,005**	26,456	549	2
Redevelopment	**515**	430	85	
Discontinued operations	**—**	(46)	46	
NOI including redevelopment and discontinued operations	**$ 27,520**	$ 26,840	$ 680	3

QUARTERLY INFORMATION

The following tables show quarterly information since June 30, 2006.

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Revenues								
Rental properties revenue	**$ 44,195**	$ 42,921	$ 40,464	$ 38,334	$ 33,442	$ 32,242	$ 30,431	$ 21,388
Interest and fee income	**1,170**	1,023	574	680	664	1,252	1,032	849
	45,365	43,944	41,038	39,014	34,106	33,494	31,463	22,237
Expenses								
Rental properties operating expenses	**16,675**	16,035	14,379	13,139	12,050	12,364	11,174	7,997
Interest	**11,581**	10,154	9,794	9,168	8,706	9,295	9,968	7,780
Depreciation of rental properties	**6,360**	6,180	6,135	5,823	5,223	5,087	4,996	3,549
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,653**	7,282	5,862	6,004	4,198	3,650	4,507	2,384
General and administrative	**1,421**	1,534	1,887	1,977	2,202	1,861	1,687	1,756
	42,690	41,185	38,057	36,111	32,379	32,257	32,332	23,466
Income (loss) before the undernoted items	**2,675**	2,759	2,981	2,903	1,727	1,237	(869)	(1,229)
Internalization of property manager	**—**	—	—	—	(1,230)	(615)	27	(13,090)
Gain (loss) on disposal of rental property and land held for sale	**—**	—	854	1,474	—	9	(445)	216
Reversal of (provision for) impairment of rental property previously held for sale	**—**	6,298	(7,650)	—	—	—	—	—
Income (loss) before income and large corporations taxes	**2,675**	9,057	(3,815)	4,377	497	631	(1,287)	(14,103)
Income taxes								
Current income and large corporations taxes	**(55)**	8	7	10	5	22	(82)	77
Future income taxes (recovery)	**68**	(15,539)	(25,198)	40,031	(117)	(111)	(202)	2,453
Income tax expense (recovery)	**13**	(15,531)	(25,191)	40,041	(112)	(89)	(284)	2,530
Income (loss) before non-controlling interest and discontinued operations	**2,662**	24,588	21,376	(35,664)	609	720	(1,003)	(16,633)
Income attributable to non-controlling interest	**—**	—	—	—	—	—	—	(1,342)
Income (loss) before discontinued operations	**2,662**	24,588	21,376	(35,664)	609	720	(1,003)	(17,975)
Discontinued operations	**—**	4,636	731,074	7,874	7,809	7,232	7,826	11,229
Net income (loss)	**$ 2,662**	$ 29,224	$ 752,450	$ (27,790)	$ 8,418	$ 7,952	$ 6,823	$ (6,746)
Net income (loss) per unit								
Basic	**$ 0.13**	$ 1.38	$ 19.82	$ (0.57)	$ 0.19	$ 0.24	$ 0.19	$ (0.23)
Diluted[1]	**$ 0.13**	$ 1.38	$ 19.81	$ (0.57)	$ 0.19	$ 0.24	$ 0.19	$ (0.23)

[1] Excludes impact of 6.5%, 5.7% and 6.0% Debentures, which are currently not dilutive to net income.

Calculation of funds from operations and distributable income

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net income (loss)	**$ 2,662**	$ 29,224	$ 752,450	$ (27,790)	$ 8,418	$ 7,952	$ 6,823	$ (6,746)
Add (deduct):								
Depreciation of rental properties	**6,360**	6,193	10,960	13,495	12,336	11,259	10,824	9,255
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,653**	7,286	10,825	12,988	9,843	9,384	9,007	6,527
Future income tax	**68**	(15,539)	(25,198)	40,031	(117)	(111)	(202)	2,453
Imputed amortization of leasing costs related to the rent supplement	**10**	6	61	88	79	81	68	289
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(56)**	(77)	(42)	(29)	(18)	(17)	(18)	(13)
(Gain) loss on disposal of rental properties and land held for sale	**—**	(4,968)	(727,374)	(1,474)	—	4	415	(3,453)
Provision for (reversal of) impairment in value of rental property	**—**	(6,298)	7,650	—	—	—	—	—
Internalization of property manager	**—**	—	—	—	1,230	615	(27)	13,090
Income tax expense incurred as a result of the Transaction	**—**	300	—	—	—	—	—	—
Non-controlling interest	**—**	—	—	—	—	—	—	527
Funds from operations	**$ 15,697**	$ 16,127	$ 29,332	$ 37,309	$ 31,771	$ 29,167	$ 26,890	$ 21,929
Funds from operations per unit								
Basic[1]	**$ 0.74**	$ 0.76	$ 0.77	$ 0.76	$ 0.71	$ 0.74	$ 0.74	$ 0.67
Diluted	**$ 0.72**	$ 0.76	$ 0.76	$ 0.75	$ 0.69	$ 0.71	$ 0.70	$ 0.64
Cash generated from operating activities	**$ 11,585**	$ 9,952	$ 6,794	$ 35,150	$ 32,071	$ 24,003	$ 22,058	$ 24,634
Add (deduct):								
Deferred leasing costs incurred	**760**	690	2,026	1,554	1,358	2,352	972	1,739
Amortization of deferred financing costs incurred prior to June 30, 2003	**11**	20	67	94	87	65	81	94
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**—**	(4)	5	13	16	16	17	19
Amortization of tenant inducements	**37**	25	31	33	26	20	—	—
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(56)**	(77)	(42)	(29)	(18)	(17)	(18)	(13)
Gain on disposal of rental property	**—**	—	—	—	—	—	—	(25)
Amortization of deferred financing costs	**(313)**	(57)	(259)	(316)	(306)	(445)	(619)	(425)
Income tax expense incurred as a result of the Transaction	**—**	300	—	—	—	—	—	—
Change in non-cash working capital	**325**	1,471	16,412	(3,517)	(4,265)	660	1,378	(5,524)
Distributable income	**$ 12,349**	$ 12,320	$ 25,034	$ 32,982	$ 28,969	$ 26,654	$ 23,869	$ 20,499
Distributable income per unit								
Basic[1]	**$ 0.58**	$ 0.58	$ 0.66	$ 0.67	$ 0.64	$ 0.67	$ 0.66	$ 0.63
Diluted	**$ 0.58**	$ 0.58	$ 0.65	$ 0.66	$ 0.63	$ 0.65	$ 0.63	$ 0.60
Weighted average units outstanding for FFO and DI								
Basic	**21,179,939**	21,107,542	37,961,439	49,115,213	44,954,392	39,588,295	36,350,417	32,727,091
Diluted	**24,609,778**	21,566,798	39,020,277	51,306,940	47,732,198	43,447,393	42,292,776	38,953,240

