Dundee REIT

FIRST QUARTER 2012

DUNDEE REIT OWNS AND OPERATES HIGH-QUALITY AFFORDABLE BUSINESS PREMISES. OUR PORTFOLIO COMPRISES CENTRAL BUSINESS DISTRICT AND SUBURBAN OFFICE PROPERTIES AS WELL AS INDUSTRIAL AND PRESTIGE INDUSTRIAL PROPERTIES IN KEY MARKETS ACROSS CANADA. OUR PORTFOLIO OFFERS A SOLID PLATFORM FROM WHICH INVESTORS CAN DERIVE A STABLE AND GROWING RETURN ON THEIR INVESTMENT.

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Letter to unitholders

Dundee REIT's Q1 results reflect the execution of the strategy carried out over the last few years. Our per unit cash flows are at their highest levels, our revenues are diversified across the country, the income generated by our comparative property portfolio has increased over prior year, our occupancy remains high at 96% and our average in-place rent is about 12% below our estimate of market rents. All in all, our strategy is proving to be quite effective.

The first quarter began with a bang – our announcement to acquire Whiterock REIT. The transaction was well received by the capital markets and closed on March 2nd. Approximately 75% of the purchase price was satisfied through the issuance of units in Dundee REIT and the remainder was funded through an equity offering. During the quarter we completed a total of $1.6 billion of accretive acquisitions, reduced our debt-to-book value ratio, lowered our weighted average interest rate, improved our performance on a per unit basis and secured Dundee REIT's position as the largest office REIT in Canada.

Our increased enterprise value, conservative leverage and a payout ratio that is now substantially lower than AFFO are all attractive to investors. Dundee REIT has enjoyed unit price appreciation, increasing from $32.67 at year-end to about $37.00 today. Including distributions, the return on our units is about 16% this year.

Office markets across Canada performed strongly over the last 12 months, with the national vacancy rate dropping a remarkable 110 basis points. We continue to experience strong demand for our properties across most of our markets, as evidenced by the consistent volume of leasing activity and our strong occupancy rates that remain above national averages. Estimated market rents continue to rise across all regions, including in Calgary where they increased for the sixth consecutive quarter, up by about 12% over year-end. The rest of Canada has also performed reasonably well. We anticipate that the growth embedded across the portfolio will continue to surface as we capitalize on this gap through our leasing efforts.

Our track record and our ability to integrate assets and people into our operations demonstrate the strength of the team that we have built over the years. It takes more than mere energy to achieve what we have. It takes experience, knowledge, drive and discipline. I thank everyone on our team for their commitment and their hard work. 2012 is shaping up to be a great year in terms of accomplishments and performance.

MICHAEL J. COOPER
Vice Chairman and Chief Executive Officer
May 3, 2012

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, 2011 and the condensed consolidated financial statements for the period ended March 31, 2012. Where indicated, our discussion of assets, liabilities, revenue and expense includes our equity accounted investments at our proportionate share of assets, liabilities, revenue and expenses for the equity accounted investments.

This management's discussion and analysis is dated as at April 30, 2012, 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 2012, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, its accuracy and completeness 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 on 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 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.

Although the forward-looking statements contained in this MD&A are based on 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 Dundee REIT; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of April 30, 2012, 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 our latest Annual Information Form. Certain 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 and maintaining 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 per unit on an annual basis. At March 31, 2012, approximately 22% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP"), including 22% 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 26).

									2011			**2012**
	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	**Jan**	**Feb**	**Mar**
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	$33.05	$33.37	$32.50	$32.42	$31.90	$31.77	$33.00	$32.69	$32.67	**$33.47**	**$34.40**	**$35.20**

Our strategy

Dundee REIT's core strategy is investing in the office and industrial sectors in key markets across Canada and providing a solid platform for stable and growing cash flows. The majority of our portfolio currently comprises central business district office properties concentrated in nine of Canada's top ten office markets. The execution of our strategy is continuously reviewed including acquisitions and dispositions, our capital structure and our analysis of current economic conditions. Our executive team is seasoned, knowledgeable and highly motivated to continue to increase the value of our portfolio and provide stable, reliable and growing returns for our unitholders. In addition, Dundee REIT is steadfast in maintaining its status as a real estate investment trust under the SIFT legislation.

