DUNDEE REIT

Q1

FIRST QUARTER 2011

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Letter to unitholders

In the first quarter of 2011, Dundee REIT reached yet another milestone. With the completion of approximately $475 million of acquisitions in the quarter, the book value of our portfolio is on par with that of our peak in 2007. Dundee REIT is once again the largest office real estate investment trust in the industry, with an approximate $3.3 billion enterprise value, a $1.8 billion market cap and a strong national presence across Canada.

Our key financial and operating measures are all indicative of a sound underlying business. Overall in-place and committed occupancy remains steady at 96%. Year-over-year, rental property revenue and net operating income grew 57% and 58%, respectively. And, on a per unit basis, adjusted funds from operations also increased to $0.55 from $0.54, reflecting accretive acquisitions that offset a short-term drag related to the timing of deploying capital raised in 2010 and 2011. This quarter also marks the first financial reporting period under International Financial Reporting Standards ("IFRS"). At March 31, 2011, the fair value of our investment property portfolio was $3.0 billion, representing a 7.31% capitalization rate.

The closing of the Realex transaction was the big story of the quarter. This $373 million acquisition added 1.8 million square feet of primarily office properties to our portfolio. A little more than half of the properties are located in Kitchener-Waterloo, Ontario, giving us a significant presence in heart of Canada's Technology Triangle. We have since added another high quality downtown asset to our portfolio in Kitchener and have become the dominant landlord in this market. Most of the other properties are located in Calgary and Edmonton, with a few industrial assets located in smaller Alberta and BC centres. The Calgary market continues to gain strength, which means that the value of these properties is already appreciating. In addition to Realex, we have acquired $118 million of properties this year, and our acquisition pipeline remains robust.

Over the last two years, we have acquired an impressive volume of high quality buildings in downtown locations that offer high occupancy rates, below-market rents and high quality tenants. We have met our stated objective of geographically diversifying our portfolio, in particular with respect to balancing our position between eastern and western Canada. The Calgary office portfolio now accounts for about 30% of our net operating income, down from a high of approximately 60% in Q4 2007. We are pleased with our geographic mix of assets and, going forward, will consider compelling acquisition opportunities in whichever market they may appear. At quarter end, the key benchmarks of our portfolio — occupancy, in-place rents, tenant composition and tenant retention — were all strong and position us well for the future.

Today, Dundee REIT is the sixth-largest commercial real estate investment trust in Canada based on market capitalization and the third most liquid. This improved liquidity enables a broader range of investors to buy into our stock. Our business is producing strong cash flow and, as the economic recovery continues, we expect it strengthen even further. For the first time in years, market rents in Calgary are increasing and most other markets are either stable or improving. This is a very exciting time to be doing what we are doing. Our business is getting bigger, safer and more profitable. And, as long as we can continue to grow our platform in such a way that it becomes even more competitive, we will continue to do so.

I would like to acknowledge the retirement of Michael Knowlton, President and Chief Operating Officer of Dundee REIT. Mike and I have worked together for 13 years. Over this time, my respect and appreciation for him has only grown. Together, we have accomplished more than I ever imagined possible. I thank him for his enormous contribution to our successes and wish him all the best.

MICHAEL J. COOPER
Vice Chairman and Chief Executive Officer
May 12, 2011

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, 2010, and the interim consolidated financial statements of Dundee REIT for the period ended March 31, 2011.

Effective January 1, 2011, the Trust has adopted International Financial Reporting Standards ("IFRS", "GAAP") as our basis of financial reporting commencing with our interim financial statements for the three months ended March 31, 2011, and using January 1, 2010, as our transition date. Refer to the March 31, 2011 Interim Consolidated Financial Statements for details on transition to IFRS and the impact on our reported results as at January 1, 2010, December 31, 2010, and the three-month period ending March 31, 2010. Refer to page 33 of this Management's Discussion and Analysis for details of the impact of the transition to IFRS on our reported funds from operations ("FFO") for the three-month period ended March 31, 2010. There was no impact on adjusted funds from operations ("AFFO") from the transition to IFRS. Where indicated, our discussion of results is based on grossed-up amounts for the Trust's equity accounted investments at the Trust's proportionate share.

This management's discussion and analysis has been dated as at April 30, 2011, 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", and "Subsidiary redeemable units" meaning the LP Class B Units, Series 1

Certain market information has been obtained from the CB Richard Ellis MarketView, First Quarter 2011, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dundee REIT's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, 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. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust's properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; that the specified investment flow-through trust ("SIFT") Rules and the normal growth guidelines are not applicable to us; and other risks and factors described from time to time in the documents filed by the Trust with the securities regulators.

All forward-looking information is as of April 30, 2011, 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;
- providing predictable and sustainable cash distributions to unitholders and prudently managing distributions over time; and
- maintaining a REIT that satisfies the REIT exception under the SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions.

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit, or $2.20, on an annual basis. At March 31, 2011, approximately 16% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan (“DRIP”), including 17% of the REIT A Units and 10% of the LP B Units. There is no equivalent program for the REIT B Units (see a description of Our Equity on page 23).

	Apr/10	May/10	June/10	July/10	Aug/10	Sept/10	Oct/10	Nov/10	Dec/10	**Jan/11**	**Feb/11**	**Mar/11**
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	$25.70	$24.14	$24.45	$25.55	$25.43	$28.09	$29.21	$29.76	$30.20	**$30.28**	**$31.49**	**$33.10**

OUR STRATEGY

Dundee REIT’s core strategy remains unchanged — investing in the office and industrial sectors in key markets across Canada and providing a solid platform for stable and growing cash flows. The execution of that strategy, however, is continuously reviewed and includes acquisitions and dispositions, our capital structure and our analysis of current economic conditions. Our executive team has worked together for many years and has experience operating through a number of real estate cycles. We are highly motivated to continue to increase the value of our portfolio and maintain a sharp focus on providing stable and reliable returns for our unitholders. In addition, Dundee REIT was among the first to qualify as a real estate investment trust under the SIFT legislation, and we are steadfast in maintaining this status.

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

Investing in high-quality office and industrial properties

Our portfolio is concentrated in Canada’s key urban markets and comprises high-quality properties that are well-located, attractively priced and produce consistent cash flow. When considering acquisition opportunities, we look for quality tenancies, strong occupancy, the appeal of the property to future tenants, how it complements our existing portfolio and how we can create additional value.

Optimizing the performance, value and cash flow of our portfolio

We manage our properties to optimize long-term cash flow and value. With fully internalized property management, we offer a strong team of highly experienced real estate professionals who are focused on achieving more from our assets. Occupancy rates across our portfolio have remained steady and strong for a number of years. We view this as strong evidence of the appeal of our properties and our ability to meet and exceed tenant expectations. Dundee REIT has a proven ability to identify and execute value-add opportunities and a track record for outperforming the real estate index.

Diversifying our portfolio to mitigate risk

With the acquisitions completed in 2009, 2010 and the first quarter of 2011, we have demonstrated our commitment once again to achieving greater geographic diversification across our portfolio. We will continue to pursue growth but only when it enhances our overall portfolio, further improves the sustainability of distributions, strengthens our tenant profile and mitigates risk. We have experience in each of Canada's key markets and have the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

Maintaining and strengthening our conservative financial profile

We have always operated our business in a disciplined manner, with a keen eye on financial analysis and balance sheet management to ensure that we maintain a prudent capital structure. We continue to generate cash flows sufficient to fund our distributions while maintaining a conservative debt ratio and balanced debt maturities.

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. Our assets are predominantly located in major urban centres across Canada including Vancouver, Calgary, Edmonton, Yellowknife, Saskatoon, Regina, Toronto, Kitchener-Waterloo, London, Ottawa, Montréal and Halifax.

Owned gross leasable area (sq. ft.)

			March 31, 2011		December 31, 2010	
	Office	**Industrial**	**Total**	**%**	Total	%
Western Canada	**2,697,225**	**554,753**	**3,251,978**	**22**	2,584,078	21
Calgary	**3,351,585**	**1,287,423**	**4,639,008**	**32**	4,180,974	34
Toronto	**4,370,598**	**499,605**	**4,870,203**	**33**	3,710,839	30
Eastern Canada	**786,280**	**1,171,796**	**1,958,076**	**13**	1,783,755	15
Total[1]	**11,205,688**	**3,513,577**	**14,719,265**	**100**	12,259,646	100
Percentage	**76%**	**24%**	**100%**			
Total as at December 31, 2010	9,015,265	3,244,381	12,259,646			
Percentage	74%	26%	100%			

(1) Excludes redevelopment properties.

During the quarter we acquired close to 2.4 million square feet of space, including approximately 509,000 square feet of office space in Ottawa, Kitchener-Waterloo and Saskatoon. In addition, we acquired Realex Properties Corp. (“Realex”), adding interests in 24 office and industrial assets in Ontario, Alberta and British Columbia, totalling 1.8 million square feet bringing our total gross leasable area to 14.6 million square feet to our portfolio. Seven of the properties, comprising 945,000 square feet of predominantly office space, are located in the downtown core of Kitchener and the University of Waterloo Technology Park in Waterloo, Ontario. Realex also owned five office properties in Calgary and six office properties in Edmonton, Alberta, comprising 444,000 and 275,000 square feet, respectively. In addition, the portfolio included four industrial assets located in smaller Alberta and British Columbia centres and two industrial buildings in Edmonton, Alberta. Refer to our Investing activities section on page 17 for further discussion on the acquisition of Realex.

Office rental properties

At March 31, 2011, our ownership interests included 88 office properties (107 buildings) comprising approximately 11.2 million square feet located in Vancouver, Calgary, Edmonton, Yellowknife, Saskatoon, Regina, Toronto, Kitchener-Waterloo, Ottawa and Halifax. These office properties can generally be categorized as high-quality, affordable, suburban and downtown buildings. The occupancy rate across our office portfolio remains high at 95.8%, well ahead of the national industry average occupancy rate of 90.7% (CB Richard Ellis, Canadian Office MarketView, First Quarter 2011). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial rental properties

At March 31, 2011, our industrial portfolio consisted of 49 prime suburban industrial properties (52 buildings) comprising approximately 3.5 million square feet in Calgary, Edmonton, Toronto, London, Ottawa, Montréal and Halifax. The occupancy rate across our industrial portfolio is 97.0%, significantly ahead of the national industry average of 92.7% (CB Richard Ellis, Canadian Industrial MarketView, First Quarter 2011).

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

For the three months ended March 31	**2011**	2010
Operations		
Occupancy rate (period-end)[1]	**96.1%**	97.0%
In-place rent per square foot (office and industrial)[1]	**$ 14.50**	$ 15.22
Operating results		
Investment properties revenue including equity accounted investments[2]	**$ 91,005**	$ 57,829
Fair value increase to investment properties including equity accounted investments	**20,983**	7,297
Net operating income ("NOI")[2][3]	**53,992**	34,182
Funds from operations ("FFO")[2][4]	**32,864**	18,653
Adjusted funds from operations ("AFFO")[6]	**28,762**	16,636
Distributions		
Declared distributions	**$ 28,910**	$ 17,468
Distributions paid in cash	**24,996**	15,792
DRIP participation ratio	**14%**	10%
Financing		
Weighted average interest rate (period-end)	**5.39%**	5.65%
Interest coverage ratio[2]	**2.7 times**	2.3 times
Per unit amounts[5]		
Basic:		
FFO	**$ 0.63**	$ 0.61
Distribution rate	**0.55**	0.55
AFFO	**0.55**	0.54
Diluted:		
FFO	**$ 0.63**	$ 0.61

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

(1) Excludes redevelopment properties and disposed properties.

(2) Prior year comparatives have been restated for IFRS.

(3) NOI — Investment property revenues less operating expenses, excluding redevelopment and income from disposed properties. The reconciliation of NOI to net income can be found on page 27.

(4) FFO — the reconciliation of FFO to net income can be found on page 32.

(5) A description of the determination of basic and diluted amounts per unit can be found of page 36.

(6) AFFO — the reconciliation of AFFO to FFO can be found on page 32.

FINANCIAL OVERVIEW

Dundee REIT continues to pursue its strategic objectives of growing its business to diversify the portfolio, maintaining occupancy and increasing cash flow. During the first quarter, we acquired close to 2.4 million square feet of office and industrial properties, and completed another 0.1 million square feet of acquisitions subsequent to quarter end. We also completed an equity offering on February 4, 2011, for gross proceeds of $144 million.

AFFO increased by $12.1 million, or 73%, over the same quarter in 2010. On a per unit basis, AFFO increased to $0.55 from $0.54 during the same period in 2010, reflecting accretive acquisitions made in 2010 and 2011 partially offsetting declines related to timing of deploying capital raised in 2010 and 2011. Details of our FFO and AFFO begin on page 32.

NOI from comparable properties decreased by 1% over the prior quarter mainly reflecting approximately 65,000 square feet of space at an office building in Calgary that was vacated in the fourth quarter of 2010. All of the space except for 9,000 square feet has been committed for occupancy, the majority of which will commence in the second quarter of 2011. Additionally, 13,000 square feet of space at a building in Toronto was terminated at the end of 2010 and was vacant during the current quarter but has been committed for occupancy in the second and fourth quarters of 2011. Our operations remain strong, with continued year-over-year growth in rental property revenue and NOI. In the first quarter, rental property revenue including equity accounted properties increased by 57% to $91.0 million, and NOI increased by 58% to $54.0 million, mainly reflecting the impact of acquisitions completed in 2010 and 2011. Details of our NOI begin on page 27.

At March 31, 2011, the fair value of our investment property portfolio increased to $3,029 million representing a capitalization rate of 7.31%. During the quarter we acquired 27 buildings with a fair value of $467.7 million and realized fair value gains of $21.0 million, inclusive of equity accounted investments.

Overall occupancy remained at 96.1%, unchanged from December 31, 2010. Occupancy across our office portfolio remained unchanged at 95.8%, our industrial portfolio improved marginally with occupancy at 97.0%. Our comparative property occupancy increased to 96.2%, up slightly from 96.1% at December 31, 2010.

The average remaining lease term is 5.58 years, down slightly mainly due to acquisitions completed with an average remaining lease term of 4.7 years. Our average in-place rents remain below market rents, a positive indicator of future growth. Details of our leasing profile begin on page 12.

In the first quarter of 2011, we acquired $467.7 million of properties comprising 2.2 million square feet of high-quality office space, together with 0.2 million square feet of industrial space. The acquisitions provide our portfolio with continued geographic diversification and set the stage for continued AFFO growth in the remainder of 2011. Details of our acquisitions begin on page 17.

During the quarter, we completed one equity offering for gross proceeds of $143.9 million. We issued 4.7 million REIT A Units at a price of $30.30 per unit. Costs related to the offering were approximately $6.3 million. All of the proceeds have been deployed. With respect to our mortgage debt, we placed $36.1 million of new debt at a weighted average effective interest rate of 5.04% and assumed an additional $201.3 million of mortgage debt at a weighted average effective interest rate of 5.29% upon acquiring the Realex portfolio. This activity has reduced our weighted average effective interest rate to 5.39%, down from 5.43% in the end of 2010. Details of financing activity and debt begin on page 19.

OUTLOOK

Dundee REIT continued with the same pace of growth in the first quarter of 2011 that it experienced in 2010. In the first quarter of 2011, we further improved the stability of our cash flows with the acquisition of the Realex Portfolio, Saskatoon Square in Saskatoon, 400 Cumberland Road in Ottawa and 55 King Street West in Kitchener. We have also maintained strong occupancy, have increased our in-place rents and have the ability to take advantage of higher market rates.

This is our first quarter reporting under IFRS accounting rules, which has had a dramatic change on both our balance sheet and statement of comprehensive income. In particular, we are now applying fair values to account for our investment property portfolio. At January 1, 2011, inclusive of equity accounted investments we recognized fair value gains of $412.2 million and during the first quarter realized an additional net gain of $21.0 million mainly related to properties acquired in the quarter.

For the balance of 2011 we will continue to improve our business by maintaining strong occupancy and by capturing rental rate increases as leases expire. We will continue to evaluate acquisition opportunities that are immediately accretive or provide future growth through leasing.

SECTION II — EXECUTING THE STRATEGY

OUR OPERATIONS

The following key performance indicators related to our operations influence the cash generated from operating activities.

Performance indicators (office and industrial average)[1]		March 31, 2011		December 31, 2010
Occupancy rate		**96.1%**		96.1%
In-place rental rates	**$**	**14.50**	$	14.29
Tenant maturity profile — average term to maturity (years)		**5.58**		5.87

(1) Excludes redevelopment properties and disposed properties.

Occupancy

Our occupied and committed occupancy includes occupancy at our ownership interest of properties that are disclosed as equity accounted investments. The overall percentage of occupied and committed space across our investment properties portfolio was 96.1% at March 31, 2011, consistent with Q4 of 2010, due to leasing activity. Occupancy levels in our existing portfolio continue to be strong. In addition, occupancy levels of the acquired properties averaged about 97% at the time of acquisition. The average occupancy rate across our office portfolio is 95.8% and remains well above the national industry average of 90.7%. The average occupancy rate across our industrial portfolio is 97.0%, a slight increase of 0.1% over the fourth quarter of 2010, mainly reflecting increased occupancy in the comparative properties for our Western industrial portfolio. Our occupancy rates discussed in this report include occupied and committed space at March 31, 2011.

	Total portfolio		Comparative properties	
(percentage)	**March 31, 2011**	December 31, 2010	**March 31, 2011**	December 31, 2010
Office				
Western Canada	**95.7**	94.2	**95.2**	94.2
Calgary	**94.8**	94.5	**94.2**	94.5
Toronto	**96.3**	98.0	**97.9**	98.0
Eastern Canada	**97.4**	96.6	**96.7**	96.6
Total office	**95.8**	95.8	**96.0**	95.8
Industrial				
Western Canada	**90.5**	86.4	**86.4**	86.4
Calgary	**96.5**	97.3	**96.4**	97.3
Toronto	**100.0**	100.0	**100.0**	100.0
Eastern Canada	**99.3**	98.9	**99.3**	98.9
Total industrial	**97.0**	96.9	**96.7**	96.9
Overall[1]	**96.1**	96.1	**96.2**	96.1

(1) Excludes redevelopment properties and discontinued properties.

On a comparative basis, our office portfolio continues to reflect the impact of strong leasing activity, evidenced by continued strong occupancy quarter over quarter. Our comparative industrial portfolio occupancy decreased slightly in the quarter from 96.9% to 96.7%.

The percentage of occupied and committed space for the previous eight quarters, demonstrating the strength of our leasing profile, is as follows:

(percentage)	**Q1 2011**	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Office	**95.8**	95.8	96.6	96.6	97.0	96.7	95.9	96.0
Industrial	**97.0**	96.9	98.5	96.8	97.0	90.6	92.0	89.3
Overall	**96.1**	96.1	97.1	96.6	97.0	95.4	94.9	94.2

(1) Excludes redevelopment properties and disposed properties.

Vacancy schedule

During the quarter, approximately 405,000 square feet of leases expired or terminated early. We renewed 63% of the space and entered into new leases on 31% of the space. We also entered into new leases on approximately 91,000 square feet of previously vacant space. Of the vacant space at quarter-end, approximately 20% or 146,000 square feet is committed for future occupancy.