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

SECTION III — DISCLOSURE CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

During the current interim period, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

For an explanation of our disclosure controls and procedures, please refer to our 2007 Annual Report or our annual information form for the year ended December 31, 2007, filed on SEDAR (www.sedar.com).

SECTION IV — RISKS AND OUR STRATEGY TO MANAGE

For a full list and explanation of our risks and uncertainties, please refer to our 2007 Annual Report or our annual information form for the year ended December 31, 2007, filed on SEDAR (www.sedar.com).

SECTION V — 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 2007 Annual Report.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Trust adopted the Canadian Institute of Chartered Accountants ("CICA") accounting standards comprising CICA Handbook Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments — Disclosures", and Section 3863, "Financial Instruments — Presentation."

CICA Handbook Section 1535, "Capital Disclosures", requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard will impact the Trust's disclosures but will not affect its consolidated financial position, results of operations or cash flows.

CICA Handbook Section 3862, "Financial Instruments — Disclosures" and Section 3863, "Financial Instruments — Presentation" replace Section 3861, "Financial Instruments — Disclosure and Presentation", revises and enhances its disclosure requirements and carries forward its presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks. These standards will impact the Trust's disclosure but will not affect its consolidated financial position, results of operations or cash flows.

Amendments to CICA Handbook Section 1000, "Financial Statement Concepts" and new CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replace CICA Handbook Section 3062, "Goodwill and Other Intangible Assets", have been issued and apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

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, 2008**	December 31, 2007
Assets			
Rental properties	4	**$ 1,085,192**	$ 1,004,198
Deferred costs	5	**34,224**	31,433
Amounts receivable	6	**9,916**	9,761
Prepaid expenses and other assets	7	**8,085**	20,928
Cash and cash equivalents		**77,112**	37,727
Intangible assets	8	**57,200**	52,394
		$ 1,271,729	$ 1,156,441
Liabilities			
Debt	9	**$ 794,446**	$ 680,479
Amounts payable and accrued liabilities	10	**24,083**	24,389
Distributions payable	11	**3,886**	3,818
Future income tax liability	14	**2,867**	2,746
Intangible liabilities	8	**41,826**	36,869
		867,108	748,301
Unitholders' equity	12	**404,621**	408,140
		$ 1,271,729	$ 1,156,441

See accompanying notes to the consolidated financial statements

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of net income and comprehensive income

(unaudited)

(in thousands of dollars, except per unit amounts) For the three months ended March 31	Note	2008	2007
Revenues			
Rental properties revenue		$ 44,195	$ 33,442
Interest and fee income		1,170	664
		45,365	34,106
Expenses			
Rental properties operating expenses		16,675	12,050
Interest	13	11,581	8,706
Depreciation of rental properties		6,360	5,223
Amortization of deferred leasing costs, tenant improvements and intangibles		6,653	4,198
General and administrative		1,421	2,202
		42,690	32,379
Income before the undernoted items		2,675	1,727
Internalization of property manager	21	—	(1,230)
Income before income taxes		2,675	497
Provision for (recovery of) income taxes	14		
Current income taxes		(55)	5
Future income taxes		68	(117)
		13	(112)
Income before discontinued operations		2,662	609
Discontinued operations	18	—	7,809
Net income		$ 2,662	$ 8,418
Basic income per unit	15		
Continuing operations		$ 0.13	$ 0.02
Discontinued operations		—	0.17
Net income		$ 0.13	$ 0.19
Diluted income per unit	15		
Continuing operations		$ 0.13	$ 0.02
Discontinued operations		—	0.17
Net income		$ 0.13	$ 0.19
Net income		$ 2,662	$ 8,418
Other comprehensive income (loss)			
Change in foreign currency translation adjustment		149	(59)
Comprehensive income		$ 2,811	$ 8,359

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 loss	Total
Unitholders' equity, January 1, 2008		**20,863,819**	**$ 544,850**	**$ 796,138**	**$ (926,605)**	**$ (6,243)**	**$ 408,140**
Net income		**—**	**—**	**2,662**	**—**	**—**	**2,662**
Distributions paid	**11**	**—**	**—**	**—**	**(7,736)**	**—**	**(7,736)**
Distributions payable	**11**	**—**	**—**	**—**	**(3,886)**	**—**	**(3,886)**
Distribution Reinvestment Plan	**12**	**67,930**	**2,174**	**—**	**—**	**—**	**2,174**
Unit Purchase Plan	**12**	**18,257**	**594**	**—**	**—**	**—**	**594**
Deferred Unit Incentive Plan	**12**	**10,492**	**—**	**—**	**—**	**—**	**—**
Conversion of 6.5% Debentures	**12**	**10,560**	**264**	**—**	**—**	**—**	**264**
Conversion of 5.7% Debentures	**12**	**4,031**	**121**	**—**	**—**	**—**	**121**
Issue costs		**—**	**(21)**	**—**	**—**	**—**	**(21)**
Equity portion of 6.0% Debentures	**9**	**—**	**2,160**	**—**	**—**	**—**	**2,160**
Change in foreign currency translation adjustment		**—**	**—**	**—**	**—**	**149**	**149**
Unitholders' equity, March 31, 2008		**20,975,089**	**$ 550,142**	**$ 798,800**	**$ (938,227)**	**$ (6,094)**	**$ 404,621**