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

Investing in high-quality office and industrial properties

Dundee REIT has an established presence in key urban markets across the country. Our portfolio 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 compelling 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

Since 2009, we have carefully repositioned our portfolio through an impressive number of accretive acquisitions. In addition to expanding and diversifying our geographic footprint across the country, the acquisitions have served to enhance the stability of our business, diversifying and strengthening the quality of our revenue stream and increasing cash flow. We will continue to pursue opportunities for 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 staggered debt maturities.

Our assets

Dundee REIT provides high-quality, affordable business premises. Our portfolio comprises central business district 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, Quebec City and Halifax.

	Owned gross leasable area (sq. ft.)					
				March 31, 2012	December 31, 2011	
	Office	**Industrial**	**Total**	**%**	Total	%
Western Canada	**4,026,541**	**1,026,436**	**5,052,977**	**19**	4,051,214	21
Calgary	**4,058,621**	**1,332,442**	**5,391,063**	**21**	5,224,634	28
Toronto	**8,751,264**	**651,708**	**9,402,972**	**36**	6,239,806	33
Eastern Canada(1)	**3,566,788**	**2,722,170**	**6,288,958**	**24**	3,425,940	18
Total(2)	**20,403,214**	**5,732,756**	**26,135,970**	**100**	18,941,594	100
Percentage	**78%**	**22%**	**100%**			
Total at December 31, 2011	15,277,415	3,664,179	18,941,594			
Percentage	81%	19%	100%			

(1) Includes properties located in the U.S.
(2) Excludes development properties and properties held for sale.

At March 31, 2012, our total gross leasable area ("GLA") was 26.1 million square feet, including 7.7 million square feet acquired since December 31, 2011 and 0.1 million square feet reclassified from development properties to investment properties. Along with increasing the size of our operations, acquisitions have been consistent with our strategy to create a more geographically diversified portfolio and to improve the quality of our cash flow.

During the quarter, we completed acquisitions totalling 7.7 million square feet, including the acquisition of Whiterock REIT ("Whiterock"). The Whiterock acquisition included ownership interests in 54 office properties totalling 4.9 million square feet, 20 industrial properties totalling 2.1 million square feet and 11 retail properties comprising 0.4 million square feet (the "Whiterock Portfolio"). The Whiterock Portfolio strengthened our position in a number of markets across Canada and provided us with exposure to some new markets such as Quebec City and New Brunswick. In addition, we bought two office properties in Toronto totalling 0.4 million square feet.

In total, 0.6 million square feet of properties have been included as held for sale this period, which consist of two office properties that we owned on December 31, 2011 as well as the 11 retail and two office properties acquired with Whiterock.

Office rental properties

At March 31, 2012, our ownership interests included 173 office properties (193 buildings) comprising approximately 20.4 million square feet located in Vancouver, Calgary, Edmonton, Yellowknife, Saskatoon, Regina, Toronto, Kitchener-Waterloo, Ottawa, Montréal, Quebec City, Moncton, Fredericton and Halifax. These office properties can generally be categorized as high-quality, affordable, central business district and suburban buildings. The occupancy rate across our office portfolio remains high at 95.2%, well ahead of the national industry average occupancy rate of 91.8% (CB Richard Ellis, Canadian Office MarketView, First Quarter 2012). 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, 2012, our industrial portfolio included 74 prime suburban industrial properties (76 buildings) comprising approximately 5.7 million square feet in Calgary, Edmonton, Toronto, London, Ottawa, Montréal and Halifax. The occupancy rate across our industrial portfolio is 97.4%, also well ahead of the national industry average of 93.5% (CB Richard Ellis, Canadian Industrial MarketView, First Quarter 2012).