	For the three months ended March 31, 2011		
(in square feet)	Office	Industrial	Total
Available for lease	377,510	99,980	477,490
Vacancy committed for future leases	100,530	13,924	114,454
Vacant space — January 1, 2011	478,040	113,904	591,944
Acquired vacancy	108,947	—	108,947
Vacancy on property reclassified from redevelopment	—	55,000	55,000
Vacant space — restated	586,987	168,904	755,891
Remeasurements	3,056	—	3,056
Expiries	279,153	93,987	373,140
Early terminations and bankruptcies	28,705	3,000	31,705
New leases	(101,713)	(102,941)	(204,654)
Renewals	(190,485)	(42,937)	(233,422)
Vacant space — March 31, 2011	605,703	120,013	725,716
Vacancy committed for future leases	132,338	13,341	145,679
Available for lease — March 31, 2011	473,365	106,672	580,037

In-place rental rates

During the quarter, we continued to capture rental rate increases across most of our markets with the exception of Calgary. The overall average in-place rent increased due to higher average rental rates for properties acquired during the quarter, and remain approximately 5% below existing market rates.

	March 31, 2011	
	In-place rent	Market rent
Office		
Western Canada	$ 18.11	$ 22.76
Calgary	18.79	16.69
Toronto	14.86	15.99
Eastern Canada	14.88	14.82
Total office	$ 16.81	$ 17.74
Industrial		
Western Canada	$ 8.63	$ 8.42
Calgary	8.26	8.36
Toronto	5.60	5.54
Eastern Canada	6.21	5.92
Total industrial	$ 7.23	$ 7.12
Overall	$ 14.50	$ 15.18

The following table demonstrates the change in average in-place rents and market rents comprising properties owned as of December 31, 2010.

	March 31, 2011		December 31, 2010	
Comparative properties	**In-place rent**	**Market rent**	In-place rent	Market rent
Office				
Western Canada	**$ 18.85**	**$ 23.20**	$ 18.91	$ 22.62
Calgary	**17.50**	**16.21**	17.57	15.77
Toronto	**15.93**	**17.09**	15.76	16.92
Eastern Canada	**13.74**	**13.97**	13.74	13.94
Total office	**$ 16.99**	**$ 18.08**	$ 16.95	$ 17.72
Industrial				
Western Canada	**$ 8.14**	**$ 8.23**	$ 8.09	$ 8.24
Calgary	**6.10**	**6.19**	6.07	6.19
Toronto	**6.79**	**5.97**	6.79	5.97
Eastern Canada	**6.21**	**5.92**	6.14	5.92
Total industrial	**$ 7.03**	**$ 6.86**	$ 6.99	$ 6.87
Overall	**$ 14.34**	**$ 15.09**	$ 14.29	$ 14.82

Leasing and tenant profile

The average remaining lease term and other portfolio information as at the end of the period is detailed below.

	March 31, 2011[1]			December 31, 2010[1]		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent[2] (per sq. ft.)**	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent[2] (per sq. ft.)
Office						
Western Canada	**4.99**	**9,525**	**$ 18.11**	5.42	8,443	$ 18.91
Calgary	**4.20**	**8,338**	**18.79**	4.29	8,747	17.57
Toronto	**5.20**	**12,714**	**14.86**	5.28	13,408	15.76
Eastern Canada	**3.60**	**9,458**	**14.88**	3.45	7,580	13.74
Total office	**4.74**	**10,087**	**16.81**	4.87	9,838	16.95
Industrial						
Western Canada	**6.59**	**29,540**	**8.63**	7.21	30,404	8.09
Calgary	**4.51**	**6,749**	**3.26**	4.36	6,621	6.07
Toronto	**10.74**	**124,902**	**5.60**	12.58	206,222	6.79
Eastern Canada	**11.88**	**61,223**	**6.21**	12.15	64,111	6.14
Total industrial	**8.25**	**15,209**	**7.23**	8.61	14,424	6.99
Portfolio average	**5.58**	**10,978**	**$ 14.50**	5.87	10,750	$ 14.29

(1) Excludes redevelopment properties.
(2) Average in-place rents include straight-line rent adjustments.

The following two tables detail our lease maturity profile by asset type and geographic segment as at March 31, 2011. The tables distinguish between lease maturities that have yet to be renewed or re-leased and maturities for which we have a leasing commitment. The uncommitted line should be referenced when considering future leasing risks or opportunities, and the committed line should be referenced when considering the impact of leasing activity.

For the remainder of 2011, approximately 1,371,130 square feet of our leases will expire, of which approximately 548,110 square feet, or 40%, have been committed.

(in square feet)	Current vacancy	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023	Total
Office — uncommitted	473,365	10,686	630,570	879,459	1,680,064	1,074,795	5,544,405	10,293,341
Office — committed	—	—	520,314	124,720	96,912	15,629	154,772	912,347
Total office	473,365	10,686	1,150,884	1,004,179	1,776,976	1,090,424	5,699,177	11,205,688
Industrial — uncommitted	106,672	—	192,450	288,207	228,060	126,395	2,535,748	3,477,532
Industrial — committed	—	—	27,796	8,249	—	—	—	36,045
Total industrial	106,672	—	220,246	296,456	228,060	126,395	2,535,748	3,513,577
Total — uncommitted	580,034	10,686	823,020	1,167,666	1,908,124	1,201,190	8,080,153	13,770,873
Total — committed	—	—	548,110	132,969	96,912	15,629	154,772	948,392
Total	580,037	10,686	1,371,130	1,300,635	2,005,036	1,216,819	8,234,925	14,719,265

(in square feet)	Current vacancy	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023	Total
Western Canada — uncommitted	168,557	1,236	201,447	395,504	313,048	249,939	1,729,047	3,058,778
Western Canada — committed	—	—	59,838	41,886	76,187	7,501	7,788	193,200
Total Western Canada	168,557	1,236	261,285	437,390	389,235	257,440	1,736,835	3,251,978
Calgary — uncommitted	220,483	1,563	350,401	502,975	743,718	447,525	2,164,713	4,431,378
Calgary — committed	—	—	151,950	31,150	5,584	—	18,946	207,630
Total Calgary	220,483	1,563	502,351	534,125	749,302	447,525	2,183,659	4,639,008
Toronto — uncommitted	162,274	793	162,181	213,624	794,004	386,346	2,808,855	4,528,077
Toronto — committed	—	—	136,727	59,933	15,141	2,287	128,038	342,126
Total GTA/Toronto	162,274	793	298,908	273,557	809,145	388,633	2,936,893	4,870,203
Eastern Canada — uncommitted	28,723	7,094	108,991	55,563	57,354	117,380	1,377,538	1,752,640
Eastern Canada — committed	—	—	199,595	—	—	5,841	—	205,436
Total Eastern Canada	28,723	7,094	308,586	55,563	57,354	123,221	1,377,538	1,958,076
Total — uncommitted	580,037	10,686	823,020	1,167,666	1,908,124	1,201,190	8,080,153	13,770,873
Total — committed	—	—	548,110	132,969	96,912	15,629	154,772	948,392
Total	580,037	10,686	1,371,130	1,300,635	2,005,036	1,216,819	8,234,925	14,719,265

The following tables provide expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties as at March 31, 2011. Expiring rents and market rents represent base rates and do not include the impact of lease incentives. Currently, our 2011 expiring rents are below market rents.

	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023
Expiring rents						
Office	$ 3.82	$ 16.88	$ 18.39	$ 18.15	$ 17.82	$ 18.37
Industrial	—	6.62	7.11	9.38	9.54	8.17
Portfolio average	3.82	14.59	15.90	17.11	16.96	15.39
Market rents[1]						
Office	$ 13.23	$ 17.32	$ 18.96	$ 16.72	$ 16.92	$ 18.02
Industrial	—	7.07	7.57	8.87	8.11	6.87
Market rent average	13.23	15.03	16.45	15.79	16.00	14.76

[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	2011	2012	2013	2014	2015 to 2023
Expiring rents						
Office:						
Western Canada	$ 10.00	$ 17.44	$ 19.06	$ 19.28	$ 18.20	$ 20.86
Calgary	14.27	18.27	20.31	22.70	20.12	20.12
Toronto	7.72	14.31	18.59	14.71	15.35	16.01
Eastern Canada	—	15.26	13.23	14.15	17.34	17.21
Industrial:						
Western Canada	—	10.80	4.06	5.73	6.87	11.25
Calgary	—	8.11	8.11	10.90	10.76	8.30
Toronto	—	—	—	—	—	8.22
Eastern Canada	—	5.50	5.58	6.00	5.81	7.15
Portfolio average	3.82	14.59	15.90	17.11	16.96	15.39
Market rents(1)						
Office:						
Western Canada	$ 24.50	$ 21.68	$ 25.08	$ 21.89	$ 23.40	$ 22.46
Calgary	16.38	15.56	16.49	17.13	15.78	16.98
Toronto	11.64	15.28	17.77	14.93	15.30	16.29
Eastern Canada	10.75	15.81	13.16	14.39	13.43	16.02
Industrial:						
Western Canada	—	7.72	4.18	9.21	6.00	9.36
Calgary	—	8.63	8.67	8.84	8.91	8.03
Toronto	—	3.50	—	—	—	5.68
Eastern Canada	—	6.00	6.00	6.00	6.00	5.92
Market rent average	13.23	15.03	16.45	15.79	16.00	14.76

(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.

Initial direct leasing costs and lease incentives

Initial direct leasing costs include leasing fees and related costs, and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances. Initial direct leasing costs and lease incentives are dependent on asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases, and leasing costs associated with office space are generally higher than costs associated with industrial space.

During 2011, we incurred $4.4 million for leasing costs and lease incentives. For office properties, we incurred a total $4.1 million of leasing costs, representing an average per square foot of $13.87. We incurred $0.3 million of leasing costs for industrial space, representing an average per square foot of $2.37.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)[1]	11,205,688	3,513,577	14,719,265
Occupied and committed	95.8%	97.0%	96.1%
Square footage leased and occupied in 2011	292,198	145,878	438,076
Leasing incentives and initial direct leasing costs	$ 4,054	$ 346	$ 4,400

(1) Excludes redevelopment properties.

Tenant base profile

Our tenant base includes a wide range of high-quality tenants such as municipal, provincial and federal governments, large international corporations and small entrepreneurial businesses across the country. With 1,288 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are 10,087 and 15,209 square feet, respectively. Effectively managing this diverse tenant base is one of our key strengths and has helped us maintain consistently high occupancy levels and to continually capitalize on rental rate uplifts.

The stability and quality of our cash flow is enhanced by the fact that government and government agencies contribute 22.3% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable high-quality businesses. The following table outlines their contributions to our rental revenues.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Average remaining lease term (years)
Government of Canada	969,957	6.6	10.0	2.6
Government of Ontario	306,580	2.1	3.6	9.0
Telus	275,653	1.9	3.2	5.1
Aviva	335,900	2.3	3.1	5.4
Enbridge Pipelines	189,232	1.3	3.1	9.4
Loyalty Management	183,014	1.2	2.3	6.5
Government of British Columbia	178,646	1.2	2.0	5.0
Government of Saskatchewan	200,720	1.3	1.8	6.6
Government of Northwest Territories	116,545	0.8	1.7	2.0
Government of Alberta	191,412	1.3	1.7	2.0
Total	2,947,659	20.0	32.5	4.8

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

The fair value of our investment property portfolio at March 31, 2011, was $3,029.2 million representing a weighted average capitalization rate ("Cap Rate") of 7.31%. At the beginning of 2011, our comparable properties were valued at $2,537.3 million representing a capitalization rate of approximately 7.15%. During 2011 our comparable properties increased in value by $8.9 million to $2,546.2 million representing a Cap Rate of 7.25%.

During the first quarter of 2011, we acquired 2.3 million square feet of properties at an acquisition price of $467.7 million. Since being acquired, the fair value of these properties increased by $20.6 million to $495.4 million representing a Cap Rate of 7.02%.

Fair values were determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a Cap Rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 5.75% to 9.50%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates and terminal capitalization rates specific to each property.

The fair value of our investment properties, including properties accounted for under the equity method, is set out below.

	March 31, 2011	December 31, 2010
Office		
Western Canada	**$ 740,040**	$ 623,166
Calgary	**827,528**	662,886
Toronto	**991,039**	836,522
Eastern Canada	**147,951**	113,284
Total office	**$ 2,706,558**	$ 2,235,858
Industrial		
Western Canada	**59,902**	31,617
Calgary	**139,527**	136,055
Toronto	**39,988**	39,635
Eastern Canada	**83,278**	83,073
Total industrial	**$ 322,695**	$ 290,380
Total portfolio	**$ 3,029,253**	$ 2,526,238
Development properties	**15,095**	12,503
Less: Equity accounted investments	**230,780**	208,736
Consolidated balance sheet	**$ 2,813,568**	$2,330,005

The final valuation of investment properties includes a straight-line rent balance of $12.3 million (December 31, 2010 — $11.2 million).

The key valuation metrics for investment properties, including properties accounted for under the equity method, are set out in the table below:

	Capitilization rate — total portfolio		Capitalization Rate — comparative portfolio		
	March 31, 2011		**March 31, 2011**	December 31, 2010	
	Weighted average (%)	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)
Office					
Western Canada	**7.01**	**6.00—9.25**	**6.92**	6.25—9.25	7.08
Calgary	**7.89**	**6.75—8.75**	**7.82**	6.75—8.75	7.80
Toronto	**7.00**	**6.00—7.50**	**6.69**	6.00—8.25	6.70
Eastern Canada	**7.12**	**6.50—8.00**	**7.08**	6.00—9.50	7.31
Total office	**7.28**	**6.00—9.25**	**7.11**	6.25—9.50	7.16
Industrial					
Western Canada	**7.30**	**6.75—7.25**	**6.82**	6.25—7.75	7.40
Calgary	**7.29**	**6.25—7.50**	**7.11**	6.75—7.25	6.80
Toronto	**7.75**	**7.75**	**7.75**	7.25—8.50	8.00
Eastern Canada	**7.95**	**7.25—9.50**	**7.95**	8.00	8.00
Total industrial	**7.52**	**6.25—9.50**	**7.48**	6.25—8.00	7.42
Total portfolio	**7.31**	**6.00—9.50**	**7.15**	6.25—9.50	7.20

Investing activities

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

For the three months ended March 31	**2011**	2010
Investing activities		
Acquisition of investment properties	**$ 104,034**	$ 263,308
Acquisition of Realex	**154,380**	—
Building improvements	**801**	1,483
Development	**2,589**	357

Acquisitions

During the first quarter of 2011, we completed the following investment property acquisitions:

For the three months ended March 31, 2011	Property type	Interest acquired (%)	Acquired GLA[1] (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Date acquired
Saskatoon Square, Saskatoon	Office	100	209,593	100	$ 51,349	Jan. 4, 2011
400 Cumberland, Ottawa	Office	100	174,921	100	39,179	Jan. 17, 2011
Realex Portfolio	Office/ industrial	100	1,837,277	96	363,697[2]	Feb. 8, 2011
55 King Street West, Kitchener	Office	100	124,100	73	13,506	Mar. 31, 2011
Total		100	2,345,891	96.6	$ 467,731	

[1] Gross leasable area ("GLA").
[2] Includes $20.8 million of equity accounted investments.

The acquisition of the Realex portfolio was completed on February 8, 2011. The Trust acquired all of the 18,712,663 outstanding shares of Realex for $8.25 per share, for a total consideration of $154.4 million with $203.9 million in assumed mortgages, at fair value, and $5.4 million in assumed working capital, for a total purchase price of $363.7 million. Including equity accounting investments, the acquisition of Realex consisted of $373.4 million of investment properties, $6.1 million of cash, amounts receivable and other assets, along with $203.9 million of assumed mortgages, at fair value, and $9.4 million of accounts payable and other liabilities. An acquisition gain of $11.7 million was recognized on the transaction.

Acquisitions completed during the first quarter of 2010

For the period ended March 31, 2010	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Date acquired
Adelaide Place, Toronto	Office	100	654,249	98	$ 217,378	Jan. 18, 2010
Aviva Corporate Centre, Toronto	Office/ redevelopment	100	436,704	99	45,930	Feb. 10, 2010
Total			1,090,953	98	$ 263,308	

The Trust assumed a mortgage with a fair value of $30.3 million on its acquisition of Aviva Corporate Centre.

Acquisitions completed subsequent to period end

On May 2, 2011, we completed the acquisition of an office building in Oakville, Ontario, consisting of approximately 75,000 square feet. The purchase price, excluding transaction costs, was approximately $16.5 million.

Building improvements

During 2011, we incurred $0.8 million of expenditures related to improvements to our properties of which substantially all are related to expenditures that will be recovered from tenants.

The table below represents amounts paid and accrued during the year.

For the three months ended March 31	**2011**	2010
Building improvements:		
Recurring recoverable	**$ 772**	$ 1,357
Recurring non-recoverable	**29**	106
Non-recurring	**—**	20
Total	**$ 801**	$ 1,483

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. Recurring recoverable expenditures of $0.8 million included elevator modernization, roofing upgrades, lighting, and fire panel upgrades. Non-recurring building improvements represent expenditures for major capital additions that generally would not be expected to recur over the useful life of the building.

Development

During 2010, we incurred $2.6 million of expenditures related the construction of an office building in Yellowknife.

We have agreed to construct an office building in Yellowknife that is fully leased to the Government of Canada for a ten-year term. Construction costs are estimated to be $20.0 million (excluding financing costs) and will be funded by cash on hand and our line of credit.

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 may arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on our consolidated financial statements.

Dundee REIT's future minimum commitments under operating and finance leases including equity accounted investments are as follows:

		March 31, 2011
	Operating lease payments	Finance lease payments
Less than 1 year	$ 1,067	$ 298
1—5 years	1,470	461
Total	$ 2,537	$ 759

During the period the Trust paid $327 (2010 — $279) in minimum lease payments, which have been included in comprehensive income for the period.

Effective February 1, 2010, we entered into three fixed price contracts to purchase electricity for 14 office properties in Calgary. The contracted volumes are based on historical electricity consumption of each of the buildings and allow us to effectively manage our operating expenses. The contracts expire on January 31, 2013, and commit the Trust to total minimum payments of $2.2 million for each of 2011 and 2012, and $0.2 million for 2013.

Effective September 1, 2009, we entered into three fixed price contracts to purchase natural gas with respect to 14 office properties in Calgary. The contracts expire on December 31, 2012, and commit the Trust to total minimum payments of $0.6 million annually for 2011 and 2012.

OUR FINANCING

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, and property acquisitions. We expect to meet all our ongoing obligations through current cash and cash equivalents, cash flows from operations, conventional mortgage refinancings and, as growth requires and when appropriate, new equity or debt issues.

Our discussion of financing activities will be based on the debt balances below, which include debt of equity accounted investments at the Trust's proportionate ownership:

	March 31, 2011	December 31, 2010
Debt	**$ 1,527,853**	$ 1,296,851
Less: Debt related to equity accounted investments	**100,426**	94,843
Consolidated balance sheet	**$1,427,427**	$1,202,008

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. In the first quarter, we placed $36.1 million of new mortgage financing at a weighted average interest rate of 4.87% and an average term to maturity of 8.88 years, and assumed an additional $201.3 million at a weighted average interest rate of 5.68% and an average term to maturity of 6.78 years. We also made scheduled payments of $8.0 million and lump sum payments of $16.1 million related to mortgage debt for the first quarter. Additionally, we had net draws on our revolving credit facilities of $14.9 million.