(unaudited) (in thousands of dollars, except number of units)	Note	Number of Units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive loss	Total
Unitholders' equity, January 1, 2007		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 A Units	12	4,195,000	170,946	—	—	—	170,946
Distribution Reinvestment Plan	12	159,540	6,412	—	—	—	6,412
Deferred Unit Incentive Plan	12	1,287	453	—	—	—	453
Conversion of 6.5% Debentures	12	249,200	6,230	—	—	—	6,230
Conversion of 5.7% Debentures	12	657,548	19,726	—	—	—	19,726
Units issued on internalization of property manager	21	44,674	1,230	—	—	—	1,230
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

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	2008	2007
Generated from (utilized in) operating activities			
Net income		**$ 2,662**	$ 8,418
Non-cash items:			
Depreciation of rental properties		**6,360**	12,336
Amortization of deferred leasing costs, tenant improvements and intangibles		**6,653**	9,843
Amortization of deferred financing costs		**313**	306
Amortization of fair value adjustment on acquired debt		**(225)**	(460)
Internalization of property manager		**—**	1,230
Deferred unit compensation expense		**—**	453
Future income taxes		**68**	(117)
Amortization of market rent adjustments on acquired leases		**(2,916)**	(1,912)
Straight-line rent adjustment		**(245)**	(933)
		12,670	29,164
Deferred leasing costs incurred		**(760)**	(1,358)
Change in non-cash working capital	20	**(325)**	4,265
		11,585	32,071
Generated from (utilized in) investing activities			
Investment in rental properties		**(363)**	(2,423)
Investment in tenant improvements		**(369)**	(1,485)
Investment in land development		**—**	(721)
Acquisition of rental properties and land	3	**(89,637)**	(263,833)
Acquisition deposit on rental properties		**(800)**	(1,100)
Investment in mezzanine loan		**—**	(222)
Repayment of promissory note		**12,116**	—
Change in restricted cash, net		**(104)**	112
		(79,157)	(269,672)
Generated from (utilized in) financing activities			
Mortgages placed, net of costs		**(128)**	100,090
Mortgage principal repayments		**(3,273)**	(7,052)
Mortgage lump sum repayments		**—**	(12,736)
Term debt principal repayments		**(34)**	(28)
Term debt placed, net of costs		**—**	37
Convertible debentures issued, net of costs		**119,200**	—
Distributions paid on Units	11	**(9,381)**	(17,903)
Units issued for cash, net of costs		**573**	163,756
		106,957	226,164
Increase (decrease) in cash and cash equivalents		**39,385**	(11,437)
Cash and cash equivalents, beginning of period		**37,727**	70,997
Cash and cash equivalents, end of period		**$ 77,112**	$ 59,560

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)

Note 1

ORGANIZATION

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

Our equity is fully described in Note 12; however, for simplicity, throughout the Notes we may make reference to the following:

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

On December 12, 2007, the Trust announced that its unitholders approved, at a special meeting of unitholders, a special resolution relating to the modification of the organizational structure of Dundee REIT (the "Reorganization"). The Reorganization was proposed in order to provide greater certainty that Dundee REIT would be able to qualify as a "real estate investment trust" by January 1, 2008, for the purposes of the amendments to the *Income Tax Act* that modify the tax treatment of publicly traded specified investment flow-through trusts or partnerships ("SIFTs") that were implemented by the Canadian federal government on June 22, 2007. A trust that satisfies the definition of "real estate investment trust" throughout its taxation year is exempt from the taxes and the restricted growth that would otherwise apply under the SIFT Rules.

The Reorganization was completed on December 31, 2007, the effect of which eliminated the trusts through which Dundee REIT holds its interest in Dundee Properties Limited Partnership ("DPLP"), the entity that holds the commercial revenue-producing properties, and replaced it with two limited partnerships. As a result of modifying the organizational structure and reorganizing various business activities, Dundee REIT qualifies as a real estate investment trust.

On August 24, 2007, the Trust completed the sale of its portfolio of real estate assets located principally in Ontario, Québec and Newfoundland (the "Eastern Portfolio") to GE Real Estate ("GE"), including the assumption of liabilities by GE relating to the Eastern Portfolio (the "Transaction"). Dundee REIT's portfolio now comprises office and industrial properties located primarily in Western Canada, and a subsidiary of Dundee REIT continues to perform the property management function. The cash proceeds received on closing were used to redeem approximately 29.9 million outstanding Units for $47.50 per unit (the "Redemption"). In addition, GE purchased approximately 3.5 million outstanding Units at a purchase price of $47.50 per unit (the "Transfer"), which gave GE an approximate 16% equity interest in the Trust.

Pursuant to the Transaction, the Trust made certain amendments to its Declaration of Trust and to other governing documents of the Trust and its subsidiaries. In general, the Trust and its subsidiaries cannot take any action that would prevent it from qualifying as a "real estate investment trust" and the Trust could not take any action that at any time prior to January 1, 2008, would cause it to exceed "normal growth" as determined by the normal growth guidelines pertaining to SIFTs, or to be subject to tax under paragraph 122(1) (b) of the *Income Tax Act*, which specifies taxes payable by a SIFT entity. Also, amendments were made to provide for the surrender, exchange for purchase or cancellation, or transfer of LP Class A Units, Series 1 and LP Class B Units, Series 2, in connection with the Redemption and Transfer.

Amendments made to the Declaration of Trust included:

- providing Dundee Corporation the right to appoint up to a majority of trustees less one, provided it owns at least two million REIT A Units, REIT B Units and/or LP B Units;
- granting pre-emptive rights on the issuance of REIT A Units or any securities convertible into or exchangeable for REIT A Units to both Dundee Corporation and GE Real Estate to maintain their same proportionate interest in the Trust; and
- permitting our investment committee to delegate investment decisions to our senior management (including those acting on our behalf pursuant to the asset management agreement).