Key performance indicators

Performance is measured by these and other key indicators:

Three months ended March 31	**2012**	2011
Operations		
Occupancy rate (period-end)(1)	**95.6%**	96.1%
In-place rent per square foot (office and industrial)(1)	**$ 14.07**	$ 14.50
Operating results		
Investment properties revenue, including equity accounted investments	**$ 150,040**	$ 91,005
Net operating income ("NOI")(2)(3)	**87,206**	53,554
Funds from operations ("FFO")(2)(4)	**55,071**	32,864
Adjusted funds from operations ("AFFO")(2)(5)	**46,653**	28,762
Fair value increase to investment properties, including those held in equity accounted investments	**42,176**	20,983
Distributions		
Declared distributions	**$ 41,950**	$ 28,910
Distributions paid in cash	**33,004**	24,996
DRIP participation ratio	**21%**	14%
Financing		
Weighted average effective interest rate (period-end) on debt	**4.58%**	5.39%
Interest coverage ratio	**2.7 times**	2.7 times
Per unit amounts(6)		
Basic:		
FFO(2)	**$ 0.74**	$ 0.63
AFFO(2)	**0.63**	0.55
Distribution rate	**0.55**	0.55
Diluted:		
FFO(2)	**0.73**	0.63

(1) Excludes properties held for sale.

(2) 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.

(3) NOI is defined as net rental income, excluding net rental income from properties held for sale. The reconciliation of NOI to net rental income can be found on page 31.

(4) FFO – The reconciliation of FFO to net income can be found on page 36.

(5) AFFO – The reconciliation of AFFO to FFO can be found on page 36.

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

Financial overview

On March 2, 2012, we completed the acquisition of Whiterock representing approximately $1.4 billion in investment properties. This acquisition fits well with our strategy of investing in high-quality commercial properties and strengthening our presence as Canada's largest national office REIT. In addition, we completed two office property acquisitions for $127.4 million, altogether adding 7.7 million square feet to the portfolio. Details of our acquisitions can be found on page 19.

AFFO per unit increased by $0.08, or 14.5%, over the prior year comparative quarter, primarily reflecting the impact of accretive acquisitions in 2011 and comparative NOI growth.

FFO per unit increased by $0.11, or 17.5%, over the prior year comparative quarter, primarily driven by investment property acquisitions completed in 2011 and in the first quarter of 2012, including the impact of marked-to-market adjustments on assumed debt as well as straight-line rents.

During the quarter, NOI grew by $33.7 million, or 62.8%, over the prior year comparative quarter. Comparative property growth accounted for $1.2 million, or 2.6%, of the increase and the remainder is largely attributable to acquired properties. Investment properties revenue, including equity accounted investments, grew by $59.0 million, or 64.9%, over the same prior year period as a result of investment property acquisitions.

In-place and committed occupancy remained consistent with the prior quarter at 95.6%. Occupancy across our industrial portfolio increased to 97.4% (December 31, 2011 – 96.6%, March 31, 2011 – 97.0%), reflecting an increase in our Calgary and Toronto industrial portfolios. Occupancy across our office portfolio decreased slightly to 95.2% (December 31, 2011 – 95.4%, March 31, 2011 – 95.8%) as a result of vacancies in our Calgary and Eastern Canada portfolios.

In-place rents on a comparative property basis have remained consistent with December 31, 2011 at $15.00 per square foot. Office comparative property in-place rents have increased to $17.00 from $16.92 at December 31, 2011, primarily reflecting leasing in the strengthening Calgary market. Industrial comparative property in-place rents have increased to $7.23 from $7.14 at December 31, 2011, largely driven by a new lease commencing in Calgary during the period. On a total portfolio basis, the average in-place rent is $14.07, down from $15.01 at year-end reflecting the impact of the Whiterock Portfolio, which has lower average in-place rents than our initial portfolio. Overall, market rents continue to exceed in-place rents, presenting opportunities to capture rental rate increases when space is leased.

During the quarter we entered into a $220 million bridge loan facility to acquire Whiterock. Subsequent to quarter-end, $10 million of this facility was repaid and the remaining $210 million was converted into a secured revolving credit facility at a rate of either prime plus 75 basis points or bankers' acceptances plus 175 basis points. In addition, we assumed mortgages totalling $727.2 million before accounting for marked-to-market adjustments with a weighted average interest rate of 5.15% and an average term to maturity of 4.5 years in connection with acquisitions completed during the quarter. We also assumed $60 million of convertible debentures and $45 million of non-convertible debentures before accounting for marked-to-market adjustments.