Debt

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

	March 31, 2011	December 31, 2010
Financing activities		
Average effective interest rate[4]	**5.39%**	5.43%
Level of debt (debt-to-book value)[2]	**45.4%**	45.5%
Interest coverage ratio[1]	**2.7 times**	2.5 times
Debt-to-EBITDFV (years)[3]	**7.81**	7.88
Proportion of total debt due in current year	**7.8%**	8.4%
Debt — average term to maturity (years)	**4.9**	4.8
Variable rate debt as percentage of total debt	**2.9%**	2.2%

(1) The interest coverage ratio is calculated as NOI plus interest and fee income, less general and administrative expenses, excluding income from disposed properties, divided by interest expense.

(2) Debt-to-book value is determined as total debt including debts of equity accounted investments divided by total assets, including total assets of equity accounted investments adjusted for accumulated amortization on property and equipment.

(3) Debt-to-EBITDFV is calculated as total debt divided by annualized EBITDFV for the current quarter. EBITDFV is calculated as net income less non-cash items included in revenue plus interest expense, depreciation, fair value adjustments and acquisition related costs.

(4) Average interest rate is calculated as the weighted average interest rate of all interest bearing debt including debts of equity accounted investments.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Dundee Properties Limited Partnership (“DPLP”), a subsidiary of the Trust, is required to maintain an interest coverage ratio of no less than 1.4 times. Our current interest coverage ratio is 2.7 times for the quarter, and reflects our ability to cover interest expense requirements. We also monitor our debt-to-EBITDFV ratio to gauge our ability to pay off existing debt. Our current debt-to-EBITDFV ratio is 7.81 years and reflects the approximate amount of time to pay off all debt. Our average interest coupon rate as at March 31, 2011, was 5.43%, down slightly from the start of the year, mainly reflecting the impact of new and assumed mortgage financing completed at a weighted average rate of 5.56% for the quarter. After accounting for market adjustments and financing costs, the weighted average effective interest rate is 5.39%.

Variable rate debt as a percentage of total debt increased to 2.9% from 2.2% as a result of an increase in our demand revolving credit facility in the quarter.

			March 31, 2011			December 31, 2010
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$1,352,547**	**$ 28,740**	**$ 1,381,287**	$ 1,136,906	$ 28,737	$ 1,165,643
Term debt	**679**	**—**	**679**	341	—	341
Demand revolving credit facilities	**—**	**14,854**	**14,854**	—	—	—
6.5% Debentures	**3,101**	**—**	**3,101**	3,192	—	3,192
5.7% Debentures	**7,756**	**—**	**7,756**	7,752	—	7,752
6.0% Debentures	**120,176**	**—**	**120,176**	119,923	—	119,923
Total	**$1,484,259**	**$ 43,594**	**$ 1,527,853**	$ 1,268,114	$ 28,737	$ 1,296,851
Percentage	**97.1%**	**2.9%**	**100.0%**	97.8%	2.2%	100.0%

Mortgages payable include $5.8 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2010 — $3.6 million). Amounts recorded as at March 31, 2011, for the 6.5%, 5.7% and 6.0% Debentures are net of $1.4 million of premiums allocated to their conversion features on issuance (December 31, 2010 — $1.4 million). 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

New and assumed mortgage financing:

				For the three months ended March 31, 2011
		Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective rate (%)[1]
New mortgages placed	$ 36,100	8.88	4.87	5.04
New mortgages assumed on investment property acquisitions	201,307	6.78	5.68	5.29
Overall	$ 237,407	7.12	5.56	5.25

(1) After accounting for the impact of financing costs and marked-to-market of mortgages assumed.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40.0 million, generally bearing interest at the bank prime rate (3.0% as at March 31, 2011) plus 1.5%, or bankers' acceptance rates, plus 3.0%. As at March 31, 2011, the formula-based amount available is $36.1 million. The facility is now secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. Currently, $14.9 million has been drawn against the facility, and $1.5 million is being utilized in the form of letters of guarantee.

In connection with the acquisition of Realex Properties Corp. we assumed a revolving credit facility authorized to a maximum of $22.0 million. During the quarter we drew $17.0 million from the facility and repaid $17.0 million with proceeds of mortgage financing placed on an unencumbered property. The facility is secured by a second-ranking mortgage on three properties and bears interest based on the bank's prime rate (3.0% as at March 31, 2011) plus 2.75%.

At March 31, 2011, we had $14.3 million in cash, $41.8 million from our revolving credit facilities and 20 unencumbered properties, which may be leveraged to provide additional financing.

Changes in debt levels are as follows:

For the three months ended March 31, 2011					
	Mortgages	Revolving credit facilities	Term debt	Convertible debentures	Total
Debt as at December 31, 2010	$ 1,165,643	$ —	$ 341	$ 130,867	$ 1,296,851
New debt assumed on investment property acquisitions	201,307	—	—	—	201,307
New debt placed	36,100	31,854	387	—	68,341
Scheduled repayments	(7,976)	—	(49)	—	(8,025)
Lump sum repayments	(16,076)	(17,000)	—		(33,076)
Conversion to unit equity	—	—	—	(104)	(104)
Amortization and other adjustments	2,289	—	—	270	2,559
Debt as at March 31, 2011	$ 1,381,287	$ 14,854	$ 679	$ 131,033	$ 1,527,853

	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 (%)
2011	$ 78,053	$ 41,232	$ 119,285	7.8	5.79	6.45
2012	122,087	34,160	156,247	10.2	5.38	5.53
2013	105,714	31,436	137,150	9.0	5.11	5.48
2014	207,244	29,899	237,143	15.5	6.54	5.91
2015	260,414	25,871	286,285	18.7	4.77	4.84
2016 and thereafter	538,180	56,987	595,167	38.8	5.35	5.35
Total	$ 1,311,692	$ 219,585	1,531,277	100.0		5.43
Fair value adjustments			4,490			
Transaction costs			(7,914)			
Total			$ 1,527,853			

Convertible debentures

With respect to the 6.0% Debentures, the total principal outstanding at April 30, 2011, was $125 million and is convertible into approximately 3,018,478 REIT A Units. For the 5.7% Debentures, the total principal outstanding was $7.8 million and is convertible into approximately 260,133 REIT A Units. For the 6.5% Debentures, the total principal outstanding was $3.2 million and is convertible into approximately 129,200 REIT A Units.

The conversion feature of convertible debentures is remeasured each period to fair value with changes in fair value being recorded in comprehensive income. At March 31, 2011, the conversion feature was $8.6 million (December 31, 2010 — $6.5 million) representing the fair value of the conversion feature related to the convertible debentures.

Financing commitments

Subsequent to March 31, 2011, we had entered into agreements for new and renewed mortgage financing totalling approximately $93.1 million, which closed as of May 6, 2011. Currently we have another $47.6 million committed.

OUR EQUITY

Our discussion of equity is inclusive of LP B Class B Units, Series 1, which are economically equivalent to REIT Units. In our financial statements the LP B Units are classified as a liability under IFRS because of their redemption feature upon exchange for a REIT Unit.

				Unitholders' equity
		March 31, 2011		December 31, 2010[1]
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**50,801,757**	**$ 1,361,839**	45,896,203	$ 1,214,604
REIT Units, Series B	**16,316**	**471**	16,316	456
	50,818,073	**$ 1,362,310**	45,912,519	$ 1,215,060
Add:				
LP B Units	**3,487,841**	**115,445**	3,481,733	105,148
Total	**54,305,914**	**$ 1,477,755**	49,394,252	$ 1,320,208

(1) Amounts have been restated for IFRS.

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. 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.

At March 31, 2011, Dundee Corporation, directly and indirectly through its subsidiaries, held 988,747 REIT A Units and 3,487,841 LP B Units, for a total ownership interest of approximately 8%.

The following table summarizes the changes in our outstanding equity.

	REIT A Units	REIT B Units	LP B Units	Total
Units issued and outstanding on December 31, 2010	45,896,203	16,316	3,481,733	49,394,252
Units issued pursuant to DRIP	126,203	—	6,108	132,311
Units issued pursuant to the Unit Purchase Plan	2,289	—	—	2,289
Units issued pursuant to Deferred Unit Incentive Plan	23,402	—	—	23,402
Units issued pursuant to public offering	4,749,500	—	—	4,749,500
Conversion of debentures	4,160	—	—	4,160
Total units outstanding on March 31, 2011	50,801,757	16,316	3,487,841	54,305,914
Percentage of all units	93.6%	—%	6.4%	100.0%
Units issued pursuant to DRIP on April 15, 2011	50,345	—	1,992	52,337
Units issued pursuant to Unit Purchase Plan	974	—	—	974
Conversion of debentures	666	—	—	666
Total units outstanding on April 30, 2011	50,853,742	16,316	3,489,833	54,359,891
Percentage of all units	93.6%	—%	6.4%	100.0%

On February 4, 2011, the Trust completed a public offering of 4,749,500 units at a price of $30.30 per unit, for gross proceeds of $143.9 million. Costs related to the offering totalled $6.3 million and were charged directly to unitholders' equity.

Normal course issuer bid

We have a normal course issuer bid, which commenced on November 3, 2010, and will remain in effect until the earlier of November 2, 2011, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 4,010,675 REIT A Units (representing 10% of the REIT's public float of 40,106,751 REIT A Units at the time of renewal through the facilities of the TSX). As of March 31, 2011, no purchases had been made. Based on the closing price of REIT A Units on March 31, 2011, the Trust may purchase up to $132.8 million worth of REIT A Units.

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining distributable income. We also exclude the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. We exclude the impact of transaction costs expensed on business combinations as these are considered to be non-recurring. Additionally, we exclude the impact of the amortization of deferred financing costs 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 and office equipment incurred after the formation of the Trust. We include the impact of vendor head lease income that has not been recognized in net income.

	For the three months ended March 31, 2011		
	Declared distributions	4% bonus distributions	Total
2011 distributions			
Paid in cash or reinvested in units	$ 18,972	$ 113	$ 19,085
Payable at March 31, 2011	9,938	56	9,994
Total distributions	$ 28,910	$ 169	$ 29,079
2011 reinvestment			
Reinvested to March 31, 2011	$ 2,505	$ 113	$ 2,618
Reinvested on April 15, 2011	1,409	56	1,465
Total distributions reinvested	$ 3,914	$ 169	$ 4,083
Distributions paid in cash	$ 24,996		
Reinvestment to distribution ratio	13.5%		
Cash payout ratio	86.5%		

Distributions declared for the quarter ended March 31, 2011, were $28.9 million, an increase of $11.4 million over the prior year comparative quarter. The increase reflects a larger number of units outstanding as a result of the equity issues completed in 2010 as well as distributions reinvested in additional units and vested deferred trust units exchanged for REIT A Units. Of the distributions declared for the quarter, $3.9 million, or approximately 13.5%, were reinvested in additional units resulting in a cash payout ratio of 86.5%.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flow from operating activities and cash distributions as well as the differences between net income and cash distributions in accordance with the guidelines.

For the three months ended March 31	2011	2010[1]
Net income	$ 31,971	$ 3,481
Cash flow from operating activities[2]	30,747	19,202
Distributions paid and payable[3]	29,079	17,530
Excess of cash flow from operating activities over distributions paid and payable	1,668	1,672

(1) Balances have been restated for IFRS.
(2) Cash flows from operating activities exclude cash flows from transaction costs on acquired businesses, and include operating cash flows from equity accounted investments.
(3) Includes distributions on LP B Units.

Cash flows from operations exceeded distributions paid and payable by $1.7 million for the quarter. In establishing distribution payments, we do not take fluctuations in working capital and transaction costs on business combinations into consideration and use a normalized amount as a proxy for leasing costs. Net income exceeded distributions paid and payable by $2.9 million for the quarter.

OUR RESULTS OF OPERATIONS

For the three months ended March 31	2011	2010
Investment properties revenue	$ 83,852	$ 50,606
Investment properties operating expenses	33,905	20,491
Net rental income	49,947	30,115
Other income and expenses		
General and administrative	(3,477)	(2,447)
Share of net earnings from equity accounted investments	3,947	3,544
Fair value adjustments to investment properties	19,756	6,579
Gain on sale of investment properties	—	199
Acquisition-related costs	(5,734)	—
Interest		
Debt	(17,751)	(12,454)
Subsidiary redeemable units	(1,919)	(1,908)
Interest and fee income	433	245
Fair value adjustments to financial instruments	(13,231)	(20,392)
Net income and comprehensive income for the period	$ 31,971	$ 3,481

Statement of comprehensive income results

Investment properties revenue

Revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions completed in 2010 and 2011 were the primary drivers of the $33.2 million, or 65.7%, increase in investment property revenue over the comparative quarter.

Investment 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, realty taxes, and repairs and maintenance. Expenses increased $13.4 million, or 65.5%, for the quarter, reflecting the additional costs associated with properties acquired in 2011 and in the first quarter of 2011.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations as well as amortization of property and equipment. Expenses for the quarter were $3.5 million, an increase of $1.0 million, or 42.1%, over the comparative quarter, mostly due to an increase in asset management fees as a result of acquisitions, increased expenses from the acquisition of Realex, and $0.2 million of non-cash Deferred Unit Incentive Plan expenses.

Share of net earnings from equity accounted investments

Share of net earnings from equity accounted investments include the net rental income of the investments as well as the fair value adjustments to investment properties. During the quarter, share of net earnings from equity accounted investments increased by $0.4 million relating primarily to a $0.5 million increase in the investment property over the prior quarter.

Fair value adjustment to investment properties

The Trust recognized a fair value adjustment of $19.8 million in the period. Of the increase, the majority related to properties acquired in the period particularly with respect to a property in Calgary where cap rate compression occurred in the quarter. The increase is attributable to increases in our estimated discounted cash flows and stabilized net operating income.

Acquisition related costs

Resulting from the acquisition of Realex on February 8, 2011, the Trust incurred acquisition related costs that have been expensed in the period. Of the $17.5 million of costs, $8.7 million was incurred by the Trust and $8.9 million was incurred by Realex prior to the acquisition. Additionally, the Trust recognized an acquisition gain of $11.8 million related to the acquisition, resulting from the fair value of total identifiable net assets acquired being larger than the consideration transferred.

Interest expense — debt

Interest on debt increased $5.3 million, or 42.5%, for the quarter, mainly reflecting the additional mortgage debt related to acquired properties as well as new financing entered into during 2010 and the first quarter of 2011. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, remains strong at 2.7 times.

Interest expense — subsidiary redeemable units

Interest on subsidiary redeemable units increased marginally over the prior period resulting from more units outstanding.

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 earned on bank accounts and related fees. These revenues are not necessarily of a recurring nature and the amounts will vary from quarter to quarter. The $0.2 million increase over the comparative quarter is mainly a result of increased external management fees and interest on cash balances.

Fair value adjustment to financial instruments

Fair value adjustments on financial instruments decreased by $7.2 million, which includes valuation adjustments of $1.0 million and $10.1 million on the Deferred Unit Incentive Plan and the subsidiary redeemable units, respectively, versus $1.1 million and $17.8 million in the prior year quarter. Both the Deferred Unit Incentive Plan and subsidiary redeemable units are remeasured each period at the REIT A Unit market price. The REIT A Units appreciated in value by 24.8% over the period December 31, 2009 to March 31, 2010 versus a unit price appreciation of 9.6% over the period December 31, 2010 to March 31, 2011, resulting in a lower fair value remeasurement for the first quarter of 2011. Also included in the fair value adjustments to financial instruments is the remeasurement of the conversion feature on convertible debentures, which increased by $0.6 million, or 40% over the comparative period.

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 and as disclosed in Note 23 to the consolidated financial statements. During the quarter, we received $0.6 million related to the DRC Services Agreement. Other costs recovered from DRC include $1.5 million for operating and administrative costs of regional offices. We paid $4.4 million related to the Asset Management Agreement.

Net operating income

For the three months ended March 31	**2011**	2010[1]
Net rental income	**$ 49,947**	$ 30,115
Share of net rental income from equity accounted investments	**4,045**	4,067
NOI including income from redevelopment and disposed properties	**$ 53,992**	$ 34,182

(1) Results have been restated for IFRS.

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

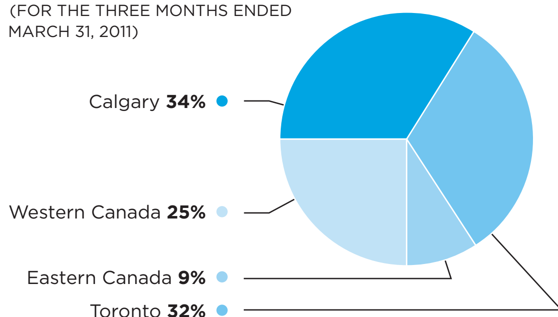
NOI for the respective 2010 comparative period has been restated to reflect the removal of market rent adjustments on acquired leases and the inclusion of lease incentive amortization.

We define NOI as the total of investment property revenues, including property management income, less investment property operating expenses. NOI, before income from disposed properties, increased 58% for the quarter over the comparative period. The increase is mainly attributable to income generated by properties acquired in 2010 and 2011, particularly those acquired in Toronto and Western Canada.

	For the three months ended March 31			
			Growth	
	2011	2010[1]	Amount	%
Office	**$ 47,892**	$ 31,270	$ 16,622	53
Industrial	**6,140**	2,870	3,270	114
NOI	**54,032**	34,140	19,892	58
Income (loss) from disposed properties	**(40)**	42	(82)	
NOI including redevelopment and disposed properties	**$ 53,992**	$ 34,182	$ 19,810	58

	For the three months ended March 31			
			Growth	
	2011	2010[1]	Amount	%
Western Canada	**$ 13,756**	$ 7,063	$ 6,693	95
Calgary	**18,231**	17,127	1,104	6
Toronto	**17,347**	9,139	8,208	90
Eastern Canada	**4,698**	811	3,887	479
NOI	**54,032**	34,140	19,892	58
Income (loss) from disposed properties	**(40)**	42	(82)	
NOI including redevelopment and disposed properties	**$ 53,992**	$ 34,182	$ 19,810	58

[1] Results have been restated for IFRS.



NOI comparative portfolio

NOI shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2010. Income from disposed properties contributing to NOI in comparative periods is shown separately. Comparative NOI and acquisitions exclude GAAP adjustments that relate to straight-line rents and amortization of lease incentives. Additionally, it excludes lease termination fees.

	For the three months ended March 31			
			Growth	
	2011	2010[1]	Amount	%
Office	**$ 26,972**	$ 27,413	$ (441)	(2)
Industrial	**3,125**	2,929	196	7
Comparative properties	**30,097**	30,342	(245)	(1)
Lease termination fees	**230**	1	229	
Acquisitions	**23,411**	3,852	19,559	
Straight-line rent	**1,110**	194	916	
Amortization of lease incentives	**(816)**	(249)	(567)	
NOI	**$ 54,032**	$ 34,140	$ 19,892	58
Income (loss) from disposed properties	**(40)**	42	(82)	
NOI including redevelopment and disposed properties	**$ 53,992**	$ 34,182	$ 19,810	

	For the three months ended March 31			
			Growth	
	2011	2010[1]	Amount	%
Western Canada	**$ 7,477**	$ 7,072	$ 405	6
Calgary	**16,219**	17,128	(909)	(5)
Toronto	**5,597**	5,361	236	4
Eastern Canada	**804**	781	23	3
Comparative properties	**30,097**	30,342	(245)	(1)
Lease termination fees	**230**	1	229	
Acquisitions	**23,411**	3,852	19,559	
Straight-line rent	**1,110**	194	916	
Amortization of lease incentives	**(816)**	(249)	(567)	
NOI	**$ 54,032**	$ 34,140	$ 19,892	58
Income (loss) from disposed properties	**(40)**	42	(82)	
NOI including redevelopment and disposed properties	**$ 53,992**	$ 34,182	$ 19,810	

[1] Results have been restated for IFRS.