Amendments made to the Partnership Agreement of DPLP included:

- the business of DPLP must be located exclusively in Canada;
- DPLP may only invest in equity interests in office and industrial revenue-producing properties;
- DPLP may invest in up to 25% of the equity of non-qualifying investments subject to meeting the general REIT qualifications discussed above;
- certain restrictions regarding acquisitions, investments in joint ventures, holding securities, investments in operating businesses, investments in partnerships and investments in mortgages or mortgage bonds were removed;
- DPLP is permitted to undertake construction and development activities for the maintenance of real property or enhancing the revenue stream from real property, provided it is not on a brownfield site;
- limitations on the maximum amount of total debt as a percentage of the Trust's gross book value, the maximum amount of floating rate debt as a percentage of total debt and the maximum amount of new debt as a percentage of the market value of a specific property have been removed; and
- DPLP will maintain an interest coverage ratio of no less than 1.4 times.

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, 2008, Dundee Corporation, the majority shareholder of DRC, directly and indirectly through its subsidiaries, held 329,455 REIT A Units and 3,354,851 LP B Units (December 31, 2007 — 333,520 and 3,315,349 Units, respectively).

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are in conformity with the requirements of Canadian generally accepted accounting principles ("GAAP") for interim financial statements as recommended by the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, "Interim Financial Statements". The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of GAAP for annual financial 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, 2007.

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 application as used in the December 31, 2007 financial statements. Newly adopted policies of the Trust, effective January 1, 2008, are as follows:

Capital Disclosures

CICA Handbook Section 1535, "Capital Disclosures", requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacts the Trust's disclosures but does not affect its consolidated financial position, results of operations or cash flows.

Financial Instruments — Disclosures and Presentation

CICA Handbook Section 3862, "Financial Instruments — Disclosures" and Section 3863, "Financial Instruments — Presentation" replace Section 3861, "Financial Instruments — Disclosure and Presentation", revises and enhances its disclosure requirements and carries forward its presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks. These standards impact the Trust's disclosure but do not affect its consolidated financial position, results of operations or cash flows.

Note 3

PROPERTY ACQUISITIONS

The Trust completed the following acquisitions during the three months ended March 31, 2008 and March 31, 2007, which have contributed to the operating results from the date of acquisition:

For the period ended March 31, 2008	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Air Miles Tower	office	100	322,557	92	$ 92,171	$ —	January 31, 2008
Total			322,557	92	$ 92,171	$ —	

For the period 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[1]	office	100	426,000	96	$ 110,798	$ —	January 9, 2007
625 Agnes Street, New Westminster	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	

[1] Disposed of as a part of the Eastern Portfolio.

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

For the three months ended March 31	**2008**	2007
Rental properties		
Land	**$ 12,359**	$ 62,710
Buildings	**73,991**	214,781
	86,350	277,491
Tenant improvements acquired	**4,532**	10,114
Intangible assets		
Value of in-place leases	**4,360**	16,645
Lease origination costs	**1,363**	2,950
Value of above-market rent leases	**35**	612
Value of tenant relationships	**3,512**	13,083
	100,152	320,895
Intangible liabilities		
Value of below-market rent leases	**(7,981)**	(23,380)
Total purchase price	**$ 92,171**	$ 297,515
The consideration paid consists of:		
Cash		
Paid during the period	**$ 89,637**	$ 263,833
Deposit	**2,350**	3,600
	91,987	267,433
Assumed mortgages at fair value	**—**	29,225
Assumed accounts payable and accrued liabilities	**184**	857
Total consideration	**$ 92,171**	$ 297,515

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

Note 4
RENTAL PROPERTIES

	March 31, 2008			December 31, 2007		
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Land	**$ 204,449**	**$ —**	**$ 204,449**	$ 191,935	$ —	$ 191,935
Buildings and improvements	**948,479**	**(70,084)**	**878,395**	875,619	(65,690)	809,929
Fixed assets and equipment	**2,050**	**(619)**	**1,431**	1,985	(502)	1,483
Rental properties under development	**917**	**—**	**917**	851	—	851
Total	**$ 1,155,895**	**$ (70,703)**	**$ 1,085,192**	$ 1,070,390	$ (66,192)	$ 1,004,198

Note 5
DEFERRED COSTS

	March 31, 2008			December 31, 2007		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Deferred leasing costs	**$ 8,294**	**$ (4,991)**	**$ 3,303**	$ 7,639	$ (4,710)	$ 2,929
Tenant improvements	**40,500**	**(12,194)**	**28,306**	36,115	(10,352)	25,763
Deferred recoverable costs	**4,933**	**(2,318)**	**2,615**	4,746	(2,007)	2,739
Other deferred costs	**—**	**—**	**—**	507	(505)	2
Total	**$ 53,727**	**$ (19,503)**	**$ 34,224**	$ 49,007	$ (17,574)	$ 31,433

Amortization of deferred recoverable costs included in operating expenses for the three months ended March 31, 2008, was $236 (March 31, 2007 — $389).

Note 6
AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments of $3,531 (December 31, 2007 — $2,871).

	March 31, 2008	December 31, 2007
Trade receivables	**$ 2,654**	$ 1,867
Straight-line rents receivables	**6,107**	5,857
Other accounts receivables	**1,155**	2,037
	$ 9,916	$ 9,761

	March 31, 2008	December 31, 2007
Trade receivables	**$ 3,140**	$ 2,280
Less: provision for impairment of trade receivables	**(486)**	(413)
Trade receivables, net	**$ 2,654**	$ 1,867

The movement in the provision for impairment of trade receivables during the period ended March 31, 2008, is as follows:

	March 31, 2008
As at January 1, 2008	**$ 413**
Provision for impairment of trade receivables	**93**
Receivables written off during the year as uncollectible	**(22)**
Reduction due to sale of discontinued operations	**—**
Translation adjustment	**2**
As at March 31, 2008	**$ 486**

Trade receivables are recognized initially at fair value. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the income statement within operating expenses. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. As at March 31, 2008, trade receivables of approximately $310 were past due but not considered impaired. These relate to tenants with which we have a strong, ongoing relationship and default is not expected.

Note 7

PREPAID EXPENSES AND OTHER ASSETS

	March 31, 2008	December 31, 2007
Prepaid expenses	$ 2,732	$ 2,170
Promissory notes	—	11,963
Deposits	1,063	2,609
Restricted cash	4,290	4,186
Total	$ 8,085	$ 20,928

Effective November 1, 2007, the Trust sold its 60% interest in two joint venture projects (see Note 18). As part of the transaction, all mezzanine loans were repaid and related agreements terminated. Consideration for the sale included second and third mortgages totalling $11,747 bearing interest at 11.0%, secured by the lands owned by the purchaser. On November 2, 2007, the Trust assigned the mortgages to DRC for a purchase price equal to the mortgage amounts. As consideration, the Trust received two promissory notes from DRC that bear interest at 10.9% compounded monthly. On February 20, 2008, these promissory notes were repaid.