Outlook

Dundee REIT has undergone a tremendous transformation since 2009 when our portfolio was only 7.4 million square feet and heavily concentrated in the West. Now, the portfolio is over 27 million square feet, well diversified across the country, with a strong concentration of assets in the central business districts of many of the strongest markets. The larger footprint diversifies the sources of our income, minimizing the influence of changes in any one particular market and strengthening the quality of our cash flow.

Office markets across Canada performed strongly over the last 12 months, a period during which the national vacancy rate dropped a remarkable 110 basis points. We continue to experience strong demand for our properties across most of our markets, as evidenced by the consistent volume of leasing activity and our strong occupancy rates that remain above national averages. Estimated market rents continue to rise across all regions, including in Calgary where they increased for the sixth consecutive quarter, and are up by about 12% over year-end. Capitalizing on this gap as we continue our leasing efforts, the growth embedded across the portfolio will surface.

The foundation of our business was built upon acquiring quality assets and operating businesses. As a result, we have gained much experience integrating people, properties and processes. The acquisition activity in the first quarter was quite significant. We are pleased with the quality of the assets and with the people who have joined our team. The integration process is well in hand and we will continue to learn and benefit from the implementation of best practices across our business.

Section II – Executing the strategy

Our operations

The following key performance indicators influence the cash generated from operating activities.

Performance indicators (office and industrial average)[1]	March 31, 2012	December 31, 2011
Occupancy rate	**95.6%**	95.6%
Average in-place net rent rates (per sq. ft.)	**$ 14.07**	$ 15.01
Tenant maturity profile – average term to maturity (years)	**5.67**	5.22

(1) Excludes properties held for sale.

Occupancy

At March 31, 2012, the overall percentage of occupied and committed space across our investment property portfolio remained strong at 95.6%, consistent with that of the fourth quarter of 2011. The average occupancy rate across our office portfolio is 95.2%, still well above the national industry average of 91.8%. The average occupancy of our industrial portfolio is 97.4%, which is also well above the national industry average of 93.5%. Occupancy rates discussed in this report with respect to our portfolio include occupied and committed space at March 31, 2012.

	Total portfolio		Comparative properties[2]	
(percentage)	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011
Office				
Western Canada	**96.4**	96.0	**96.3**	96.0
Calgary	**93.6**	94.8	**93.9**	94.8
Toronto	**94.9**	94.9	**94.6**	94.9
Eastern Canada	**96.2**	97.1	**95.2**	97.1
Total office	**95.2**	95.4	**94.9**	95.4
Industrial				
Western Canada	**96.3**	95.1	**95.1**	95.1
Calgary	**96.6**	96.0	**96.4**	96.0
Toronto	**95.1**	93.6	**93.6**	93.6
Eastern Canada	**98.8**	99.1	**99.2**	99.1
Total industrial	**97.4**	96.6	**96.8**	96.6
Overall[1]	**95.6**	95.6	**95.3**	95.6

(1) Excludes properties held for sale.

(2) Comparative properties include all properties owned by the Trust at December 31, 2011.

On a comparative property basis, the occupancy rate across our office portfolio softened to 94.9% from 95.4% at December 31, 2011, reflecting declines in our Calgary, Eastern Canada and Toronto portfolios. Occupancy across our comparative industrial portfolio increased to 96.8% from 96.6% at December 31, 2011 as a result of a 58,000 square foot lease commencing at a Calgary property and increased occupancy in our Eastern Canada portfolio.

The table below details the percentage of occupied and committed space for the last eight quarters, demonstrating the strength and consistency of our leasing profile.

(percentage)[1]	**Q1 2012**	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Office	**95.2**	95.4	95.7	96.1	95.8	95.8	96.6	96.6
Industrial	**97.4**	96.6	96.1	97.9	97.0	96.9	98.5	96.8
Overall	**95.6**	95.6	95.8	96.5	96.1	96.1	97.1	96.6

(1) Excludes properties held for sale.

Vacancy schedule

Overall, we had a successful quarter on the leasing front. We continue to demonstrate the appeal of our properties and our ability to renew tenant leases and attract new tenants to our portfolio, keeping our occupancy levels above market averages. Our new leasing activity included 221,189 square feet of office space and 102,243 square feet of industrial space. Renewal activity included 324,464 square feet of office space and 49,300 square feet of industrial space. Vacancy committed for future occupancy was 190,753 square feet, representing approximately 14.4% of the vacant space at March 31, 2012. The availability of vacant space allows us to capture market rent increases in our new leasing.