Overall, NOI from comparative properties decreased by 1% to $30.1 million in the first quarter of 2011. Industrial comparative properties grew by 7% for the quarter, primarily as a result of increased occupancy. Comparative office NOI declined resulting primarily from the termination of two tenancies in our Calgary and Toronto office portfolios in 2010. Properties acquired in 2010 and 2011 contributed $23.4 million to NOI growth in the quarter.

Comparative office portfolio

	For the three months ended March 31			
			Growth	
	2011	2010[1]	Amount	%
Western Canada	**$ 6,966**	$ 6,692	$ 274	4
Calgary	**13,605**	14,579	(974)	(7)
Toronto	**5,597**	5,361	236	4
Eastern Canada	**804**	781	23	3
Comparative properties	**26,972**	27,413	(441)	(2)
Lease termination fees	**230**	—	230	
Acquisitions	**20,619**	3,852	16,767	
Straight-line rent	**796**	196	600	
Amortization of lease incentives	**(725)**	(191)	(534)	
Office NOI [1]	**$ 47,892**	$ 31,270	$ 16,622	53

[1] Results have been restated for IFRS.

NOI from our comparative office portfolio was $27.0 million for the quarter representing a decrease of $0.4 million over the comparative period. While we have experienced in-place occupancy and rental rate declines in our Calgary office portfolio we have grown in our other office regions by maintaining strong occupancy. The decline mainly reflects a tenant vacating 65,000 square feet of space at a building in Calgary in the fourth quarter of 2010. All of the space except for 9,000 square feet has been leased or is committed for occupancy to commence in the second quarter. Our Toronto office portfolio reported a 4% increase in NOI mainly reflecting rental increases which offset a $0.1 million decrease related to the termination of 13,000 square feet of space at another property at the end of 2010, which has been fully committed for 2011 occupancy. In the fourth quarter of 2010, we received a termination fee of $1.5 million for the space.

Comparative industrial portfolio

	For the three months ended March 31			
			Growth	
	2011	2010[1]	Amount	%
Western Canada	**$ 511**	$ 380	$ 131	34
Calgary	**2,614**	2,549	65	3
Comparative properties	**3,125**	2,929	196	7
Lease termination fees	**—**	1	(1)	
Acquisitions	**2,792**	—	2,792	
Straight-line rent	**314**	(2)	316	
Amortization of lease incentives	**(91)**	(58)	(33)	
Industrial NOI	**$ 6,140**	$ 2,870	$ 3,270	114

[1] Results have been restated for IFRS.

Our industrial portfolio grew this quarter by $0.2 million or 7%, primarily in Western Canada where weighted average in-place occupancy grew by 18.8% over the prior year comparative period.

NOI prior quarter comparison

The comparative properties disclosed in the following tables are properties acquired prior to October 1, 2010. Comparative property NOI decreased by $0.5 million, or 1% over the fourth quarter of 2010.

	For the three months ended			
			Growth	
	March 31, 2011	December 31, 2010[1]	Amount	%
Office	**$ 37,390**	$ 37,895	$ (505)	(1)
Industrial	**5,093**	5,132	(39)	(1)
Comparative properties	**42,483**	43,027	(544)	(1)
Lease termination fees	**230**	1,519	(1,289)	
Acquisitions	**11,025**	1,085	9,940	
Straight-line rent	**1,110**	868	242	
Other GAAP adjustments	**(816)**	(553)	(263)	
NOI	**$ 54,032**	$ 45,946	$ 8,086	18
Amortization of lease incentives	**(40)**	73	(113)	
NOI including redevelopment and disposed properties	**$ 53,992**	$ 46,019	$ 7,973	

[1] Results have been restated for IFRS.

	For the three months ended			
			Growth	
	March 31, 2011	December 31, 2010[1]	Amount	%
Western Canada	**$ 9,484**	$ 9,390	$ 94	1
Calgary	**16,219**	16,729	(510)	(3)
Toronto	**13,954**	14,089	(135)	(1)
Eastern Canada	**2,826**	2,819	7	—
Comparative properties	**42,483**	43,027	(544)	(1)
Lease termination fees	**230**	1,519	(1,289)	
Acquisitions	**11,025**	1,085	9,940	
Straight-line rent	**1,110**	868	242	
Other GAAP adjustments	**(816)**	(553)	(263)	
NOI	**$ 54,032**	$ 45,946	$ 8,086	18
Amortization of lease incentives	**(40)**	73	(113)	
NOI including redevelopment and disposed properties	**$ 53,992**	$ 46,019	$ 7,973	

(1) Results have been restated for IFRS.

NOI from our office portfolio decreased by $0.5 million, or 1% over the prior quarter. In the prior quarter a lease of 12,951 square feet was terminated at State Street Financial Centre. The Trust received a termination fee of $1.5 million. The vacated space is fully committed with the majority of the leases commencing in late Q3 and Q4 of 2011. With the exception of 4,151 square feet, we have commitments for all the space, with leases that have already commenced in Q1 2011 or will commence in Q2 2011. The Calgary portfolio declined in the quarter resulting from a decrease in weighted average in-place occupancy, particularly in a downtown Calgary property where a tenant vacated 59,112 square feet of space in the later part of Q4 2010.

Funds from operations and adjusted funds from operations

For the three months ended March 31	**2011**	2010[1]
Net Income	**$ 31,971**	$ 3,481
Add (deduct):		
Depreciation of property and equipment	**117**	106
Amortization of lease incentives	**786**	225
Gain on disposal of rental properties	**—**	(199)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(34)**	(43)
Interest expense on subsidiary redeemable units	**1,919**	1,906
Acquisition-related costs	**5,776**	—
Fair value adjustments to investment property	**(19,748)**	(6,579)
Fair value adjustments to investment properties held in equity accounted investments	**(1,235)**	(719)
Fair value adjustments to financial instruments	**13,231**	20,392
Fair value adjustment to deferred unit compensation expense	**81**	83
FFO	**$ 32,864**	$ 18,653
Funds from operations	**$ 32,864**	$ 18,653
Add (deduct):		
Amortization of:		
Marked-to-market adjustments on assumed debt	**(337)**	(206)
Financing costs	**404**	337
Deferred unit compensation expense	**659**	412
Straight-line rent	**(1,079)**	(172)
Amortization of deferred financing costs incurred subsequent to June 30, 2003	**(375)**	(309)
Non-recoverable costs incurred subsequent to June 30, 2003	**(15)**	(10)
Vendor head lease income	**146**	95
	$ 32,267	$ 18,800
Deduct:		
Normalized initial direct leasing costs and tenant incentives	**3,430**	2,089
Normalized non-recoverable recurring capital expenditures	**75**	75
AFFO	**$ 28,762**	$ 16,636

[1] Results have been restated for IFRS.

Funds from operations and adjusted funds from operations per unit amounts

The basic weighted average number of units outstanding used in the FFO and AFFO calculations include all REIT Units, LP B Units and 102,094 vested deferred units for the quarter. The diluted weighted average number of units assume the conversion of the 6.5%, 5.7% and 6.0% Debentures and include 74,237 incremental unvested deferred units. The incremental unvested deferred units represent the potential units that would have to be purchased in the open market to fund the unvested obligation. The weighted average number of units outstanding for basic and diluted FFO calculations for the quarter are 52,525,703 and 56,011,583, respectively. Diluted FFO includes interest and amortization adjustments related to convertible debentures of $2.3 million for the quarter.

Funds from operations

Management believes FFO is an important measure of our operating performance. This non-GAAP measurement is a commonly used measure 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	**2011**	2010[1]
FFO	**$ 32,864**	$ 18,653
FFO per unit — basic	**$ 0.63**	$ 0.61
FFO per unit — diluted	**$ 0.63**	$ 0.61

[1] Results have been restated for IFRS.

FFO per unit was $0.63 for the quarter, up 3.2% compared to $0.61 in 2010, mainly as a result of accretive property acquisitions completed in 2010 and 2011. Total FFO increased by 76% to $32.9 million in the quarter, driven by NOI growth from accretive acquisitions. Additionally, we recognized $0.2 million of termination income in the quarter.

Prior year FFO has been restated for IFRS. Total FFO for the quarter ended March 31, 2010, was reduced by $3.5 million. The change is due to $0.2 million in accelerated compensation expense related to the DUIP under IFRS as well as the elimination of $3.3 million in market rent adjustments that were included under previous GAAP.

Adjusted funds from operations

For the three months ended March 31	**2011**	2010
AFFO	**$ 28,762**	$ 16,636
AFFO per unit — basic	**$ 0.55**	$ 0.54

Management believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-GAAP measurement is commonly used 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.

Our calculation of AFFO includes an estimated amount of normalized non-recoverable maintenance capital expenditures, initial direct leasing costs and tenant incentives that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2010, adjusted for properties that have been acquired or 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 any growth in our business resulting from property acquisitions.

AFFO per unit was $0.55 for the quarter, an increase of 2% over the comparative period.

AFFO is not defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts. In compliance with the Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles AFFO to cash generated from operating activities.

For the three months ended March 31	2011	2010
Cash generated from operating activities	$ 11,665	$ 16,976
Add (deduct):		
Share of earnings from equity accounted investments	3,947	3,544
Initial direct leasing costs and lease incentives incurred	4,289	2,280
Transaction costs on acquired businesses including those recorded in equity accounted investments	17,570	—
Change in non-cash working capital	(3,780)	(2,909)
Adjustments for equity accounted investments:		
Fair value adjustments to investment properties	(1,235)	(719)
Straight-line rent	(22)	(50)
Deferred financing fee amortization	14	11
Marked-to-market adjustments on assumed debt	(145)	(136)
Amortization of lease incentives	245	70
	(1,143)	(824)
Other	(427)	(362)
Vendor head lease income	146	95
Normalized initial direct leasing costs and lease incentives	(3,430)	(2,089)
Normalized non-recoverable recurring capital expenditures	(75)	(75)
AFFO	$ 28,762	$ 16,636

QUARTERLY INFORMATION

The following tables show quarterly information since April 1, 2009.

	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009[2]	Q3 2009[2]	Q2 2009[2]
Investment properties revenue	**$ 83,852**	$ 70,337	$ 63,206	$ 55,229	$ 50,606	$ 50,156	$ 47,398	$ 46,387
Investment properties operating expenses	**33,905**	29,645	25,220	20,371	20,491	19,365	17,551	16,219
Net rental income	**49,947**	40,692	37,986	34,858	30,115	30,791	29,847	30,168
Other income and expenses								
General and administrative	**(3,477)**	(2,795)	(2,781)	(2,583)	(2,447)	(1,608)	(1,667)	(1,710)
Share of net earnings from equity accounted investments	**3,947**	24,554	2,808	2,339	3,544	—	—	—
Fair value adjustments to investment properties	**19,756**	117,538	17,149	8,306	6,579	—	—	—
Gain on sale of investment properties	**—**	(500)	4	(10)	199	—	—	—
Acquisition-related costs	**(5,734)**	—	—	—	—	—	—	—
Interest								
Debt	**(17,751)**	(15,005)	(13,949)	(13,241)	(12,454)	(12,190)	(12,487)	(12,552)
Subsidiary redeemable units	**(1,919)**	(1,918)	(1,914)	(1,909)	(1,908)	—	—	—
Interest and fee income	**433**	509	336	394	245	409	299	491
Fair value adjustments to financial instruments	**(13,231)**	(7,372)	(15,681)	4,699	(20,392)	—	—	—
Depreciation/amortization	**—**	—	—	—	—	(12,690)	(12,273)	(12,375)
Provision for income taxes	**—**	—	—	—	—	2,230	(91)	(137)
Discontinued operations	**—**	—	—	—	—	(336)	4,099	(8,657)
Net income and comprehensive income for the period	**$ 31,971**	$ 155,703	$ 23,958	$ 32,853	$ 3,481	$ 6,606	$ 7,727	$ (4,772)

[2] Results reported under previous GAAP.

Calculation of funds from operations

	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009[2]	Q3 2009[2]	Q2 2009[2]
NET INCOME	**$ 31,971**	$ 155,703	$ 23,958	$ 32,853	$ 3,481	$ 6,606	$ 7,727	$ (4,772)
Add (deduct):								
Depreciation on property and equipment	**117**	112	208	119	106	—	—	—
Depreciation of rental properties and amortization of leasing costs, tenant improvements and intangibles	**—**	—	—	—	—	12,758	12,398	12,874
Amortization of lease incentives	**786**	301	249	229	225	—	—	—
Gain on disposal of investment properties	**—**	500	(4)	10	(199)	30	(4,285)	—
Provision for impairment in value of rental property	**—**	—	—	—	—	2,212	297	9,004
Future income taxes	**—**	—	—	—	—	(4,203)	107	67
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(34)**	(55)	(51)	(55)	(45)	(40)	(35)	(35)
Interest expense on subsidiary redeemable units	**1,919**	1,918	1,914	1,909	1,908	—	—	—
Acquisition-related costs	**5,776**	—	—	—	—	—	—	—
Fair value adjustments to investment properties	**(19,748)**	(117,538)	(17,149)	(8,306)	(6,579)	—	—	—
Fair value adjustments to investment properties held in equity accounted investments	**(1,235)**	(20,465)	(138)	399	(719)	—	—	—
Fair value adjustments to financial instruments	**13,231**	7,372	15,681	(4,699)	20,392	—	—	—
Fair value of DUIP included in G&A	**81**	59	112	20	83	—	—	—
FFO	**$ 32,864**	$ 28,147	$ 24,780	$ 22,479	$ 18,653	$ 17,363	$ 16,209	$ 17,138
FFO per unit — basic[1]	**$ 0.63**	$ 0.61	$ 0.59	$ 0.62	$ 0.61	$ 0.70	$ 0.74	$ 0.82
FFO per unit — diluted[1]	**$ 0.63**	$ 0.61	$ 0.60	$ 0.62	$ 0.61	$ 0.69	$ 0.73	$ 0.80

(1) The LP B Units are included in the calculation of basic FFO per unit.
(2) Results reported under previous GAAP.

	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009[2]	Q3 2009[2]	Q2 2009[2]
FUNDS FROM OPERATIONS	**$ 32,864**	$ 28,147	$ 24,780	$ 22,479	$ 18,653	$ 17,363	$ 16,209	$ 17,138
Add (deduct):								
Marked-to-market adjustment on assumed debt	**(337)**	(175)	(215)	(168)	(206)	(182)	(198)	(197)
Financing costs incurred prior to June 30, 2003	**404**	411	369	364	337	327	301	326
Deferred compensation expense	**659**	580	483	534	412	221	220	221
Straight-line rent	**(1,079)**	(857)	(1,564)	(1,178)	(172)	(411)	(241)	(187)
Financing costs incurred subsequent to June 30, 2003	**(375)**	(391)	(349)	(344)	(309)	(315)	(291)	(304)
Vendor head lease income	**146**	171	171	171	95	—	—	—
Non-recoverable costs incurred subsequent to June 30, 2003	**(15)**	(11)	(11)	(11)	(10)	(13)	(11)	(12)
Amortization of above and below market rent and tenant inducement	**—**	—	—	—	—	(2,243)	(2,528)	(2,558)
Revenue supplement from vendor on acquisition	**—**	—	506	616	—	—	—	—
	$ 32,267	$ 27,875	$ 24,170	$ 22,463	$ 18,800	$ 14,747	$ 13,461	$ 14,427
Adjusted for:								
Normalized initial direct leasing costs and lease incentives	**3,430**	2,555	2,505	2,287	2,089	1,514	1,514	1,514
Normalized non-recoverable recurring capital expenditures	**75**	75	75	75	75	200	200	200
Adjusted funds from operations	**$ 28,762**	$ 25,245	$ 21,590	$ 20,101	$ 16,636	$ 13,033	$ 11,747	$ 12,713
AFFO per unit								
Basic[1]	**$ 0.55**	$ 0.55	$ 0.52	$ 0.55	$ 0.54	$ 0.52	$ 0.54	$ 0.61
Weighted average units outstanding for FFO and AFFO								
Basic	**52,525,703**	46,054,582	41,627,961	36,418,168	30,713,775	24,967,255	21,883,358	21,018,003
Diluted	**56,011,583**	49,596,634	45,106,887	39,871,032	34,175,445	28,417,078	25,312,351	24,456,839

(1) The LP B Units are included in the calculation of basic FFO per unit.
(2) Results reported under previous GAAP.

SECTION III — TRANSITION TO IFRS — KEY CHANGES

The Trust has adopted IFRS effective January 1, 2010 (the "transition date") and has prepared its opening IFRS balance sheet as at that date. Prior to the adoption of IFRS, the Trust prepared its financial statements in accordance with previous GAAP.

To summarize, the following list of highlighted IFRS impacts captures certain key changes:

Investment property

Under previous GAAP, revenue properties including office and industrial properties were recorded at cost and depreciated over their estimated lives. Under IAS 40, "Investment Property" ("IAS 40"), the Trust has elected to measure investment property at fair value and records changes in fair value in comprehensive income during the period of change. In addition, intangible assets and liabilities recognized on the acquisition of revenue property were recognized under previous GAAP, which is not required when applying the fair value model under IFRS as the value of the intangible assets and liabilities are considered in the determination of the fair value of the investment properties. Finally, investment property related to equity accounted investments, inclusive of intangible assets, intangible liabilities, and deferred costs was reclassified to equity accounted investments.

Equity accounted investments

Under previous GAAP, the Trust accounted for its investments in joint ventures under the proportionate consolidation method. In accordance with IAS 31, "Interests in Joint Ventures" ("IAS 31"), the Trust has opted to equity account for investments in joint ventures. The effect is to remove the proportionately consolidated assets and liabilities of the respective joint ventures and record a corresponding equity accounted investment on the balance sheet.

Deferred unit incentive plan

Under previous GAAP, grants of deferred units in respect of the deferred unit incentive plan for trustees, officers, and certain employees as well as affiliates and service providers, including the asset manager, were recognized as compensation expense evenly over the three- or five-year vesting period based on the value of the deferred unit on the date of grant. Upon adoption of IFRS, the balance related to the deferred unit incentive plan recorded in equity was reclassified to non-current liabilities and compensation expense is recognized over the vesting period based upon the fair value of the deferred units. Changes in the non-current liability in respect of the vested deferred units are as a result of unit price movements, and are recorded in fair value adjustments to financial instruments.

Subsidiary redeemable units

Under previous GAAP, the Trust accounted for its subsidiary redeemable units as a component of Unitholders' equity. In accordance with IAS 32, "Financial Instruments — Classification" ("IAS 32"), these units have been reclassified from Unitholders' equity to liabilities because they are not the least subordinated instrument of units in issuance and because there is a redemption feature at the option of the holder. Accordingly, distributions on subsidiary redeemable units are recorded as interest expense in comprehensive income.

Conversion feature of convertible debentures

The Trust is required under IAS 32 to present the conversion feature of the convertible debentures as a liability measured at fair value. Upon initial adoption of IFRS, the conversion feature is recorded separately from the conversion debenture (“host contract”). Under previous GAAP, the conversion feature was recorded in Unitholders’ equity upon the issuance of convertible debentures.