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

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

Note 8

INTANGIBLE ASSETS AND LIABILITIES

	March 31, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	$ 2,458	$ (785)	$ 1,673	$ 2,481	$ (735)	$ 1,746
Value of in-place leases	40,645	(16,368)	24,277	36,469	(13,947)	22,522
Lease origination costs	8,017	(2,513)	5,504	6,680	(2,129)	4,551
Value of tenant relationships	33,120	(7,374)	25,746	29,818	(6,243)	23,575
Total	$ 84,240	$ (27,040)	$ 57,200	$ 75,448	$ (23,054)	$ 52,394
Intangible liabilities						
Value of below-market rent leases	$ 60,544	$ (18,718)	$ 41,826	$ 53,786	$ (16,917)	$ 36,869

Note 9
DEBT

	March 31, 2008	December 31, 2007
Mortgages	$ 665,328	$ 668,188
Convertible debentures	128,701	11,840
Term debt	417	451
Total	**$ 794,446**	$ 680,479

Mortgages are secured by charges on specific rental properties.

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

On April 1, 2005, the Trust issued $100,000 principal amount convertible unsecured subordinated debentures (the "5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, and mature on March 31, 2015.

On June 21, 2004, the Trust issued $75,000 principal amount convertible unsecured subordinated debentures (the "6.5% Debentures"). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually on June 30 and December 31 each year, and mature on June 30, 2014.

Convertible debentures comprise $117,213 of the 6.0% Debentures, $7,879 of the 5.7% Debentures, and $3,609 of the 6.5% Debentures.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $50,000, bearing interest generally at the bank prime rate (5.25% as at March 31, 2008) plus 0.375% or bankers' acceptance rates. The facility expires on May 31, 2008, and is secured by a first ranking collateral mortgage on four of the Trust's properties and a second ranking collateral mortgage on one property. As at March 31, 2008, the formula-based amount available under this facility was $50,000, of which $nil was drawn and $nil was utilized in the form of letters of guarantee (December 31, 2007 — $nil and $nil, respectively).

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

	Weighted average interest rates			Debt amount	
	March 31, 2008	December 31, 2007	Maturity dates	**March 31, 2008**	December 31, 2007
Fixed rate					
Mortgages	**5.71%**	5.70%	2008—2019	**$ 648,260**	$ 651,844
Convertible debentures	**7.03%**	6.59%	2014—2015	**128,701**	11,840
Term debt	**9.03%**	9.03%	2008—2011	**417**	451
Total fixed rate debt	**5.92%**	5.71%		**777,378**	664,135
Variable rate					
Mortgages	**6.17%**	7.70%	2008	**17,068**	16,344
Total variable rate debt	**6.17%**	7.70%		**17,068**	16,344
Total debt	**5.93%**	5.76%		**$ 794,446**	$ 680,479

The scheduled principal repayments and debt maturities are as follows:

For the year ending December 31	Mortgages	Term debt	Convertible debentures	Total
For the remainder of 2008	$ 30,033	$ 72	$ —	$ 30,105
2009	65,311	116	—	65,427
2010	20,099	127	—	20,226
2011	84,477	102	—	84,579
2012	112,079	—	—	112,079
2013 and thereafter	351,122	—	137,024	488,146
	663,121	417	137,024	800,562
Deferred financing cost and fair value adjustments	2,207	—	(8,323)	(6,116)
	$ 665,328	$ 417	$ 128,701	$ 794,446

Included in mortgages are $4,560 in fair value adjustments (December 31, 2007 — $4,827), which reflect the fair value adjustments for mortgages assumed as part of acquisitions. The convertible debentures are net of a $2,226 premium allocated to their conversion features and $6,097 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 using the effective interest rate method.

As of March 31, 2008, $8,450 of deferred financing costs are included in mortgages and convertible debentures.

The estimated fair value of debt is as follows:

	March 31, 2008	December 31, 2007
Mortgages	**$ 677,722**	$ 681,896
Convertible debentures	**162,715**	15,365
Term debt	**417**	443
Total	**$ 840,854**	$ 697,704

Note 10

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2008	December 31, 2007
Trade payables	**$ 704**	$ 270
Accrued liabilities and other payables	**13,009**	14,762
Accrued interest	**4,800**	3,068
Deposits	**4,531**	4,422
Rent received in advance	**1,039**	1,867
Total	**$ 24,083**	$ 24,389

Note 11

DISTRIBUTIONS

The following table sets out distribution payments for the period ended March 31, 2008:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 8,512	$ 262	$ 607	$ 9,381
Paid by way of reinvestment in REIT A Units	907	—	—	907
Paid by way of reinvestment in LP B Units	—	—	1,266	1,266
Less: payable at December 31, 2007	(3,124)	(87)	(607)	(3,818)
Plus: payable at March 31, 2008	3,161	87	638	3,886
Total	$ 9,456	$ 262	$ 1,904	$ 11,622

The amount payable at March 31, 2008, was satisfied on April 15, 2008, by way of $2,863 in cash, $385 by way of 11,164 REIT Units, and $638 by way of 18,902 LP B Units. Included in the total distributions is $131, representing the 4% bonus distribution that forms part of the Distribution Reinvestment Plan ("DRIP").

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.

Note 12

UNITHOLDERS' EQUITY

	March 31, 2008		December 31, 2007	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**17,143,922**	**$ 296,969**	17,072,154	$ 300,216
REIT Units, Series B	**476,316**	**14,179**	476,316	14,376
LP Class B Units, Series 1	**3,354,851**	**99,567**	3,315,349	99,791
Cumulative foreign currency translation adjustment	**—**	**(6,094)**	—	(6,243)
Total	**20,975,089**	**$ 404,621**	20,863,819	$ 408,140

Dundee REIT Units

Dundee REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The REIT Units are divided into and issuable in two series: REIT Units, Series A and REIT Units, Series B.