	Three months ended March 31, 2012		
(in square feet)	Office	Industrial	Total[1]
Available for lease	701,084	123,334	824,418
Vacancy committed for future leases	153,848	88,846	242,694
Vacant space at beginning of period	854,932	212,180	1,067,112
Acquired vacancy	238,796	32,838	271,634
Vacant space – restated	1,093,728	245,018	1,338,746
Remeasurements	(2,494)	8	(2,486)
Expiries	567,274	75,406	642,680
Early terminations and bankruptcies	45,114	1,440	46,554
New leases	(221,189)	(102,243)	(323,432)
Renewals	(324,464)	(49,300)	(373,764)
Vacant space – March 31, 2012	1,157,969	170,329	1,328,298
Vacancy committed for future occupancy	168,847	21,906	190,753
Available for lease – March 31, 2012	989,122	148,423	1,137,545

(1) Excludes properties held for sale.

In-place rental rates

Total portfolio

At quarter-end, market rents were 11.4% higher than portfolio average in-place rents. On a total portfolio basis, our average in-place rent was $14.07 per square foot, down from $15.01 at December 31, 2011, reflecting the impact of properties acquired with lower average rental rates than the existing Dundee REIT portfolio. The corresponding market rents for some of these properties are also lower, resulting in lower total portfolio market rents. It is our intention to capture the value of these spreads on rental rates as we complete leasing activity and improve our overall NOI performance.

	March 31, 2012			December 31, 2011		
Total portfolio	**Average in-place net rent**[1][2]	**Market rent**	**Market rent/ in-place rent (%)**	Average in-place net rent[1][2]	Market rent	Market rent/ in-place rent (%)
Office						
Western Canada	**$ 17.69**	**$ 20.93**	**18.3**	$ 17.67	$ 21.50	21.7
Calgary	**18.67**	**21.83**	**16.9**	18.66	19.57	4.9
Toronto	**15.45**	**16.66**	**7.8**	15.87	17.32	9.1
Eastern Canada	**13.60**	**14.79**	**8.8**	15.29	16.79	9.8
Total office	**16.20**	**18.19**	**12.3**	16.92	18.79	11.1
Industrial						
Western Canada	**$ 7.76**	**$ 9.16**	**18.0**	$ 8.11	$ 8.99	10.9
Calgary	**8.18**	**8.70**	**6.4**	7.84	8.70	11.0
Toronto	**6.36**	**6.01**	**(5.5)**	6.39	5.68	(11.1)
Eastern Canada	**5.62**	**5.43**	**(3.4)**	6.37	6.07	(4.7)
Total industrial	**6.67**	**6.91**	**3.6**	7.14	7.37	3.2
Overall	**$ 14.07**	**$ 15.67**	**11.4**	$ 15.01	$ 16.56	10.3

(1) Average in-place net rents include straight-line rent adjustments.

(2) Excludes properties held for sale.

Comparative properties portfolio

The following table demonstrates the change in average in-place rents for comparative properties owned at December 31, 2011. On average, total comparative portfolio in-place rents remained flat at $15.00 and market rents improved to $17.00. From a regional perspective, average in-place net rents in both our Calgary and Eastern Canada office portfolios increased; offsetting this were decreases in our Western Canada and Toronto office portfolios. Market rents in our office portfolio increased in all regions except Toronto, which remained strong, but unchanged from the prior quarter. The average in-place rents for our industrial portfolio increased to $7.23 as a result of a new lease commencing in Calgary during the quarter. There were no significant changes in the remainder of the industrial portfolio.

	March 31, 2012		December 31, 2011	
Comparative properties	**Average in-place net rent**[1]	**Market rent**	Average in-place net rent[1]	Market rent
Office				
Western Canada	**$ 17.72**	**$ 21.76**	$ 17.78	$ 21.67
Calgary	**18.82**	**22.05**	18.62	19.64
Toronto	**15.83**	**17.32**	15.87	17.32
Eastern Canada	**15.64**	**16.87**	15.29	16.79
Total office	**17.00**	**19.47**	16.92	18.82
Industrial				
Western Canada	**$ 8.18**	**$ 9.18**	$ 7.93	$ 8.50
Calgary	**8.16**	**8.69**	7.84	8.70
Toronto	**6.13**	**5.68**	6.39	5.68
Eastern Canada	**6.42**	**6.14**	6.37	6.07
Total industrial	**7.23**	**7.38**	7.14	7.37
Overall	**$ 15.00**	**$ 17.00**	$ 15.00	$ 16.57

(1) Excludes properties held for sale.