SECTION IV — DISCLOSURE CONTROLS AND PROCEDURES

Impact of IFRS on disclosure controls and procedures

The conversion to IFRS from Canadian GAAP impacts the way we present our financial results and the accompanying disclosures. We have evaluated the impact of the conversion on our disclosures and procedures for recording, processing and summarizing material information. The most significant change has been the recording of our investment properties at fair value. This change has required us to design and implement new procedures for recording, processing, and summarizing with respect to determining the fair value. This includes, among other things, rental income from current leases and estimates about rental income from future leases reflecting market conditions at period end, less future cash outflows from such leases. It also includes estimates of discount rates, terminal capitalization rates, capitalization rates, and the engagement of external specialists to determine fair value.

SECTION V — RISKS AND OUR STRATEGY TO MANAGE

For a full list and explanation of our risks and uncertainties, please refer to our 2010 Annual Report or our Annual Information Form for the year ended December 31, 2010, filed on SEDAR (www.sedar.com).

SECTION VI — 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 refer to Note 4 of the interim consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

Future changes in accounting policies

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9") was issued by the IASB on November 12, 2009, and will replace IAS 39, "Financial instruments: Recognition and measurements ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Trust is currently evaluating the impact of IFRS 9 on its financial statements.

Income taxes

In December 2010, the IASB made amendments to IAS 12, "Income Taxes" ("IAS 12") that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, "Investment Property". The amendments introduce a rebuttable presumption that, for purposes of determining deferred tax consequences associated with temporary differences relating to investment properties, the carrying amount of an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The Trust does not expect any impact on its consolidated financial results as a result of the amendments to IAS 12.

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 Canadian dollars)	Note	**March 31, 2011**	December 31, 2010 (Note 5)	January 1, 2010 (Note 5)
Assets				
NON-CURRENT ASSETS				
Investment properties	9	**$ 2,813,568**	$2,330,005	$ 1,229,608
Equity accounted investments	10	**139,937**	123,384	92,304
Other non-current assets	11	**13,431**	14,271	19,634
		2,966,936	2,467,660	1,341,546
CURRENT ASSETS				
Amounts receivable	12	**5,075**	3,445	1,411
Prepaid expenses		**9,293**	3,333	2,031
Cash and cash equivalents		**6,790**	108,810	8,026
		21,158	115,588	11,468
Non-current assets held for sale	19	**—**	—	10,839
Total assets		**$2,988,094**	$ 2,583,248	$ 1,363,853
Liabilities				
NON-CURRENT LIABILITIES				
Debt	13	**$ 1,338,436**	$ 1,132,462	$ 730,907
Subsidiary redeemable units	14	**115,445**	105,148	71,674
Deposits		**8,813**	7,768	6,096
Deferred unit incentive plan	15	**9,310**	8,301	3,614
Convertible debentures conversion feature	13	**8,587**	6,489	3,416
		1,480,591	1,260,168	815,707
CURRENT LIABILITIES				
Debt	13	**88,991**	69,546	26,358
Amounts payable and accrued liabilities	16	**46,848**	30,041	14,764
Distributions payable	17	**9,354**	8,433	3,902
		145,193	108,020	45,024
Total liabilities	19	**$ 1,625,784**	$ 1,368,188	$ 860,731
Equity				
Unitholders' equity		**1,260,496**	1,118,058	543,387
Retained earnings (deficit)		**101,814**	97,002	(40,265)
Total equity	18	**1,362,310**	1,215,060	503,122
Total liabilities and equity		**$2,988,094**	$ 2,583,248	$ 1,363,853

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 comprehensive income

(unaudited) (in thousands of Canadian dollars)	Note	**For the three months ended March 31, 2011**	For the three months ended March 31, 2010 (Note 5)
Investment properties revenue		**$ 83,852**	$ 50,606
Investment properties operating expenses		**33,905**	20,491
Net rental income		**49,947**	30,115
Other income and expenses			
General and administrative		**(3,477)**	(2,447)
Share of net earnings from equity accounted investments	10	**3,947**	3,544
Fair value adjustments to investment properties	9	**19,756**	6,579
Gain on sale of investment properties	19	**—**	199
Acquisition related costs, net	7	**(5,734)**	—
Interest			
Debt	20	**(17,751)**	(12,454)
Subsidiary redeemable units	20	**(1,919)**	(1,908)
Interest and fee income		**433**	245
Fair value adjustments to financial instruments	21	**(13,231)**	(20,392)
Net income and comprehensive income for the period		**$ 31,971**	$ 3,481

See accompanying notes to the consolidated financial statements

Consolidated statements of changes in unitholders' equity

				Attributable to unitholders of the Trust	
(unaudited) (in thousands of Canadian dollars, except number of units)	Note	**Number of Units**	**Unitholders' equity**	**Retained earnings (deficit)**	**Total**
Balance at January 1, 2011	5	**45,912,519**	**$ 1,118,058**	**$ 97,002**	**$ 1,215,060**
Comprehensive income for the period		**—**	**—**	**31,971**	**31,971**
Distributions paid	17			**(17,805)**	**(17,805)**
Distributions payable	17	**—**	**—**	**(9,354)**	**(9,354)**
Public offering of REIT A Units	18	**4,749,500**	**143,910**	**—**	**143,910**
Distribution Reinvestment Plan	18	**126,203**	**3,883**	**—**	**3,883**
Conversion of debentures	18	**4,160**	**123**	**—**	**123**
Unit Purchase Plan	18	**2,289**	**70**	**—**	**70**
Deferred Units exchanged for REIT A Units	15	**23,402**	**737**	**—**	**737**
Issue costs	18	**—**	**(6,285)**	**—**	**(6,285)**
Balance at March 31, 2011		**50,818,073**	**$1,260,496**	**$ 101,814**	**$ 1,362,310**

				Attributable to unitholders of the Trust	
(unaudited) (in thousands of Canadian dollars, except number of units)	Note	Number of Units	Unitholders' equity	Retained earnings (deficit)	Total
Balance at January 1, 2010	5	21,263,713	$ 543,387	$ (40,265)	$ 503,122
Comprehensive income for the period		—	—	3,480	3,480
Distributions paid			—	(9,857)	(9,857)
Distributions payable				(5,765)	(5,765)
Public offering of REIT A Units	18	10,079,750	218,633	—	218,633
Distribution Reinvestment Plan	18	57,366	1,392	—	1,392
Unit Purchase Plan	18	1,002	25	—	25
Deferred Units exchanged for REIT A Units	15	4,178	109	—	109
Issue costs	18	—	(10,067)	—	(10,067)
Balance at March 31, 2010	5	31,406,009	$ 753,479	$ (52,407)	$ 701,072

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(unaudited) (in thousands of Canadian dollars)	Note	**For the three months ended March 31, 2011**	For the three months ended March 31, 2010 (Note 5)
Generated from (utilized in) operating activities			
Net income		**$ 31,971**	$ 3,481
Non-cash items:			
Acquisition related costs	7	**5,734**	—
Share of net earnings from equity accounted investments		**(3,947)**	(3,544)
Amortization of lease incentives		**619**	181
Amortization of financing costs		**374**	326
Amortization of fair value adjustments on acquired debt		**(193)**	(70)
Gain on sale of investment properties		**—**	(199)
Deferred unit compensation expense		**741**	494
Straight-line rent adjustment		**(1,109)**	(145)
Fair value adjustments to investment properties		**(19,756)**	(6,579)
Fair value adjustments to financial instruments		**13,231**	20,392
Depreciation on property and equipment		**117**	106
Reinvestment bonus on subsidiary redeemable units		**188**	172
		27,970	14,615
Investment in lease incentives and initial direct leasing costs		**(4,289)**	(2,280)
Transaction costs on acquired business	7	**(17,528)**	—
Interest paid on subsidiary redeemable units		**1,732**	1,732
Change in non-cash working capital	24	**3,780**	2,909
		11,665	16,976
Generated from (utilized in) investing activities			
Investment in building improvements		**(3,495)**	(1,265)
Acquisition of Realex Properties Corporation	7	**(154,380)**	—
Acquisition of investment properties	8	**(98,632)**	(217,720)
Acquisition deposit on investment properties		**(100)**	(600)
Proceeds from disposal of investment property		**—**	10,850
Distributions from (contributions to) equity accounted investments		**(6,066)**	1,238
Change in restricted cash		**(81)**	—
		(262,754)	(207,497)
Generated from (utilized in) financing activities			
Mortgages placed, net of costs		**29,780**	119,228
Mortgage principal repayments		**(7,487)**	(4,002)
Lump sum repayment		**(1,638)**	—
Term debt principal repayments		**(49)**	(20)
Draw on revolving credit facility		**31,854**	—
Repayment of revolving credit facility		**(17,000)**	—
Distributions paid on Units		**(22,285)**	(12,342)
Interest paid on subsidiary redeemable units		**(1,732)**	(1,732)
Units issued for cash, net of costs		**137,626**	208,566
		149,069	309,698
Increase (decrease) in cash and cash equivalents		**(102,020)**	119,177
Cash and cash equivalents, beginning of period		**108,810**	8,026
Cash and cash equivalents, end of period		**$ 6,790**	$ 127,203

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

Note 1
ORGANIZATION

Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dundee REIT include the accounts of Dundee REIT and its consolidated subsidiaries. Dundee REIT's portfolio comprises office and industrial properties located across Canada in Vancouver, Calgary, Edmonton, Yellowknife, Saskatoon, Regina, Toronto, Kitchener-Waterloo, London, Ottawa, Montreal and Halifax. A subsidiary of Dundee REIT performs the property management function.

The address of the Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "D.UN". The Trust's consolidated financial statements for the period ended March 31, 2011 were authorized for issue by the Board of Trustees on May 12, 2011, after which date the financial statements may be amended with board approval.

Unitholders' equity is described in Note 18; however, for simplicity, throughout the Notes reference is made to the following:

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

Units classified as a liability are described in Note 14; however, for simplicity, throughout the Notes reference is made to the following:

- "Subsidiary redeemable units", meaning the LP Class B Units, Series 1 of Dundee Properties Limited Partnership ("DPLP")

At March 31, 2011, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 988,747 REIT A Units and 3,487,841 subsidiary redeemable units (December 31, 2010 — 976,506 and 3,481,733, respectively).

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS"), "Interim Financial Reporting" ("IAS 34") and IFRS 1, "First-time adoption of International Financial Reporting Standards" ("IFRS 1"). Subject to certain transition elections disclosed in Note 5, the Trust has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Trust's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Trust's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of May 12, 2011, the date the Board of Trustees approved the statements. Any subsequent changes to IFRS that are given effect in the Trust's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, which is also the Trust's functional currency. All financial information has been rounded to the nearest thousand except when otherwise indicated. The accounting policies set out below have been applied consistently in all material respects. Certain new accounting standards and guidelines relevant to the Trust that were issued at the date of approval of the financial statements but not yet effective for the current accounting period are described in Note 6.

In these consolidated financial statements, the term "previous GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS. Comparative figures for 2010 in these financial statements have been restated to give effect to changes required for the adoption of IFRS. The consolidated financial statements have been prepared on the historical cost basis except for investment properties, the conversion feature of the convertible debentures, subsidiary redeemable units and the deferred unit incentive plan, which are measured at carrying values impacted by fair values.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dundee REIT and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Trust obtains control, and continue to be consolidated until the date that such control ceases. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany balances, income and expenses and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Joint arrangements

The Trust has two types of equity accounted investments: investments in joint ventures and co-ownerships.

A joint venture is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. Associates are all entities over which the Trust has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The Trust reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, equity accounted investments are carried in the consolidated balance sheet at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses, and for post-acquisition changes in any excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. The Trust's share of profits and losses is recognized in the share of net earnings from equity accounted investments in the statement of comprehensive income. At each period-end the Trust evaluates whether there is objective evidence that its interest in an equity accounted investment is impaired. The entire carrying amount of the equity accounted investment is compared to the recoverable amount, which is the higher of value in use or fair value less costs to sell. The recoverable amount of each investment is considered separately. When the Trust's share of losses of an equity accounted investment equals or exceeds its interest in that investment, the Trust discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Trust has incurred legal or constructive obligations to fund the entity or made payments on behalf of that entity. Accounting policies of equity accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Trust. The Trust reports its interests in co-ownerships using proportionate consolidation.

Where the Trust transacts with its equity investments, unrealized profits and losses are eliminated to the extent of the Trust's interest in the investment. Balances outstanding between the Trust and equity accounted investments in which it has an interest are not eliminated in the consolidated balance sheet.

Note 3
ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The significant accounting policies used in the preparation of these consolidated statements are described below:

Investment properties

Investment properties are initially recorded at cost and include office and industrial properties held to earn rental income and/or for capital appreciation, and properties that are being constructed or developed for future use as investment properties. Investment properties and properties under development are measured at fair value, determined based on available market evidence, at the balance sheet date. Related fair value gains and losses are recorded in comprehensive income in the period in which they arise. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future estimated cash outflows in respect of such properties. To determine fair value the Trust first considers whether it can be determined using current prices in an active market for a similar property in the same location and condition and subject to similar lease and other contracts. The Trust has concluded that there is insufficient market evidence for which to base investment property valuation using this approach. Therefore, the Trust has determined that it will use the income approach to determine fair value. The income approach is one in which the fair value is estimated by capitalizing the net rental income, which the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method whereby the net operating income is capitalized at the requisite overall capitalization rate; and/or the discounted cash flow method in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Active properties under development are measured using a discounted cash flow model, net of costs to complete, as of the balance sheet date. Development sites in the planning phases are measured using comparable market values for similar assets. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

The initial cost of properties under development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of capitalized borrowing costs is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until the date of practical completion where the property is substantially ready for its intended use or sale. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by management. Generally this occurs upon completion of construction and receipt of all necessary occupancy and other material permits.

If the Trust has pre-leased space at or prior to the start of the development, and the lease requires tenant improvements, which enhance the value of the property, practical completion is considered to occur when such improvements are completed.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties and are not amortized. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction of investment properties revenue.

Segment reporting

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other reportable segments. The Trust's primary format for segment reporting is based on business segments. The business segments, office and industrial properties, are based on the Trust's management and internal reporting structure. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The operating segments derive their revenue primarily from rental income from lessees. All of the Trust's business activities and operating segments are reported within the office and industrial property segments.

Other non-current assets

Other non-current assets include property and equipment, deposits, restricted cash, and straight-line rent receivables. Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their expected useful lives of 4—10 years. The residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year-end. Cost includes expenditures that are directly attributable to the acquisition and expenditures for replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to comprehensive income during the financial period in which they are incurred.

Other non-current assets are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Revenue recognition

The Trust accounts for leases with tenants as operating leases, as it has retained substantially all of the risks and benefits of ownership of its investment properties. Revenues from investment properties include base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease termination fees, parking income and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Other revenues are recorded as earned.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as tenant improvements and added to investment property. Lease incentives such as cash, rent-free periods and lessee or lessor owned improvements may be provided to lessees to enter into an operating lease. Where the lease incentives do not provide benefits beyond the initial lease term they are included in the carrying value of investment properties and are amortized as reduction of rental revenue on a straight-line basis over the term of the lease.

Business combinations

For acquisitions meeting the definition of a business, the purchase method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Trust's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust's share of the net assets acquired, the difference is recognized directly in the profit or loss for the year as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

Distributions

Distributions to the Trust's unitholders are recognized as a liability in the Trust's financial statements in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction of retained earnings.

Income taxes

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust intends to distribute all of its taxable income to its unitholders, which 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. The Trust intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future. As such, future taxes have not been recorded in these financial statements.

Unit-based compensation plan

The Trust has a Deferred Unit Incentive Plan ("DUIP"), as described in Note 15, that provides for the grant of deferred trust units and income deferred trust units to trustees, officers, employees, and affiliates and their service providers (including the asset manager). Unvested deferred units are recorded as a liability and compensation expense is recognized over the vesting period based upon the fair value of the units. Once vested, the liability is remeasured at each reporting date at the fair value of the corresponding REIT A Units with changes in fair value being recognized in comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes all short-term investments with an original maturity of three months or less, and excludes cash subject to restrictions that prevent its use for current purposes. Excluded from cash and cash equivalents are amounts held for repayment of tenant security deposits as required by various lending agreements. Deposits are included in other non-current assets.

Financial instruments

Designation of financial instruments

The following summarizes the Trust's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets		
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash and deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages	Other liabilities	Amortized cost
Convertible debentures — host instrument	Other liabilities	Amortized cost
Convertible debentures — conversion feature	Fair value through profit and loss	Fair value
Term debt	Other liabilities	Amortized cost
Subsidiary redeemable units	Other liabilities	Amortized cost
Deposits	Other liabilities	Amortized cost
Deferred unit incentive plan	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost

Financial assets

The Trust classifies its financial assets upon initial recognition as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs. Subsequently, financial assets are measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income within operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statement of comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment

loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Trust transfers substantially all risks and rewards of ownership.

Financial liabilities

The Trust classifies its financial liabilities upon initial recognition as either fair value through profit and loss or other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value (less directly attributable transaction costs). Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive income over the expected life of the debt. The Trust's financial liabilities that are classified as fair value through profit and loss are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value being recognized in comprehensive income.

Mortgages and term debt are initially recognized at fair value less attributable transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition mortgages and term debt are recognized at amortized cost. Borrowing costs that are directly attributable to investment properties under development are capitalized.

Upon issuance, convertible debentures are separated into two financial liability components: the host instrument and the conversion feature. This presentation is required because the conversion feature permits the holder to convert the debenture into REIT Units that, except for the available exemption under IAS 32, "Financial Instruments: Presentation" ("IAS 32"), would normally be presented as a liability because of the redemption feature attached to the REIT A Units. Both components are measured based on their respective estimated fair values at the date of issuance. The fair value of the host instrument is net of any related transaction costs. The fair value of the host instrument is estimated based on the present value of future interest and principal payments due under the terms of the debenture using a discount rate for similar debt instruments without a conversion feature. Subsequent to initial recognition, the host instrument is accounted for at amortized cost. The conversion feature is accounted for at fair value with changes in fair value recognized in comprehensive income each period. When the holder of a convertible debenture converts its interest into REIT A units, the host instrument and conversion feature are reclassed to unitholders' equity in proportion to the units converted over the total equivalent units outstanding.

The DUIP and the subsidiary redeemable units are measured at amortized cost because they are settled in REIT A Units and REIT B Units, which in accordance with IAS 32 are liabilities. Consequently, the DUIP and subsidiary units are remeasured each period to fair value, with changes in the liabilities being recorded in comprehensive income. Distributions paid on subsidiary redeemable units are recorded as interest expense in comprehensive income.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Interest on debt

Interest on debt includes coupon interest, amortization of premiums allocated to the conversion features of the convertible debentures, and amortization of ancillary costs incurred in connection with the arrangement of borrowings. Finance costs are amortized to interest expense unless they relate to a qualifying asset.

Unitholders' equity

The Trust classifies REIT Units as equity. Under IAS 32 the REIT Units are considered a puttable financial instrument because of the holder's option to redeem REIT Units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by Dundee REIT in any calendar month shall not exceed $50 unless waived by Dundee REIT's trustees at their sole discretion. The Trust has determined that the REIT Units can be classified as equity and not financial liabilities because the REIT Units have the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- REIT Units entitle the holder to a pro rata share of the Trust's net assets in the event of the Trust's liquidation. The Trust's net assets are those assets that remain after deducting all other claims on its assets.
- REIT Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the REIT Units for cash or another financial asset, the REIT Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the REIT Units over their life is based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the Trust over the life of the REIT Units.

REIT Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of REIT Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

Assets classified as held for sale

Assets and groups of assets and liabilities, which comprise disposal groups, are categorized as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification, and changes to the plan are unlikely. Where an asset or disposal group is acquired with a view to resale, it is classified as a non-current asset held for sale if the disposal is expected to take place within one year of the acquisition, and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition.