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

The terms of the LP B Units 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 B Units. The Trust classifies the outstanding LP B Units as unitholders' equity for financial statement purposes in accordance with GAAP.

During the three months ended March 31, 2008, there were no exchanges made by Dundee Corporation. During the three months ended March 31, 2007, 667,692 LP B Units were exchanged indirectly by Dundee Corporation for 667,692 REIT B Units, which were then exchanged for 667,692 REIT A Units. The exchanges were valued at a pro rata carrying amount of the LP B Units.

On August 24, 2007, the Trust completed the Redemption and cancellation of 29,915,284 units for $47.50 per unit. These included 25,813,262 REIT A Units and 4,102,022 REIT B Units. The REIT B Units were initially exchanged from LP B Units and were valued at a pro rata carrying amount of the LP B Units. In addition, GE purchased 3,473,687 outstanding units at a purchase price of $47.50 per unit. These include 2,997,371 REIT A Units and 476,316 REIT B Units. The REIT B Units were initially exchanged from LP B Units and were valued at a pro rata carrying amount of the LP B Units.

Special Trust Units are issued in connection with LP B Units. The Special Trust Units are not transferable separately from the LP B Units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP B Units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained upon the surrender or exchange of the LP B Units to which they relate. At March 31, 2008, 3,354,851 Special Trust Units were issued and outstanding (December 31, 2007 — 3,315,349 issued and outstanding).

	REIT Units, Series A		REIT Units, Series B		LP Class B Units, Series 1		Accumulated other comprehensive loss	Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount		Number of Units	Amount
Unitholders' equity, January 1, 2008	17,072,154	$ 300,216	476,316	$ 14,376	3,315,349	$ 99,791	$ (6,243)	20,863,819	$ 408,140
Net income	—	2,184	—	64	—	414	—	—	2,662
Distributions paid	—	(6,296)	—	(174)	—	(1,266)	—	—	(7,736)
Distributions payable	—	(3,161)	—	(87)	—	(638)	—	—	(3,886)
Distribution Reinvestment Plan	28,428	908	—	—	39,502	1,266	—	67,930	2,174
Unit Purchase Plan	18,257	594	—	—	—	—	—	18,257	594
Deferred Unit Incentive Plan	10,492	—	—	—	—	—	—	10,492	—
Conversion of 6.5% Debentures	10,560	264	—	—	—	—	—	10,560	264
Conversion of 5.7% Debentures	4,031	121	—	—	—	—	—	4,031	121
Issue costs	—	(21)	—	—	—	—	—	—	(21)
Equity portion of 6.0% Debentures	—	2,160	—	—	—	—	—	—	2,160
Change in foreign currency translation adjustment	—	—	—	—	—	—	149	—	149
Unitholders' equity, March 31, 2008	17,143,922	$ 296,969	476,316	$ 14,179	3,354,851	$ 99,567	$ (6,094)	20,975,089	$ 404,621

Public offering of REIT A Units

On March 12, 2007, the Trust completed a public offering of 3,700,000 REIT A 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 A 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 for holders of REIT A Units and LP B Units. On June 28, 2007, the DRIP was temporarily suspended in connection with the sale of the Eastern Portfolio to GE. The DRIP was reinstated for the January 2008 distribution payable on February 15, 2008.

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

For the period ended March 31, 2008, 28,428 REIT A Units and 39,502 LP B Units were issued under the DRIP for $2,174 (March 31, 2007 — 152,832 REIT A Units and 6,708 LP B Units for $6,412).

Unit Purchase Plan

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

For the period ended March 31, 2008, 18,257 REIT A Units were issued under the Unit Purchase Plan for $594 (March 31, 2007 — nil REIT A Units issued under the Unit Purchase Plan).

Conversion of debentures

During the period ended March 31, 2008, the Trust issued 10,560 REIT A Units upon conversion of $264 principal amount of the 6.5% Debentures (March 31, 2007 — issued 249,200 REIT A Units upon conversion of $6,230 principal amount) and 4,031 REIT A Units upon conversion of $121 principal amount of the 5.7% Debentures (March 31, 2007 — issued 657,548 REIT A Units upon conversion of $19,726 principal amount).

Deferred Unit Incentive Plan

During the period ended March 31, 2008, $nil of compensation expense was recorded (March 31, 2007 — $453) and is included in general and administrative expenses. Income deferred trust units are accounted for as a distribution and an issuance of REIT A Units when the related deferred trust units vest. No amount 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 December 31, 2007	$ 32.66	233,511	35,086	268,597
Granted during the period	32.05	—	4,374	4,374
REIT A Units issued	30.61	(8,681)	(1,811)	(10,492)
Fractional units paid in cash	—	—	(47)	(47)
Outstanding and payable at March 31, 2008	**$ 32.57**	**224,830**	**37,602**	**262,432**
Vested but not issued at March 31, 2008	**$ 32.57**	**224,830**	**37,602**	**262,432**

Normal course issuer bid

On August 30, 2007, the Trust filed with the TSX a Notice of Intention to make a normal course issuer bid. Under the bid, Dundee REIT will have the ability to purchase for cancellation up to a maximum of 1,359,844 REIT A Units (representing 10% of the REIT's public float of 13,598,446 REIT A Units on August 30, 2007) through the facilities of the TSX. The bid commenced on September 5, 2007, and will remain in effect until the earlier of September 4, 2008, or the date on which the Trust has purchased the maximum number of units permitted under the bid. As of March 31, 2008, the number of issued and outstanding REIT A Units is 17,143,922. Based on the closing price of the REIT A Units on March 31, 2008, the Trust may purchase up to $44,168 worth of REIT A Units. To date the Trust has not made any purchases pursuant to this bid.