Leasing and tenant profile

The average remaining lease term and other portfolio information is detailed below. The portfolio average remaining lease term at March 31, 2012 is 5.67 years, an increase from 5.22 years at December 31, 2011, reflecting the impact of properties acquired during the first quarter with an average remaining lease term of 5.71 years.

	March 31, 2012(1)			December 31, 2011(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	**4.53**	**8,382**	**$ 17.69**	4.85	10,201	$ 17.67
Calgary	**3.86**	**7,686**	**18.67**	3.81	7,956	18.66
Toronto	**4.58**	**7,746**	**15.45**	4.51	8,470	15.87
Eastern Canada	**8.11**	**15,323**	**13.60**	6.10	13,011	15.29
Total office	**5.05**	**8,617**	**$ 16.20**	4.63	9,122	$ 16.92
Industrial						
Western Canada	**4.35**	**8,379**	**$ 7.76**	5.69	29,309	$ 8.11
Calgary	**4.08**	**7,069**	**8.18**	4.21	6,753	7.84
Toronto	**8.55**	**103,258**	**6.36**	10.70	155,815	6.39
Eastern Canada	**10.74**	**46,369**	**5.62**	10.61	30,466	6.37
Total industrial	**7.83**	**15,342**	**$ 6.67**	7.66	14,335	$ 7.14
Portfolio average	**5.67**	**9,552**	**$ 14.07**	5.22	9,820	$ 15.01

(1) Excludes properties held for sale.

(2) Average in-place net rents include straight-line rent adjustments.

The following two tables detail our lease maturity profile by asset type and geographic segment at March 31, 2012. 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.

Expiries total 2,297,171 square feet for the remainder of 2012, of which 914,231 square feet, or 39.8%, have already been committed for future occupancy.

(in sq. ft.)	Current vacancy	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031	Total
Office – uncommitted	989,115	11,269	1,148,662	2,402,117	1,951,089	1,867,685	10,599,434	18,969,371
Office – committed	–	–	809,141	338,044	57,799	13,730	215,129	1,433,843
Total office	989,115	11,269	1,957,803	2,740,161	2,008,888	1,881,415	10,814,563	20,403,214
Industrial – uncommitted	148,423	–	234,278	469,541	337,534	471,644	3,946,527	5,607,947
Industrial – committed	–	–	105,090	19,719	–	–	–	124,809
Total industrial	148,423	–	339,368	489,260	337,534	471,644	3,946,527	5,732,756
Total – uncommitted	1,137,538	11,269	1,382,940	2,871,658	2,288,623	2,339,329	14,545,961	24,577,318
Total – committed	–	–	914,231	357,763	57,799	13,730	215,129	1,558,652
Total(1)	1,137,538	11,269	2,297,171	3,229,421	2,346,422	2,353,059	14,761,090	26,135,970

(1) Excludes properties held for sale.

(in sq. ft.)	Current vacancy	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031	Total
Western Canada – uncommitted	183,412	3,648	527,602	589,089	473,057	426,033	2,609,153	4,811,994
Western Canada – committed	–	–	138,377	93,443	1,550	6,284	1,329	240,983
Total Western Canada	183,412	3,648	665,979	682,532	474,607	432,317	2,610,482	5,052,977
Calgary – uncommitted	307,607	1,505	269,446	888,740	739,369	519,106	2,292,921	5,018,694
Calgary – committed	–	–	278,712	63,265	–	–	30,392	372,369
Total Calgary	307,607	1,505	548,158	952,005	739,369	519,106	2,323,313	5,391,063
Toronto – uncommitted	479,208	6,116	386,834	1,209,892	816,598	943,911	4,750,878	8,593,437
Toronto – committed	–	–	450,608	183,116	52,716	7,446	115,649	809,535
Total Toronto	479,208	6,116	837,442	1,393,008	869,314	951,357	4,866,527	9,402,972
Eastern Canada – uncommitted	167,311	–	199,058	183,937	259,599	450,279	4,893,009	6,153,193
Eastern Canada – committed	–	–	46,534	17,939	3,533	–	67,759	135,765
Total Eastern Canada	167,311	–	245,592	201,876	263,132	450,279	4,960,768	6,288,958
Total – uncommitted	1,137,538	11,269	1,382,940	2,871,658	2,288,623	2,339,329	14,545,961	24,577,318
Total – committed	–	–	914,231	357,763	57,799	13,730	215,129	1,558,652
Total(1)	1,137,538	11,269	2,297,171	3,229,421	2,346,422	2,353,059	14,761,090	26,135,970