Note 4

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management bases its judgments and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which form the basis of the carrying values of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Critical accounting judgments

The following are the critical judgments that have been made in applying the Trust's accounting policies that have the most significant effect on the amounts in the financial statements:

Investment properties

Critical judgments are made by the Trust in respect of the fair values of investment properties and the investment properties held in equity accounted investments. The fair value of these investments is reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced and nationally recognized and qualified in the professional valuation of office and industrial buildings in the geographic areas of the properties held by the Trust. Judgment is also applied in determining the extent and frequency of independent appraisals. At each reporting period some of the properties in the Trust's portfolio, determined on a rotational basis, will be valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property, and for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

Leases

In applying the revenue recognition policy, the Trust makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as additions to the investment property.

The Trust also makes judgments in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Trust is lessor, are operating or finance leases. The Trust has determined that all of its leases are operating leases.

Compliance with Real Estate Investment Trust ("REIT") legislation

In order to continue to be taxed as a mutual fund trust, the Trust needs to maintain its REIT status. In 2007, the Trust undertook certain transactions to qualify as a REIT under the Specified Investment Flow Through ("SIFT") rules in the Canadian Income Tax Act.

The Trust's current and continuing qualification as a REIT depends on its ability to meet the various requirements imposed under the SIFT rules, which relate to matters such as the Trust's organizational structure and the nature of its assets and revenues. The Trust applies judgment in determining whether it continues to qualify as a REIT under the SIFT rules.

Treatment of REIT Units

The Trust has considered the criteria in IAS 32 to classify the REIT Units as equity because of the puttable exemption.

Treatment of subsidiary redeemable units

The Trust has considered the criteria in IAS 32 to classify the subsidiary redeemable units as a liability, because they do not have identical features to REIT Units, and are not the most subordinated instrument.

Business combinations

Accounting for business combinations under IFRS 3, "Business Combinations" ("IFRS 3") only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

The Trust applies judgment in determining if the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

Classification of joint ventures and associates

The Trust makes judgments as to whether the joint ventures, partnerships and co-ownerships provide it with joint control, significant influence, or no influence.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, and property and equipment.

Estimates and assumptions

The Trust makes estimates and assumptions that affect carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the financial statements relate to the following:

Valuation of investment property

The Trust's critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rentals, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of property investments may change materially.

Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the deferred unit incentive plan, the convertible debenture conversion feature, and the fair value disclosure of the convertible debentures, mortgages and term debt. The critical assumptions underlying the fair value measurements and disclosures include the market price of REIT Units, market interest rates for mortgages, term debt and unsecured debentures.

For certain financial instruments, including cash and cash equivalents, amounts receivable, amounts payable and accrued liabilities, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages and term debt are determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures uses quoted market prices from an active market.

Note 5
TRANSITION TO IFRS

The Trust has adopted IFRS effective January 1, 2010 (the "transition date") and has prepared its opening IFRS balance sheet as at that date. Prior to the adoption of IFRS the Trust prepared its financial statements in accordance with previous GAAP. The Trust's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. The Trust will ultimately prepare its opening IFRS balance sheet by applying IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening IFRS balance sheet and the December 31, 2010 comparative balance sheet presented in the consolidated financial statements for the year ending December 31, 2011 may differ from those presented in these interim consolidated financial statements.

Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Trust has applied certain of the optional exemptions from full retrospective application of IFRS. The elected exemptions adopted by the Trust are described below.

Cumulative translation differences

The Trust has elected to set the previous GAAP accumulated cumulative translation account, which is included in accumulated other comprehensive income at December 31, 2009, to zero at January 1, 2010.

Business combinations

The Trust has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations completed prior to January 1, 2010.

Financial instruments: Presentation

IAS 32 requires an entity to split a compound financial instrument at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of IAS 32 involves separating two portions of equity. The first portion is in retained earnings and represents the cumulative interest accreted on the liability component. The other portion represents the unitholders' equity component. However, in accordance with this IFRS, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to IFRS. The Trust has elected not to separate the retained earnings and unitholders' equity components as it relates to the conversion feature on the convertible debentures for debentures converted prior to January 1, 2010.

Reconciliation of equity and comprehensive income as previously reported under previous GAAP to IFRS

The following is a reconciliation of the Trust's total equity reported in accordance with previous GAAP to its total equity in accordance with IFRS at the transition date:

	Note	Unitholders' equity	Retained earnings (deficit)[1]	Accumulated other comprehensive loss	Total
As reported under previous GAAP — December 31, 2009		$ 607,282	$ (201,521)	$ (6,609)	$ 399,152
Differences increasing (decreasing) reported amount:					
Investment properties	(i)	—	143,491	—	143,491
Equity accounted investments	(ii)	—	32,574	—	32,574
Cumulative foreign currency translation adjustments	(iii)	—	(6,609)	6,609	—
Deferred unit incentive plan	(iv)	(1,069)	(2,545)	—	(3,614)
Subsidiary redeemable units	(v)	(60,266)	(11,408)	—	(71,674)
Conversion feature of convertible debentures	(vi)	(2,560)	(856)	—	(3,416)
Reversal of impairment on non-current assets held for sale	(iii)	—	6,609	—	6,609
As reported under IFRS — January 1, 2010		$ 543,387	$ (40,265)	$ —	$ 503,122

[1] Under previous GAAP, retained earnings was presented as cumulative net income and cumulative distributions.

The following is a reconciliation of the Trust's total equity reported in accordance with previous GAAP to its total equity in accordance with IFRS at March 31, 2010:

	Note	Unitholders' equity	Retained earnings (deficit)[1]	Total
As reported under previous GAAP — March 31, 2010		$ 817,657	$ (211,440)	$ 606,217
Differences increasing (decreasing) reported amount:				
Investment properties	(i)	—	162,987	162,987
Equity accounted investments	(ii)	—	31,523	31,523
Deferred unit incentive plan	(iv)	(1,180)	(3,897)	(5,077)
Subsidiary redeemable units	(v)	(60,438)	(29,175)	(89,613)
Conversion feature of convertible debentures	(vi)	(2,560)	(2,405)	(4,965)
As reported under IFRS — March 31, 2010		$ 753,479	$ (52,407)	$ 701,072

[1] Under previous GAAP, retained earnings was presented as cumulative net income and cumulative distributions.

The following is a reconciliation of the Trust's total equity reported in accordance with previous GAAP to its total equity in accordance with IFRS at December 31, 2010:

	Note	Unitholders' equity	Retained earnings (deficit)[1]	Total
As reported under previous GAAP — December 31, 2010		$ 1,183,705	$ (260,904)	$ 922,801
Differences increasing (decreasing) reported amount:				
Investment properties	(i)	—	357,847	357,847
Equity accounted investments	(ii)	—	54,350	54,350
Deferred unit incentive plan	(iv)	(2,134)	(6,167)	(8,301)
Subsidiary redeemable units	(v)	(60,980)	(44,168)	(105,148)
Conversion feature of convertible debentures	(vi)	(2,533)	(3,956)	(6,489)
As reported under IFRS — December 31, 2010		$ 1,118,058	$ 97,002	$ 1,215,060

[1] Under previous GAAP, retained earnings was presented as cumulative net income and cumulative distributions.

The following is a reconciliation of the Trust's comprehensive income reported in accordance with previous GAAP to its comprehensive income in accordance with IFRS for the three months ended March 31, 2010:

	Note	For the three months ended March 31, 2010
Comprehensive income as reported under previous GAAP		$ 7,611
Differences increasing (decreasing) reported amount:		
Investment properties	(i)	19,493
Equity accounted investments	(ii)	1,556
Fair value of investment property held for sale	(vii)	(2,603)
Deferred unit incentive plan	(iv)	(1,352)
Interest expense and remeasurement of subsidiary redeemable units	(v)	(19,675)
Remeasurement of the convertible debenture conversion option	(vi)	(1,549)
Comprehensive income as reported under IFRS		$ 3,481

The following is a reconciliation of the Trust's comprehensive income reported in accordance with previous GAAP to its comprehensive income in accordance with IFRS for the year ended December 31, 2010:

	Note	For the year ended December 31, 2010
Comprehensive income as reported under previous GAAP		$ 26,990
Differences increasing (decreasing) reported amount:		
Investment properties	(i)	214,359
Equity accounted investments	(ii)	24,380
Fair value of investment property held for sale	(vii)	(2,603)
Deferred unit incentive plan	(iv)	(3,622)
Interest expense and remeasurement of subsidiary redeemable units	(v)	(40,409)
Remeasurement of the convertible debenture conversion option	(vi)	(3,100)
Comprehensive income as reported under IFRS		$ 215,995

Notes to the reconciliations

(i) Investment properties

Under previous GAAP, revenue properties including office and industrial properties were recorded at cost and depreciated over their estimated lives. Under IAS 40, "Investment Property" ("IAS 40"), the Trust has elected to measure investment property at fair value and records changes in fair value in comprehensive income during the period of change. In addition, intangible assets and liabilities recognized on the acquisition of revenue property were recognized under previous GAAP, which is not required when applying the fair value model under IFRS as the value of the intangible assets and liabilities are considered in the determination of the fair value of the investment properties. Accordingly, on the date of transition, all intangible assets and intangible liabilities, net of accumulated amortization, $57,558 and $(35,031), respectively, were derecognized by reclassifying them to investment property (December 31, 2010 — $143,413 and $(47,749)). Similarly, deferred costs of $39,589 (December 31, 2010 — $76,099), net of accumulated amortization, that were recorded separately under previous GAAP have been included in the carrying balance of investment property. Property and equipment of $1,168 (December 31, 2010 — $1,262), net of accumulated amortization, was included with rental properties under previous GAAP and has been reclassified to other non-current assets. Finally, investment

property related to equity accounted investments, inclusive of intangible assets, intangible liabilities, deferred costs of $155,983 (December 31, 2010 — $154,385) was reclassified to equity accounted investments. The effect is to increase the carrying amount of investment properties by $143,491 at the date of transition and $19,493 and $214,358 for March 31, 2010 and December 31, 2010, respectively, with a corresponding adjustment to retained earnings which represents the cumulative unrealized gain in respect of the Trust's investment properties. The effect on comprehensive income for 2010 is to increase "change in fair value of investment property" under IFRS and remove amortization related to revenue properties. "Revenue properties" as described under previous GAAP is described as "Investment property" on adoption of IFRS.

(ii) Equity accounted investments

Under previous GAAP, the Trust accounted for its investments in joint ventures under the proportionate consolidation method. In accordance with IAS 31, "Interests in Joint Ventures" ("IAS 31") the Trust has opted to equity account for investments in joint ventures. The effect is to remove the proportionately consolidated assets and liabilities, of $199,511 and $(102,207) on transition (December 31, 2010 — $221,410 and $(98,026)) of the respective joint ventures and record a corresponding equity accounted investment on the balance sheet. This adjustment includes fair value adjustments on transition of $32,574, determined in a similar manner as for investment properties, which include $2,603 related to non-current assets held for sale on the date of transition, and $1,556 and $24,379 in the statement of comprehensive income for the three-month period ended March 31, 2010 and the year ended December 31, 2010, respectively. The effect on the statement of comprehensive income is to remove the proportionately consolidated revenues and expenses and reflect the Trust's share of earnings on its equity accounted investments in one line.

(iii) Cumulative foreign currency translation adjustments

Under previous GAAP, exchange gains and losses accumulated in other comprehensive income on foreign operations were included as part of the carrying amount of the investment in the foreign operation when evaluating the investment for impairment. As the Trust has elected to set the cumulative translation account to zero at January 1, 2010, the investment had a lower carrying amount which resulted in the reversal of a portion of the impairment charge recorded in net income (loss) from discontinued operations for the year ended December 31, 2009. As a result, an adjustment of $6,609 was recorded to the opening deficit at January 1, 2010.

(iv) Deferred unit incentive plan

Under previous GAAP, grants of deferred units in respect of the deferred unit incentive plan for trustees, officers, and certain employees as well as affiliates and service providers, including the asset manager, were recognized as compensation expense evenly over the three- or five-year vesting period based on the value of the deferred unit on the date of grant. Upon adoption of IFRS, the balance related to the deferred unit incentive plan recorded in equity was reclassified to non-current liabilities and compensation expense is recognized over the vesting period based upon the fair value of the deferred units. Changes in the non-current liability in respect of the vested deferred units are as a result of unit price movements, and are recorded in fair value adjustments to financial instruments. The effect is to recognize a charge to opening retained earnings of $2,545 on transition to reflect the measurement of the liability at the market price of REIT A Units and the vesting of deferred units over the vesting period as each portion of the grant vests, on a straight-line basis. Additionally, amounts previously recognized in unitholders' equity relating to the deferred units have been reclassified to liabilities.

(v) Subsidiary redeemable units

Under previous GAAP, the Trust accounted for its subsidiary redeemable units as a component of unitholders' equity. In accordance with IAS 32, "Financial Instruments — Classification" ("IAS 32"), these units have been reclassified from unitholders' equity to liabilities because they are not the least subordinated instrument of units in issuance and because there is a redemption feature at the option of the holder. Accordingly, distributions on subsidiary redeemable units are recorded as interest expense in comprehensive income. The Trust made an adjustment to comprehensive income for the three-month period ended March 31, 2010 of $1,908 to reflect this. At each reporting period the subsidiary redeemable units are remeasured to fair value using the fair value of REIT Units; on transition to IFRS this resulted in an adjustment to opening retained earnings of $11,408 and comprehensive income for the three month period ended March 31, 2010 of $17,767.

(vi) Conversion feature of convertible debentures

The Trust is required under IAS 32 to present the conversion feature of the convertible debentures as a liability measured at fair value. Upon initial adoption of IFRS, the conversion feature is recorded separately from the conversion debenture ("host contract"). Under previous GAAP, the conversion feature was recorded in unitholders' equity upon the issuance of convertible debentures. The equity component of $2,560 on January 1, 2010 has been reclassified to a liability, with a remaining fair value adjustment of $(856) being recorded in retained earnings. Under IFRS the conversion feature will be adjusted to unitholders' equity upon conversion of a debenture. The conversion feature is remeasured each reporting period with changes in the fair value of the conversion feature being recorded in comprehensive income in "fair value adjustment to financial instruments".

(vii) Fair value adjustment on property held for sale

Under IAS 40 the Trust has remeasured its investment property, including investment property that has been classified as an asset held for sale at fair value on transition to IFRS. Accordingly, the Trust recognized a fair value increase of $2,603 in an investment property classified as held for sale at January 1, 2010, which was subsequently sold on March 1, 2010. This resulted in a decrease to the gain on disposal of rental properties recognized under previous GAAP.

Statement of cash flows

Cash and cash equivalents have been reduced by $3,996 as at January 1, 2010 (December 31, 2010 — $8,494) under IFRS as a result of equity accounting treatment applied to jointly controlled entities. Cash flows from operating activities for the three-month period ending March 31, 2010 have decreased by $4,053 from previous GAAP primarily resulting from: the reclassification of interest expense on subsidiary redeemable units from financing, the reclassification of additions to tenant improvements from investing cash flows, and from the effects of accounting for joint ventures as equity accounted investments. Cash outflows from investing activities decreased by $3,669 resulting from the effects of accounting for joint ventures as equity accounted investments including the removal of proportionately consolidated investment property additions and the recognition of distributions from the investments, as well as the reclassification of additions to tenant improvements to operating cash flows. Cash flows from financing activities increased by $453 resulting from the effects of equity accounted investments on the repayment of mortgages and the reclassification of interest expense on subsidiary redeemable units, previously classified as a financing activity.

Note 6

FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39, "Financial instruments: Recognition and measurements" ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Trust is currently evaluating the impact of IFRS 9 on its financial statements.

Income taxes

In December 2010, the IASB made amendments to IAS 12, "Income Taxes" ("IAS 12") that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, "Investment Property". The amendments introduce a rebuttable presumption that, for purposes of determining deferred tax consequences associated with temporary differences relating to investment properties, the carrying amount of an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The Trust does not expect any impact on its consolidated financial results as a result of the amendment to IAS 12.

Note 7

BUSINESS COMBINATIONS

On February 8, 2011 Dundee REIT acquired all of the outstanding shares of Realex Properties Corporation ("Realex") for $154,380. At that date, the fair value of the net assets and liabilities acquired equaled $166,174.

Cash	$ 154,380
Total consideration transferred	$ 154,380
The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values	
Investment properties	$ 352,609
Investments in joint ventures	6,582
Other non-current assets	2,326
Amounts receivable	2,987
Cash and cash equivalents	211
Amounts payable and accrued liabilities assumed	(9,060)
Assumed debt	(189,481)
Total identifiable net assets	166,174
Fair value of consideration	154,380
Acquisition gain	$ 11,794

The Trust incurred $8,673 in transaction costs, included in acquisition related costs in comprehensive income, for the three months ended March 31, 2011. An additional $8,855 of acquisition-related costs was incurred as a result of contracts that Realex had in place that were triggered by a change in control. An acquisition gain of $11,794 has been recognized in the consolidated statement of comprehensive income for the same period.

The fair value of amounts receivable is $2,987 and includes tenant receivables with a fair value of $1,507.

During the quarter ended March 31, 2011, the Trust recognized $7,822 of revenue and $2,931 of comprehensive income before fair value adjustments, related to the acquisition of Realex. Had the acquisition of Realex occurred on January 1, 2011, the Trust would have recognized $13,373 of revenue and $4,630 of comprehensive income during the three month period ended March 31, 2011.

The initial accounting for the assets and liabilities recognized with respect to the acquisition of Realex has been completed provisionally and has not been finalized; and is therefore subject to adjustment.

Note 8
PROPERTY ACQUISITIONS

Detailed below are the acquisitions completed during the periods ended March 31, 2011 and March 31, 2010.

For the period ended March 31, 2011	Property type	Interest acquired (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Saskatoon Square, Saskatoon	office	100	$ 51,349	$ —	January 4, 2011
400 Cumberland, Ottawa	office	100	39,179	—	January 17, 2011
55 King Street West, Kitchener	office	100	13,506	—	March 31, 2011
Total		100	$104,034	$ —	

For the period ended March 31, 2010	Property type	Interest acquired (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Adelaide Place, Toronto	office	100	$ 217,378	$ —	January 18, 2010
Aviva Corporate Centre, Toronto	office/redevelopment	100	45,930	30,278	February 10, 2010
Total		100	$263,308	$ 30,278	

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

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Investment properties		
Office	**$ 104,034**	$ 28,899
Industrial	**—**	229,394
Properties under development	**—**	5,015
Total purchase price	**$ 104,034**	$ 263,308
The consideration paid consists of:		
Cash		
Paid during the year	**$ 98,632**	$ 217,720
Deposits applied	**3,800**	13,755
	102,432	231,475
Assumed mortgages at fair value	**—**	30,278
Assumed non-cash working capital	**1,602**	1,555
Total consideration	**$ 104,034**	$ 263,308

Note 9
INVESTMENT PROPERTIES

	Note	For the three-month period ended March 31, 2011	For the year ended December 31, 2010
Balance at beginning of period		$ 2,330,005	$ 1,229,608
Additions			
Acquisitions from business combinations	7	352,609	—
Property acquisitions	8	104,034	922,171
Building improvements		3,495	12,541
Lease incentives and initial direct leasing costs		4,288	16,541
Amortization of lease incentives		(619)	(850)
Disposals		—	(9,682)
Properties reclassified as held for sale		—	10,104
Net gain from fair value adjustments to investment properties		19,756	149,572
Balance at period end		**$ 2,813,568**	**$ 2,330,005**

The Trust obtained valuations of selected properties prepared by qualified valuation professionals and considered the results when arriving at its own conclusions on values. The final investment property valuation included $9,246 (December 31, 2010 — $8,180, January 1, 2010 — $4,499) related to straight-line rent receivable, which has been reclassified to other non-current assets. Accordingly, investment properties have been reduced by this value.