Note 13

INTEREST

Interest incurred and charged to earnings is recorded as follows:

For the three months ended March 31	2008	2007
Interest expense incurred, at stated rate of debt	**$ 11,513**	$ 8,763
Amortization of deferred financing costs	**313**	189
Amortization of fair value adjustments on acquired debt	**(225)**	(235)
Interest capitalized	**(20)**	(11)
Interest expense	**$ 11,581**	$ 8,706

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

Note 14

INCOME TAXES

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

Canadian and U.S.-based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. A future income tax liability as at March 31, 2008, of $2,867 (December 31, 2007 — $2,746) has been recorded to reflect the future tax obligations of these subsidiaries and comprises amounts resulting from the differences in tax and book values relating to the underlying rental properties.

Note 15

INCOME PER UNIT

The weighted average number of units outstanding was as follows:

For the three months ended March 31	2008	2007
REIT A Units and REIT B Units	**17,591,230**	36,709,176
LP B Units	**3,328,906**	8,161,679
Vested deferred trust units	**259,803**	83,537
Total weighted average number of units outstanding for basic income per unit amounts	**21,179,939**	44,954,392
Add incremental units:		
Unvested deferred trust units	**—**	70,372
Income deferred trust units	**—**	29,956
Total weighted average number of units outstanding for diluted income per unit amounts	**21,179,939**	45,054,720

The 3,445,770 incremental REIT A Units to be issued upon an assumed conversion of all debenture issues at March 31, 2008 (March 31, 2007 — 2,677,477 incremental REIT A Units) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

Note 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.

For the three months ended March 31, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 38,810	$ 4,382	$ 43,192	$ 1,003	$ 44,195
Operating expenses	14,812	1,375	16,187	488	16,675
Net operating income	23,998	3,007	27,005	515	27,520
Depreciation of rental properties	5,460	737	6,197	163	6,360
Amortization of deferred leasing costs, tenant improvements and intangibles	6,132	476	6,608	45	6,653
Segment income	$ 12,406	$ 1,794	$ 14,200	$ 307	14,507
Interest expense					(11,581)
General and administrative expenses					(1,421)
Interest and fee income					1,170
Income taxes					(13)
Net income					$ 2,662
Segment rental properties	$ 960,285	$ 104,387	$ 1,064,672	$ 20,520	$ 1,085,192
Capital expenditures					
Investment in rental properties	$ (289)	$ (9)	$ (298)	$ (65)	$ (363)
Investment in tenant improvements	(235)	(120)	(355)	(14)	(369)
Acquisition of rental properties and land	(89,637)	—	(89,637)	—	(89,637)
Deferred leasing costs	(568)	(189)	(757)	(3)	(760)
Total capital expenditures	$ (90,729)	$ (318)	$ (91,047)	$ (82)	$ (91,129)

For the three months ended March 31, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 28,047	$ 4,290	$ 32,337	$ 1,105	$ 33,442
Operating expenses	10,114	1,374	11,488	562	12,050
Net operating income	17,933	2,916	20,849	543	21,392
Depreciation of rental properties	4,281	757	5,038	185	5,223
Amortization of deferred leasing costs, tenant improvements and intangibles	3,697	440	4,137	61	4,198
Segment income	$ 9,955	$ 1,719	$ 11,674	$ 297	11,971
Interest expense					(8,706)
General and administrative expenses					(2,202)
Internalization of property manager					(1,230)
Interest and fee income					664
Income taxes					112
Discontinued operations					7,809
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)

Note 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, DPLP, DMLP 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.

Asset Management Agreement

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

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

The Trust received total fees from DRC of $369 for the three months ended March 31, 2008. These fees relate to the rent supplement received under the Management Agreement and cost recoveries under the Services Agreement. In the prior year, the Trust received total fees from DRC of $647 for the quarter. These fees relate to the rent supplement received under the Management Agreement and fees under the Services Agreement. Other costs recovered from DRC include $605, for three months ended March 31, 2008, for operating and administration costs of regional offices.

The Trust paid total fees to DRC of $2,178 for the three months ended March 31, 2008, under the Asset Management Agreement.

Included in amounts receivable at March 31, 2008, is $52 related to the DRC Services Agreement (December 31, 2007 — $15). Accrued liabilities and other payables at March 31, 2008, include $414 for amounts related to the Asset Management Agreement (December 31, 2007 — $363) and $(126) for other amounts collected on behalf of DRC (December 31, 2007 — $751).

Note 18

DISCONTINUED OPERATIONS

The fulfillment of obligations and realization of assets related to the properties noted below have been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475. The results of operations of any property that has been sold and identified as discontinued operations are reported separately and comparative amounts are also reclassified as discontinued operations.

On August 24, 2007, the Trust completed the sale of the Eastern Portfolio to GE for gross proceeds of $2,256,700 less estimated working capital adjustments net of capital expenditure adjustments of $3,288. Net proceeds include cash consideration of $1,483,622, which includes $9,468 of adjustments relating to the sale, and the assumption of liabilities of $771,116 by GE relating to this portfolio. The total disposition includes $1,550,017 of assets and $808,070 of liabilities. The Trust recognized a gain on sale of $721,867 that includes transaction costs of $18,481. Included in transaction costs is $4,280 relating to the accelerated vesting of 194,933 deferred trust units and 28,047 income deferred trust units; $2,135 relating to the purchase and cancellation by the Trust of 99,156 deferred trust units and 16,468 income deferred trust units from trustees, senior officers and employees transferred to DRC who had elected such purchases, the value of which represents the difference between $47.50 per unit and the grant date unit values; and $3,931 related to the special award of 92,000 deferred trust units in connection with the Transaction.

Related to the Transaction, on August 31, 2007, the Trust completed the sale of 3901 rue Jarry, Montréal, to its tenant, which exercised its first right to purchase the property. The Trust completed the sale for proceeds of $8,000 and recognized a gain of $4,653.

Effective November 1, 2007, the Trust sold its 60% interest in two joint venture projects to its former joint venture partner for total consideration of $16,770, in which all outstanding mezzanine loans were repaid and related agreements terminated. The Trust recognized a gain on sale of $2,553. Consideration for the sale included second and third mortgages totalling $11,747 secured by the lands owned by the purchaser.

On October 31, 2007, the Trust completed the sale of 2705—2737 57th Ave SE, a 20,711 square foot industrial property in Calgary, Alberta. The Trust received proceeds of $8,200 and recognized a gain on sale of $2,423.