The key valuation metrics for investment properties, including those accounted for as equity accounted investments, are set out below:

	March 31, 2011		December 31, 2010		January 1, 2010	
	Range %	Average %	Range %	Average %	Range %	Average %
Office						
Capitalization rate	6.00—9.25	7.28	6.25—9.50	7.16	6.75—9.50	8.01
Discount rate	8.00—10.50	8.93	7.50—10.50	8.04	8.00—10.50	8.66
Terminal rate	6.00—9.75	7.97	6.50—9.75	7.31	7.25—9.75	7.97
Industrial						
Capitalization rate	6.25—9.50	7.52	6.25—8.00	7.42	7.25—8.50	7.61
Discount rate	7.75—9.50	8.87	7.75—9.75	8.81	8.50—10.00	8.75
Terminal rate	7.00—9.00	7.95	7.25—9.00	7.93	7.75—9.00	7.85
Overall						
Capitalization rate	**6.00—9.50**	**7.31**	**6.25—9.50**	**7.20**	**6.75—9.50**	**8.00**
Discount rate	**7.75—10.50**	**8.92**	**7.50—10.50**	**8.12**	**8.00—10.50**	**8.68**
Terminal rate	**6.00—9.75**	**7.96**	**6.50—9.75**	**7.38**	**7.25—9.75**	**7.95**

Commercial properties with an aggregate fair value including straight-line rent of $nil at March 31, 2011 (December 31, 2010 — $692,750, January 1, 2010 — $730,545) were valued by qualified valuation professionals.

Investment properties including equity accounted investments with a fair value of $2,630,284 (December 31, 2010 — $2,205,031) are pledged as security for mortgages. Investment properties with a fair value of $37,750 (December 31, 2010 — $37,950) are pledged as first-ranking collateral, and an investment property with a fair value of $63,950 (December 31, 2010 — $63,800) is pledged as second-ranking collateral against the demand revolving credit facility with a maximum of $40,000 available to draw. Three investment properties with a fair value of $162,933 are pledged as first-ranking collateral against the demand revolving credit facility with a maximum of $22,000 available to draw.

Note 10
JOINT ARRANGEMENTS

	March 31, 2011	December 31, 2010	January 1, 2010
Investments in joint ventures	**$ 139,937**	$ 123,384	$ 92,304

Investments in joint ventures

The Trust participates in unincorporated joint ventures and partnerships (the "joint ventures") with other parties and accounts for its interests using the equity accounting method.

Details of the Trust's joint ventures

			Ownership interest		
Name	Principal activity	Location	**March 31, 2011 (%)**	December 31, 2010 (%)	January 1, 2010 (%)
IBM Corporate Center	Investment property	Calgary, Alberta	**33**	33	33
Telus Tower	Investment property	Calgary, Alberta	**50**	50	50
110 Sheppard Ave. E.	Investment property	Toronto, Ontario	**—**	—	50
State Street Financial Centre	Investment property	Toronto, Ontario	**50**	50	50
Greenbriar Mall	Investment property	US	**—**	—	50
Riverbend Atrium	Investment property	Calgary, Alberta	**25**	—	—
Stockman Centre	Investment property	Calgary, Alberta	**25**	—	—
Plaza 124	Investment property	Edmonton, Alberta	**25**	—	—
Capital Centre	Investment property	Edmonton, Alberta	**25**	—	—
Morgex Building	Investment property	Edmonton, Alberta	**25**	—	—

The following amounts represent the total assets and liabilities of investment property joint ventures in which the Trust participates and its ownership interest of the assets, liabilities, revenues, expenses and cash flows therein.

	March 31, 2011	December 31, 2010	January 1, 2010
Non-current assets			
Investment properties	**$ 230,780**	$ 208,736	$ 185,739
Other non-current assets	**4,341**	4,313	4,678
	235,121	213,049	190,417
Current assets			
Amounts receivable	**(111)**	(214)	(189)
Prepaid expenses	**92**	81	88
Cash and cash equivalents	**7,545**	8,494	4,195
	7,526	8,361	4,094
Total assets	**$ 242,647**	$ 221,410	$ 194,511
Non-current liabilities			
Debt	**$ 61,721**	$ 56,004	$ 97,410
Deposits	**140**	64	82
	61,861	56,068	97,492
Current liabilities			
Debt	**38,705**	38,839	2,385
Amounts payable and accrued liabilities	**2,144**	3,119	2,330
	40,849	41,958	4,715
Total liabilities	**$ 102,710**	$ 98,026	$ 102,207
Net assets	**$ 139,937**	$ 123,384	$ 92,304

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Revenues	**$ 7,186**	$ 7,246
Expenses		
Operating	**3,107**	3,157
General and administrative	**43**	—
Interest	**1,316**	1,263
Income before fair value gains	**2,720**	2,826
Fair value adjustments to investment properties	**1,227**	718
Income	**$ 3,947**	$ 3,544

		For the three months ended March 31, 2011		For the three months ended March 31, 2010
Cash flow generated from (utilized in):				
Operating activities	**$**	**1,554**	$	2,226
Investing activities		**(118)**		(551)
Financing activities		**(2,385)**		(1,745)
Decrease in cash and cash equivalents	**$**	**(949)**	$	(70)

Co-owned properties

The Trust's interests in co-owned properties are accounted for on a proportionate consolidated basis.

Name	Principal activity	Location	Ownership interest March 31, 2011 (%)
10199-101st Street NW	Investment property	Edmonton, Alberta	50
St. Albert Trail Centre	Investment property	Edmonton, Alberta	50
GE Turbine Building	Investment property	Sherwood Park, Alberta	50
Centre 70	Investment property	Calgary, Alberta	15

		March 31, 2011
Non-current assets		
Investment properties	$	30,981
Other non-current assets		(3)
		30,978
Current assets		
Amounts receivable		167
Prepaid expenses		17
Cash and cash equivalents		514
		698
Total assets	$	31,676
Non-current liabilities		
Debt	$	24,928
Deposits		222
		25,150
Current liabilities		
Debt		716
Amounts payable and accrued liabilities		411
		1,127
Total liabilities	$	26,277
Net assets	$	5,399

		For the three months ended March 31, 2011
Revenues	$	606
Expenses		648
Loss before fair value gains		(42)
Fair value adjustments to investment properties		(11)
Income (loss)	$	(53)

Note 11

OTHER NON-CURRENT ASSETS

		March 31, 2011		December 31, 2010		January 1, 2010
Property and equipment (net of accumulated depreciation of $824 (December 31, 2010 — $707, January 1, 2010 — $834)	**$**	**1,617**	$	1,251	$	1,155
Deposits		**1,057**		4,741		13,881
Restricted cash		**1,511**		99		99
Straight-line rent receivable		**9,246**		8,180		4,499
Total	**$**	**13,431**	$	14,271	$	19,634

Deposits largely represent amounts provided by the Trust in connection with property acquisitions. Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages.

The Trust leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between four and ten years.

Note 12

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments aggregating to $4,304 (December 31, 2010 — $3,664, January 1, 2010 — $2,383).

		March 31, 2011		December 31, 2010		January 1, 2010
Trade receivables	**$**	**4,092**	$	3,110	$	3,125
Less: Provision for impairment of trade receivables		**(617)**		(547)		(1,093)
Trade receivables, net		**3,475**		2,563		2,032
Other amounts receivable (payable)		**1,600**		882		(621)
	$	**5,075**	$	3,445	$	1,411

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

	2011	2010
As at January 1	**$ 547**	$ 1,093
Provision for impairment of trade receivables	**68**	8
Receivables written off during the period as uncollectible	**(96)**	(148)
Reduction of other receivables written off during the period	**(56)**	(23)
Properties acquired in a business combination	**154**	—
As at March 31	**$ 617**	$ 930

The carrying amount of amounts receivable approximates fair value due to their current nature. As at March 31, 2011, trade receivables of approximately $356 were past due but not considered impaired. The Trust has ongoing relationships with these tenants and default is not expected.

Note 13
DEBT

	March 31, 2011	December 31, 2010	January 1, 2010
Mortgages	**$ 1,280,861**	$ 1,070,800	$ 627,106
Convertible debentures	**131,033**	130,867	129,940
Demand revolving credit facility	**14,854**	—	—
Term debt	**679**	341	219
Total	**$ 1,427,427**	$ 1,202,008	$ 757,265
Less: Current portion	**88,991**	69,546	26,358
Non-current debt	**$ 1,338,436**	$ 1,132,462	$ 730,907

Mortgages are secured by charges on specific investment properties (refer to note 9).

Convertible debentures comprise $120,176 of the 6.0% Debentures, $7,756 of the 5.7% Debentures and $3,101 of the 6.5% Debentures (December 31, 2010 — $119,923, $7,752 and $3,192, respectively, and January 1, 2010 — $118,904, $7,743 and $3,293, respectively).

On January 14, 2008, the Trust issued $125,000 principal amount convertible unsecured subordinated debentures (the "6.0% Debentures"). The 6.0% Debentures bear interest at 6.0% per annum, payable semi-annually on June 30 and December 31 each year, and mature on December 31, 2014. Each 6.0% Debenture is convertible at any time by the debenture holder into 24.15459 REIT A Units, per one thousand dollars of face value, representing a conversion price of $41.40 per unit. 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. The 6.0% Debentures were initially recorded on the consolidated balance sheet as debt of $122,840 less costs of $5,800. As at March 31, 2011, the outstanding principal amount is $124,965 (December 31, 2010 — $124,965, January 1, 2010 — $125,000).

On April 1, 2005, the Trust issued $100,000 principal amount convertible unsecured subordinated debentures (the "5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, and mature on March 31, 2015. Each 5.7% Debenture is convertible at any time by the debenture holder into 33.33 REIT A Units, per one thousand dollars of face value, representing a conversion price of $30.00 per unit. On or after March 31, 2009, but prior to March 31, 2011, the 5.7% Debentures may be redeemed by the Trust in whole or in part at a price equal to the principal amount plus accrued and unpaid interest, provided that the market price for the Trust's units is not less than $37.50. On or after March 31, 2011, the 5.7% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. The 5.7% Debentures were initially recorded on the consolidated balance sheet as debt of $98,800 less costs of $4,558. As at March 31, 2011, the outstanding principal amount is $7,806 (December 31, 2010 — $7,806, January 1, 2011 — $7,806).

On June 21, 2004, the Trust issued $75,000 principal amount convertible unsecured subordinated debentures (the "6.5% Debentures"). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually on June 30 and December 31 each year, and mature on June 30, 2014. Each 6.5% Debenture is convertible at any time by the debenture holder into 40 REIT A Units, per one thousand dollars of face value, representing a conversion price of $25.00 per unit. On or after June 30, 2010, the 6.5% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. The 6.5% Debentures were initially recorded on the consolidated balance sheet as debt of $74,400 less costs of $3,605. As at March 31, 2011, the outstanding principal amount is $3,245 (December 31, 2010 — $3,245, January 1, 2010 — $3,488).

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40,000, bearing interest generally at the bank prime rate (3.0% as at March 31, 2011) plus 1.5% or bankers' acceptance rates plus 3.0%. The facility is secured by a first-ranking collateral mortgage on two of the Trust's properties and a second-ranking collateral mortgage on one property. As at March 31, 2011, the formula-based amount available under this facility was $36,075, less $14,854 drawn against the facility and $1,540 drawn in the form of letters of guarantee (December 31, 2010 — $1,540 drawn, January 1, 2010 — $1,090 drawn). The facility, which expired on April 30, 2011, was renewed as of April 27, 2011.

In addition, through the acquisition of Realex Properties Corporation, a demand revolving credit facility is available up to a maximum not to exceed $22,000, bearing interest generally at the bank prime rate (3.0% as at March 31, 2011) plus 2.75%. The facility is secured by a second-ranking collateral mortgage on three of the Trust's properties.

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

	Weighted average interest rates				Debt amount		
	March 31, 2011	December 31, 2010	January 1, 2010	Maturity dates	**March 31, 2011**	December 31, 2010	January 1, 2010
Fixed rate							
Mortgages	**5.25%**	5.23%	5.59%	2011—2019	**$ 1,280,861**	$ 1,070,800	$ 627,106
Convertible debentures	**7.03%**	7.03%	7.03%	2014—2015	**131,033**	130,867	129,940
Term debt	**7.54%**	8.77%	9.03%	2011	**679**	341	219
Total fixed rate debt	**5.42%**	5.43%	5.84%		**1,412,573**	1,202,008	757,265
Variable rate							
Demand revolving credit facility	**4.50%**	— %	— %	2012	**14,854**	—	—
Total variable rate debt	**4.50%**	— %	— %		**14,854**	—	—
Total debt	**5.40%**	5.43%	5.84%		**$ 1,427,427**	$ 1,202,008	$ 757,265

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Demand revolving credit facility	Convertible debentures	Total
2011 (remainder of year)	$ 65,842	$ 181	$ 14,854	$ —	$ 80,877
2012	154,707	269	—	—	154,976
2013	81,528	229	—	—	81,757
2014	103,484	—	—	128,210	231,694
2015	278,479	—	—	7,806	286,285
2016 and thereafter	595,167	—	—	—	595,167
	1,279,207	679	14,854	136,016	1,430,756
Financing costs and fair value adjustments	(957)	—	—	(4,983)	(5,940)
Fair value adjustments on assumed mortgages	2,611	—	—	—	2,611
	$ 1,280,861	$ 679	$ 14,854	$ 131,033	$ 1,427,427

The movement in the conversion feature on the convertible debentures for the period was as follows:

	For the three months ended March 31, 2011	For the year ended December 31, 2010
As at January 1	**$ 6,489**	$ 3,416
Conversion of convertible debentures to REIT A Units	**(19)**	(27)
Remeasurement of conversion feature	**2,117**	3,099
Ending balance	**$ 8,587**	$ 6,488

Note 14

SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

	For the three months ended March 31, 2011		For the year ended December 31, 2010	
	Number of units issued and outstanding	**Amount**	Number of units issued and outstanding	Amount
Opening balance, January 1	**3,481,733**	**$ 105,148**	3,454,188	$ 71,674
Distribution reinvestment plan	**6,108**	**188**	27,545	714
Remeasurement of carrying value	**—**	**10,109**	—	32,760
Ending balance	**3,487,841**	**$ 115,445**	3,481,733	$ 105,148

During the period the Trust incurred $1,919 (March 31, 2010 — $1,908) in distributions on the subsidiary redeemable units which are included as interest expense in comprehensive income (note 20).

DPLP, a subsidiary of Dundee REIT, is authorized to issue an unlimited number of LP Class B limited partnership units. These units have been issued in two series: subsidiary redeemable units and LP Class B Units, Series 2. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to the Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on REIT Units, Series B, or if no such distribution is declared, on REIT Units, Series A. Subsidiary redeemable units may be surrendered or indirectly exchanged on a one-for-one basis at the option of the holder, generally at any time, subject to certain restrictions, for REIT Units, Series B. The subsidiary redeemable units are not entitled to vote at any meeting of the limited partners of DPLP.

The LP Class B Units, Series 2 are entitled to vote at meetings of the limited partners of DPLP and each unit entitles the holder to a distribution equal to distributions on the LP Class B Units, Series 1. As at March 31, 2011, December 31, 2010 and January 1, 2010, all issued and outstanding LP Class B Units, Series 2 are owned indirectly by Dundee REIT and have been eliminated in the consolidated balance sheets.

Note 15
DEFERRED UNIT INCENTIVE PLAN

The movement in the deferred unit incentive plan balance was as follows:

	Deferred trust units
Opening liability at January 1, 2010	$ 3,614
Compensation during the period	2,283
REIT A Units issued for vested units	(483)
Remeasurements of carrying value	2,887
Total liability at December 31, 2010	8,301
Compensation during the period	741
REIT A Units issued for vested units	(737)
Remeasurements of carrying value	1,005
Total liability at March 31, 2011	**$ 9,310**

During the three months ended March 31, 2011, $741 of compensation expense was recorded (March 31, 2010 — $494) and included in general and administrative expenses. For the same period, $1,005 (March 31, 2010 — $1,077) was recognized in fair value adjustments to investment properties representing the remeasurement of the deferred unit incentive plan liability during the period.

	Deferred trust units	Income deferred trust units	Total units
Outstanding at December 31, 2010	**300,447**	**74,151**	**374,598**
Granted during the period	113,791	7,114	120,905
REIT A Units issued	(17,362)	(6,042)	(23,404)
Fractional units paid in cash	—	(13)	(13)
Outstanding and payable at March 31, 2011	**396,876**	**75,210**	**472,086**
Vested but not issued at March 31, 2011	**102,322**	**38,030**	**140,352**

On March 4, 2011, 100,500 deferred trust units were granted to trustees and senior managers. Of the units granted, 27,000 relate to key management personnel. A further 12,391 deferred trust units were granted to trustees who elected to receive their 2011 annual retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $31.60.

Note 16

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011	December 31, 2010	January 1, 2010
Trade payables	**$ 6,783**	$ 2,292	$ 1,552
Accrued liabilities and other payables	**29,251**	20,427	8,786
Accrued interest	**8,108**	5,402	3,643
Rent received in advance	**2,706**	1,920	783
Total	**$ 46,848**	$ 30,041	$ 14,764

Note 17

DISTRIBUTIONS

The following table breaks down distribution payments for the period ended March 31, 2011:

	REIT Units, Series A	REIT Units, Series B	Total
Paid in cash	$ 22,356	$ 9	$ 22,365
Paid by way of reinvestment in REIT A Units	3,883	—	3,883
Less: Payable at December 31, 2010	(8,440)	(3)	(8,443)
Plus: Payable at March 31, 2011	9,351	3	9,354
Total	$ 27,150	$ 9	$ 27,159

On March 16, 2011 a distribution for the month of March, payable on April 15, 2011, of $0.183 per unit, has been declared, amounting to a total distribution of $27,159. The amount payable at March 31, 2011, was satisfied on April 15, 2011, by $7,759 in cash, and $1,595 in connection with the issuance of 50,345 REIT A Units.

Dundee REIT's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is based on a percentage of distributable income. Distributable income is defined in the Declaration of Trust and the percentage is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or lesser than the estimates used for those prior periods. In addition, the trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust to the extent that such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts. The Trust declared distributions of $0.183 per unit per month, or $2.20 per year during 2010 and to date in 2011.

Note 18

UNITHOLDERS' EQUITY

	March 31, 2011		December 31, 2010		January 1, 2010	
	Number of units	**Amount**	Number of units	Amount	Number of units	Amount
REIT Units, Series A	**50,801,757**	**$ 1,361,839**	45,896,203	$ 1,214,604	21,247,397	$ 502,735
REIT Units, Series B	**16,316**	**471**	16,316	456	16,316	387
Total	**50,818,073**	**$ 1,362,310**	45,912,519	$ 1,215,060	21,263,713	$ 503,122

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. The Special Trust Units may only be issued to holders of subsidiary redeemable units.

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.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such subsidiary redeemable 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 subsidiary redeemable units to which they relate. At March 31, 2011, 3,487,841 Special Trust Units were issued and outstanding (December 31, 2010 — 3,481,733, January 1, 2010 — 3,454,188).

	REIT Units, Series A		REIT Units, Series B		Total	
	Number of units	Amount	Number of units	Amount	Number of units	Amount
Unitholders' equity, January 1, 2011	45,896,203	$ 1,214,604	16,316	$ 456	45,912,519	$ 1,215,060
Comprehensive income	—	31,947	—	24	—	31,971
Distributions paid	—	(17,799)	—	(6)	—	(17,805)
Distributions payable	—	(9,351)	—	(3)	—	(9,354)
Public offering of REIT A Units	4,749,500	143,910	—	—	4,749,500	143,910
Distribution Reinvestment Plan	126,203	3,883	—	—	126,203	3,883
Unit Purchase Plan	2,289	70	—	—	2,289	70
Deferred Units exchanged for REIT A Units	23,402	737	—	—	23,402	737
Conversion of Debentures	4,160	123	—	—	4,160	123
Issue costs	—	(6,285)	—	—	—	(6,285)
Unitholders' equity, March 31, 2011	50,801,757	$ 1,361,839	16,316	$ 471	50,818,073	$ 1,362,310

	REIT Units, Series A		REIT Units, Series B			Total
	Number of units	Amount	Number of units	Amount	Number of units	Amount
Unitholders' equity,						
January 1, 2010	21,247,397	$ 502,735	16,316	$ 387	21,263,713	$ 503,122
Comprehensive income	—	3,478	—	2	—	3,480
Distributions paid	—	(9,851)	—	(6)	—	(9,857)
Distributions payable	—	(5,762)	—	(3)	—	(5,765)
Public offering of REIT A Units	10,079,750	218,633	—	—	10,079,750	218,633
Distribution Reinvestment Plan	57,366	1,392	—	—	57,366	1,392
Unit Purchase Plan	1,002	25	—	—	1,002	25
Deferred Units exchanged for REIT A Units	4,178	109	—	—	4,178	109
Issue costs	—	(10,067)	—	—	—	(10,067)
Unitholders' equity,						
March 31, 2010	31,389,693	$ 700,692	16,316	$ 380	31,406,009	$ 701,072

Public offering of REIT A Units

On February 4, 2011, the Trust completed a public offering of 4,749,500 REIT A Units at a price of $30.30 per unit, for gross proceeds of $143,910. Costs related to the offering totaled $6,258 and were charged directly to unitholders' equity.

On March 16, 2010, the Trust completed a public offering of 3,965,000 REIT A Units at a price of $25.25 per Unit for gross proceeds of $100,116. On March 26, 2010, the Trust issued an additional 594,750 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriter for gross proceeds of approximately $15,017. Costs related to the offering totaled $5,180 and were charged directly to unitholders' equity.

On January 7, 2010, the Trust completed a public offering of 5,520,000 REIT A Units at a price of $18.75 per Unit, for gross proceeds of $103,500. Costs related to the offering were approximately $4,887.

Distribution Reinvestment and Unit Purchase Plan

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

For the three months ended March 31, 2011, 126,203 REIT A Units were issued under the DRIP for $3,883 (March 31, 2010 — 57,366 REIT A Units for $1,392).

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT A Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT A Units that may be acquired. The price per unit is calculated in a similar manner to the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the same period, 2,289 REIT A Units were issued under the Unit Purchase Plan for $70 (March 31, 2010 — 1,002 REIT A Units for $25).

Conversion of debentures

For the period ended March 31, 2011, there were 4,160 REIT A Units issued on the conversion of $104 principal amount of the 6.5% convertible debentures. During the period ended March 31, 2010, there were no conversions of any of the convertible debentures.

Normal course issuer bid

The Trust renewed its normal course issuer bid which commenced on November 3, 2010, and will remain in effect until the earlier of November 2, 2011, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 4,010,675 REIT A Units (representing 10% of the REIT's public float of 40,106,751 REIT A Units at the time of renewal through the facilities of the TSX). As of March 31, 2011, no purchases had been made. Based on the closing price of REIT A Units on March 31, 2011, the Trust may purchase up to $132,753 worth of REIT A Units.

For the period ended March 31, 2011, the Trust did not purchase any REIT A Units pursuant to its previous bid which expires on November 2, 2011.

Note 19
NON-CURRENT ASSETS HELD FOR SALE

On February 5, 2010, the Trust completed the sale of its 50% interest in Greenbriar Mall in Atlanta, Georgia, to its joint venture partner, for which it received net proceeds of $185. On March 1, 2010 the Trust sold its 50% interest in a joint venture office property located in Toronto, Ontario, for net proceeds of $10,665. The Trust is now discharged from all rights and obligations relating to both properties. A net gain of $199 was recognized for the period ended March 31, 2010.

	January 1, 2010
Equity accounted investments	$ 10,839
Net assets	$ 10,839

Note 20
INTEREST

Interest on debt

Interest on debt incurred and charged to comprehensive income is recorded as follows:

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Interest expense incurred, at stated rate of debt	**$ 17,716**	$ 12,247
Amortization of financing costs	**390**	326
Amortization of fair value adjustments on acquired debt	**(193)**	(70)
Interest capitalized	**(162)**	(49)
Interest expense	**$ 17,751**	$ 12,454

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

Interest on subsidiary redeemable units

Interest incurred on subsidiary redeemable units and charged to comprehensive income is as follows:

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Paid in cash	**$ 1,720**	$ 1,732
Paid by way of reinvestment in subsidiary redeemable units	**188**	172
Less: Payable at December 31	**(640)**	(632)
Plus: Payable at March 31	**641**	636
Total	**$ 1,919**	$ 1,908

The amount payable at March 31, 2011, was satisfied on April 15, 2011 by $577 in cash, and $64 of reinvestments resulting in 1,992 subsidiary redeemable units.

Note 21
FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note	**For the three months ended March 31, 2011**	For the three months ended March 31, 2010
Fair value adjustment on convertible debt conversion feature	13	**$ 2,117**	$ 1,548
Fair value adjustment on subsidiary redeemable units	14	**10,109**	17,767
Fair value adjustment on deferred unit incentive plan	15	**1,005**	1,077
		$ 13,231	$ 20,392

Note 22

SEGMENTED INFORMATION

These segments include the Trust's proportionate share of its joint ventures. The column titled "Reconciliation" adjusts the segmented results to account for these joint ventures using the equity accounted method as applied in these financial statements.

The Trust's investment 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, general and administrative expenses, interest and fee income, and fair value adjustments to financial instruments are not allocated to the segment expenses.

For the three months ended March 31, 2011	Office	Industrial	Segment total	Other	Subtotal	Reconciliation	Total
Operations							
Investment properties revenue	$ 83,137	$ 7,877	$ 91,014	$ (9)	$ 91,005	$ (7,153)	$ 83,852
Investment properties operating expenses	(35,245)	(1,737)	(36,982)	(31)	(37,013)	3,108	(33,905)
Net rental income	47,892	6,140	54,032	(40)	53,992	(4,045)	49,947
Share of net earnings (losses) from equity accounted investments	—	—	—	—	—	3,947	3,947
Fair value adjustments to investment properties	21,355	183	21,538	(555)	20,983	(1,227)	19,756
Segment income	$ 69,247	$ 6,323	$ 75,570	$ (595)	$ 74,975	$ (1,325)	$ 73,650
Interest expense							
Debt	$ —	$ —	$ —	$ (19,067)	$ (19,067)	$ 1,316	$ (17,751)
Redeemable subsidiary units	—	—	—	(1,919)	(1,919)	—	(1,919)
General and administrative expenses	—	—	—	(3,477)	(3,477)	—	(3,477)
Interest and fee income	—	—	—	466	466	(33)	433
Acquisition related costs	—	—	—	(5,776)	(5,776)	42	(5,734)
Fair value adjustments to financial instruments	—	—	—	(13,231)	(13,231)	—	(13,231)
Net income	$ 69,247	$ 6,323	$ 75,570	$ (43,599)	$ 31,971	$ —	$ 31,971
Capital expenditures							
Investment in investment properties	$ (841)	$ (69)	$ (910)	$ (2,589)	$ (3,499)	$ 4	$ (3,495)
Acquisition of Realax Properties Corporation	(139,923)	(14,457)	(154,380)	—	(154,380)	—	(154,380)
Investment in lease incentives and initial direct leasing costs	(4,054)	(346)	(4,400)	(3)	(4,403)	114	(4,289)
Acquisition of investment properties	(98,632)	—	(98,632)	—	(98,632)	—	(98,632)
Total capital expenditures	$(243,450)	$ (14,872)	$ (258,322)	$ (2,592)	$ (260,914)	$ 118	$(260,796)

For the three months ended March 31, 2010	Office	Industrial	Segment total	Other	Subtotal	Reconciliation	Total
Operations							
Investment properties revenues	$ 53,255	$ 4,271	$ 57,526	$ 303	$ 57,829	$ (7,223)	$ 50,606
Investment properties operating expenses	(21,985)	(1,401)	(23,386)	(261)	(23,647)	3,156	(20,491)
Net rental income	31,270	2,870	34,140	42	34,182	(4,067)	30,115
Share of net earnings (losses) from equity accounted investments	—	—	—	—	—	3,544	3,544
Fair value adjustments to investment properties	6,667	630	7,297	—	7,297	(718)	6,579
Segment income	$ 37,937	$ 3,500	$ 41,437	$ 42	$ 41,479	$ (1,241)	$ 40,238
Interest expense							
Debt	—	—	—	(13,717)	(13,717)	1,263	(12,454)
Redeemable subsidiary units	—	—	—	(1,908)	(1,908)	—	(1,908)
General and administrative expenses	—	—	—	(2,448)	(2,448)	1	(2,447)
Interest and fee income	—	—	—	268	268	(23)	245
Fair value adjustments to financial instruments	—	—	—	(20,392)	(20,392)	—	(20,392)
Gain (loss) sale of investment properties	—	—	—	199	199	—	199
Net income	$ 37,937	$ 3,500	$ 41,437	$ (37,956)	$ 3,481	$ —	$ 3,481
Capital expenditures							
Investment in investment properties	$ (1,277)	$ (237)	$ (1,514)	$ (302)	$ (1,816)	$ 551	$ (1,265)
Investment in lease incentives and initial direct leasing costs	(1,852)	(363)	(2,215)	(65)	(2,280)	—	(2,280)
Acquisition of investment properties	(211,297)	—	(211,297)	(6,423)	(217,720)	—	(217,720)
Total capital expenditures	$ (214,426)	$ (600)	$ (215,026)	$ (6,790)	$ (221,816)	$ 551	$ (221,265)

At March 31, 2011	**Office**	**Industrial**	**Segment total**	**Other**	**Reconciliation**	**Total**
Total assets	**$ 2,741,906**	**$ 325,283**	**$ 3,067,189**	**$ 23,614**	**$ (102,709)**	**$ 2,988,094**
Total liabilities	**$ 1,269,963**	**$ 154,241**	**$ 1,424,204**	**$ 302,015**	**$ (102,709)**	**$ 1,623,510**

At December 31, 2010	Office	Industrial	Segment total	Other	Reconciliation	Total
Total assets	$ 2,260,974	$ 292,337	$ 2,553,321	$ 127,963	$ (98,026)	$ 2,583,248
Total liabilities	$ 1,066,401	$ 133,625	$ 1,200,026	$ 263,869	$ (98,026)	$ 1,365,869

Note 23

RELATED-PARTY TRANSACTIONS AND ARRANGEMENTS

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

Asset management agreement

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

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

Related-party transactions

For the three months ended March 31, 2011, the Trust received total fees from DRC of $631 (March 31, 2010 — $510). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the period ended March 31, 2011, include $1,486 for operating and administration costs of regional offices (March 31, 2010 — $1,024) which are included in operating expenses of the Trust.

For the three months ended March 31, 2011, the Trust incurred total fees of $4,376 (March 31, 2010 — $3,133) under the Asset Management Agreement. Included in this amount is $1,925 (March 31, 2010 — $1,312) which is reported in general and administrative expenses, $2,258 (March 31, 2010 — $1,559) which is reported with property acquisitions; $nil (March 31, 2010 — $259) in financing costs reported with debt; $114 (March 3, 2010 — $3) is capitalized to properties under development; and $79 (March 31, 2010 — $nil) is included in rental properties operating expense.

Included in amounts receivable at March 31, 2011, is $(56) related to the Services Agreement (December 31, 2010 — $(128), January 1, 2010 — $(155)), $244 related to the Asset Management Agreement (December 31, 2010 — $328, January 1, 2010 — $224) and $115 related to other amounts owed by DRC (December 31, 2010 — $115, January 1, 2010 — $158). Accrued liabilities and other payables at March 31, 2011, include $2,794 for amounts related to the Asset Management Agreement (December 31, 2010 — $775, January 1, 2010 — $954).

Included in rental properties revenue are amounts received from Dundee Securities Corporation, a subsidiary of Dundee Corporation, for the rental of office premises of $168 at March 31, 2011 (2010 — $nil). These amounts have been recorded at the exchange amount.

Compensation of key management personnel is included in the fees paid under the Asset Management Agreement.

Note 24
SUPPLEMENTARY CASH FLOW INFORMATION

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Decrease (increase) in amounts receivable	**$ 1,815**	$ (1,043)
Increase (decrease) in prepaid expenses	**(5,960)**	15
Increase (decrease) in other non-current assets	**926**	(320)
Increase in amounts payable and accrued liabilities (excluding initial direct leasing costs and lease incentives)	**5,954**	3,405
Increase in tenant deposits	**1,045**	852
Change in non-cash working capital	**$ 3,780**	$ 2,909

The following amounts were paid on account of interest:

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Interest		
Debt	**$ 16,454**	$ 9,891
Subsidiary redeemable units	**1,732**	1,732

Note 25
COMMITMENTS AND CONTINGENCIES

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

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

		March 31, 2011
	Operating lease payments	Finance lease payments
No longer than 1 year	$ 1,083	$ 298
1—5 years	1,479	461
Total	$ 2,562	$ 759

During the period the Trust paid $330 (2010 — $279) in minimum lease payments, which have been included in comprehensive income for the period.

The Trust's share of the capital commitments of its equity accounted investments are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Commitments for the Trust's share of capital commitments	**$ —**	$ 574	$ 738

The Trust has incurred the following contingent liabilities arising from its equity accounted investments:

	March 31, 2011	December 31, 2010	January 1, 2010
Contingent liabilities for the obligations of the other owners of equity accounted investments	**$ 141,643**	$ 123,527	$ 147,446

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of approximately $6,200.

Effective February 1, 2010, the Trust entered into three fixed price contracts to purchase electricity for 14 office properties in Calgary. The contracts expire on January 31, 2013, and commit the Trust to total minimum payments of $2,200 for each of 2011 and 2012, and $200 for 2013.

Effective September 1, 2009, the Trust entered into three fixed price contracts to purchase natural gas with respect to 14 office properties in Calgary. The contracts expire on December 31, 2012, and commit the Trust to a total minimum $600 annually for 2011 and 2012.

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

Note 26
CAPITAL MANAGEMENT

The primary objective of the Trust's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating.

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

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

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

The Trust monitors capital primarily using a debt-to-book value ratio, which is calculated as the amount of outstanding debt divided by total assets. During the period the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The DPLP Partnership Agreement limits the Trust's 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 expense from continuing operations divided by interest expense. At March 31, 2011 the Trust's interest coverage ratio was 2.7 times, reflecting its ability to cover interest expense requirements.

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Investment properties revenue	**$ 91,005**	$ 57,829
Investment properties operating expenses	**37,013**	23,647
Net rental income	**53,992**	34,182
Add: interest and fee income	**466**	268
Less: general and administrative expenses	**3,396**	2,367
	$ 51,062	$ 32,083
Interest expense	**$ 19,067**	$ 13,717
Interest coverage ratio	**2.7 times**	2.3 times

Note 27
FINANCIAL INSTRUMENTS
Risk management

IFRS 7, "Presentation of Financial Statements" ("IFRS 7"), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has some exposure to interest rate risk primarily as a result of its variable rate debt. In addition, there is interest rate risk associated with the Trust's fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. The Trust is exposed to the variability in market interest rates on maturing debt to be renewed. Variable rate debt at March 31, 2011, was 2.9% of the Trust's total debt (December 31, 2010 — 2.2%), which represents a demand revolving credit facility that was drawn on during the quarter. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for the three-month period ended March 31, 2011. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

		Interest rate risk			
		-1%		+1%	
	Carrying amount	Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents[1]	$ 6,277	$ (63)	$ (63)	$ 63	$ 63
Financial liabilities					
Fixed rate debt due to mature in 2011	$ 113,803	$ 1,138	$ 1,138	$ (1,138)	$ (1,138)
Demand revolving credit facility	$ 14,854	$ 149	$ 149	$ (149)	$ (149)

[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 interest income at bank prime less 1.85%. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

The Trust is not exposed to currency risk or other price risk.

The Trust currently does not employ hedging activities to manage its financial risks.

The Trust's assets consist of office and industrial properties. Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. 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.

Fair value of financial instruments

					March 31, 2011		December 31, 2010		January 1, 2010
	FVTPL	Loans and receivables	Other liabilities		Total		Total		Total
	Fair value	Fair value	Amortized cost	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets									
Restricted cash and deposits	$ —	$ —	$ 14,038	$ 14,038	$ 14,038	$ 13,020	$ 13,020	$ 18,479	$ 18,479
Amounts receivable	—	—	4,907	4,907	4,907	3,445	3,445	1,411	1,411
Cash and cash equivalents	—	—	6,277	6,277	6,277	108,810	108,810	8,026	8,026
Financial liabilities									
Mortgages	$ —	$ —	$ 1,280,861	$ 1,280,861	$ 1,312,048	$ 1,070,800	$ 1,102,021	$ 627,106	$ 628,546
Convertible debentures	—	—	131,033	131,033	143,069	130,867	141,381	129,940	134,923
Demand-revolving credit facility			14,854	14,854	14,854	—	—	—	—
Term debt			679	679	679	341	341	219	219
Conversion feature on convertible debenture	8,587	—	—	8,587	8,587	6,489	6,489	3,416	3,416
Subsidiary redeemable units	—	—	115,445	115,445	115,445	105,148	105,148	71,674	71,674
Deferred unit incentive plan	—	—	7,036	7,036	7,036	5,982	5,982	2,614	2,614
Deposits	—	—	8,591	8,591	8,591	7,768	7,768	6,096	6,096
Amounts payable and accrued liabilities	—	—	55,791	55,791	55,791	38,474	38,474	18,666	18,666
Distributions payable	$ —	$ —	$ 9,354	$ 9,354	$ 9,354	$ 8,430	$ 8,430	$ 3,899	$ 3,899

The Trust values financial instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust has determined that the conversion feature on convertible debentures is valued using Level 3 inputs for all periods presented, March 31, 2011, December 31, 2010, and January 1, 2010.

Note 28
SUBSEQUENT EVENTS

Effective May 2, 2011, the Trust completed the acquisition of an office building in Oakville, Ontario, consisting of approximately 75,000 square feet. The purchase price, excluding transaction costs, was approximately $16,560.

Effective April 27, 2011, the $40,000 demand revolving credit facility has been renewed to April 30, 2012. All other terms and conditions of the facility remain unchanged. Currently, $14,854 has been drawn against the facility and $1,540 has been drawn in the form of letters of guarantee.

Corporate information

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Transfer agent

(for change of address, registration or other unitholder inquiries)

COMPUTERSHARE TRUST COMPANY OF CANADA

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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

Concept and Design: **THE WORKS** www.worksdesign.com

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