The following table summarizes the income from discontinued operations:

For the three months ended March 31		**2008**		2007
Revenues				
Rental properties revenue	**$**	**—**	$	53,734
		—		53,734
Expenses				
Rental properties operating expenses		**—**		24,623
Interest		**—**		8,544
Depreciation of rental properties		**—**		7,113
Amortization of deferred leasing costs, tenant improvements and intangibles		**—**		5,645
		—		45,925
Income from discontinued operations	**$**	**—**	$	7,809

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

Year ending December 31		Operating lease payments		Capital lease payments
For the remainder of 2008	$	800	$	106
2009		851		142
2010		738		142
2011		723		106
2012		682		—
2013 and thereafter		615		—
Total	$	4,409	$	496

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of $897.

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 a fixed price utility contract with respect to four office properties in Calgary. The contract is for a period of two years and locks the Trust in for total minimum payments of $1,430.

The Trust has entered into an agreement to purchase from a former joint venture partner an office building, currently under construction, at a future date for $20,788, with maximum adjustments to the closing price of $500. The closing date will be determined when the vendor notifies the Trust that the building is substantially complete, at which time, the Trust is permitted 20 days for due diligence.

The Trust has entered into conditional contracts to acquire an additional $59,000 of rental properties.

Note 20
SUPPLEMENTARY CASH FLOW INFORMATION

For the three months ended March 31		2008		2007
Decrease (increase) in accounts receivable	$	**565**	$	(10)
Decrease in deferred costs (other than leasing costs)		**134**		298
Increase in prepaid expenses and other assets (excluding restricted cash and mezzanine loans)		**(719)**		(1,323)
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)		**(416)**		4,850
Increase in accounts payable relating to leasing costs		**111**		450
Change in non-cash working capital	$	**(325)**	$	4,265

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

For the three months ended March 31		2008		2007
Interest	$	**9,780**	$	9,069
Income taxes		**(32)**		3

Note 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 A Units on the TSX 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 would be entitled to receive on June 30, 2007. The cost of these units was expensed and added to cumulative capital as qualifying properties were acquired. In the first quarter of 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 was entitled to receive on June 30, 2007. As of March 31, 2007, DRC had earned the maximum cumulative additional 100,000 LP B Units that it was entitled to receive, and subsequently these units were released from trust on June 30, 2007, to DRC.

Note 22
CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

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

Various debt, equity and earnings distributions ratios are used to monitor capital adequacy and requirements. For debt management, interest coverage ratio and net debt to enterprise value are the primary ratios used in capital management. Other ratios include weighted average interest rate, debt average term to maturity and variable debt as a portion to total debt. These ratios assist the Trust in assessing that the debt level maintained by the Trust is sufficient to provide adequate cash flows for unitholder distributions, capital expenditures and for evaluating the need to raise funds for further expansion. The Trust's Declaration of Trust requires that it maintains an interest coverage ratio of no less than 1.4 times.

The Trust's equity consists of Units, in which the carrying value is impacted by earnings and unitholder distributions. The Trust makes annual distributions of $2.20 per unit, and is required to distribute at least 80% of distributable income, as defined by the Declaration of Trust. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditure and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, total distributions as a percent of distributable income and distributable income per unit.

The Trust's Declaration of Trust limits its interest coverage ratio to no less than 1.4 times. The interest coverage ratio is calculated as net operating income from continuing operations plus interest and fee income less general and administrative expenses, divided by interest expense from continuing operations. At March 31, 2008, the Trust's interest coverage ratio was 2.4 times, reflecting its ability to cover interest expense requirements.

For the three months ended March 31	2008	2007
Rental properties revenue	$ 44,195	$ 33,442
Rental properties operating expense	16,675	12,050
Net operating income	27,520	21,392
Interest and fee income	1,170	664
General and administrative expenses	(1,421)	(2,202)
	$ 27,269	$ 19,854
Interest expense	$ 11,581	$ 8,706
Interest coverage ratio	**2.4**	2.3

Net debt to enterprise value is a measure of the Trust's debt level to its market capitalization plus debt and is used by management to monitor the Trust's overall debt level. This ratio is calculated as total debt less cash and cash equivalents as a percentage of enterprise value, where enterprise value is based on the total number of outstanding units multiplied by the period end market price per unit, plus debt less cash and cash equivalents.

For the period ended	March 31, 2008	December 31, 2007
Outstanding Units	20,975,089	20,863,819
Period-end Unit price	$ 32.48	$ 33.72
Market capitalization	$ 681,271	$ 703,528
Total debt	794,446	680,479
Cash and cash equivalents	(77,112)	(37,727)
Enterprise value	**$ 1,398,605**	$ 1,346,280
Debt to enterprise value	**51.3%**	47.7%

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk.

The Trust has some exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt at March 31, 2008, was 2.1% of the Trust's total debt (December 31, 2007 — 2.4%). In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The following interest sensitivity table outlines the impact of a 1% change in the interest rate on variable rate assets and liabilities for a quarter. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

	Carrying amount			Interest rate risk	
		–1%		+1%	
		Income	Equity	Income	Equity
Financial asset					
Cash and cash equivalents[1]	$ 77,112	$ (193)	$ (193)	$ 193	$ 193
Financial liabilities					
Variable rate mortgages[2]	$ 17,068	$ 43	$ 43	$ (43)	$ (43)

[1] Cash and cash equivalents are short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. These balances generally receive bank prime less 1.5%. Sensitivity to a –1% change in rates: ([$77,112 x 2.75%] — [$77,112 x 3.75%])/4 = $(193). Similarly, for a +1% movement in interest rates, impact = $193. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

[2] Variable rate mortgages include a floating rate mortgage at a rate of LIBOR plus 0.375%, to a maximum of 8.75%. Sensitivity to a –1% change in rates: ([$17,068 x 6.17%] — [$17,068 x 5.17%])/4 = $43. Similarly, for a +1% movement in interest rates, impact = $(43).

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

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

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

Corporate information

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Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols

REIT Units, Series A: D.UN
6.5% Convertible Debentures: D.DB
5.7% Convertible Debentures: D.DB.A
6.0% Convertible Debentures: D.DB.B

Distribution Reinvestment and Unit Purchase Plan

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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