(1) Excludes properties held for sale.

The following tables detail expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties at March 31, 2012. Expiring rents and market rents represent base rates and do not include the impact of lease incentives. Currently, our 2012 expiring rents are approximately 7.0% below market.

	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031
Expiring rents[1]						
Office	$ 7.74	$ 17.16	$ 17.29	$ 16.91	$ 15.02	$ 17.96
Industrial	–	6.48	8.20	8.78	7.79	7.32
Portfolio average	7.74	15.35	15.80	15.71	13.56	15.27
Market rents[2]						
Office	$ 15.84	$ 18.22	$ 18.35	$ 18.28	$ 17.01	$ 18.33
Industrial	–	7.64	8.66	8.39	7.96	6.42
Market rent average	15.84	16.43	16.77	16.82	15.19	15.32

(1) Excludes properties held for sale.

(2) Estimate only; based on current market rents with no allowance for increases in future years. Subject to changes in market conditions in each market segment.

	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031
Expiring rents[1]						
Office						
Western Canada	$ 14.30	$ 18.57	$ 17.74	$ 17.32	$ 16.55	$ 20.80
Calgary	19.25	19.12	21.51	18.51	14.09	20.13
Toronto	1.00	16.79	14.85	16.19	14.10	17.24
Eastern Canada	–	12.52	14.67	14.80	17.38	15.05
Industrial						
Western Canada	–	5.65	6.29	8.76	8.62	10.22
Calgary	–	8.85	10.80	9.56	9.20	8.02
Toronto	–	–	7.77	–	7.49	8.08
Eastern Canada	–	4.78	5.97	5.54	5.88	6.46
Portfolio average	$ 7.74	$ 15.35	$ 15.80	$ 15.71	$ 13.56	$ 15.27
Market rents[2]						
Office						
Western Canada	$ 18.00	$ 22.23	$ 19.93	$ 21.03	$ 19.14	$ 21.10
Calgary	18.92	18.27	22.54	20.60	19.87	22.65
Toronto	13.80	16.49	15.67	16.68	15.42	17.11
Eastern Canada	–	13.03	14.66	13.78	16.07	14.86
Industrial						
Western Canada	–	7.83	8.82	8.65	9.61	9.77
Calgary	–	8.28	9.44	8.96	9.13	8.40
Toronto	–	–	7.50	–	7.00	5.70
Eastern Canada	–	4.94	5.88	5.29	5.90	5.40
Market rent average	$ 15.84	$ 16.43	$ 16.77	$ 16.82	$ 15.19	$ 15.32

(1) Excludes properties held for sale.

(2) Estimate only; based on current market rents with no allowance for increases in future years. Subject to changes in 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 upon asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases, and leasing costs associated with office space are generally higher than costs associated with industrial space.

For the three months ended March 31, 2012, we incurred $4.6 million in leasing costs and lease incentives. With respect to office properties, we incurred $4.3 million in leasing costs, representing an average of $8.00 per square foot. For industrial space, $0.3 million in leasing costs were incurred, averaging $1.83 per square foot.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)(1)			
Portfolio size (sq. ft.)(2)	20,403,214	5,732,756	26,135,970
Occupied and committed(2)	95.2%	97.4%	95.6%
Square footage leased and occupied in 2012	545,653	151,543	697,196
Leasing incentives and initial direct leasing costs paid in 2012	$ 4,364	$ 278	$ 4,642

(1) Includes equity accounted investments.

(2) Excludes properties held for sale.

Tenant base profile

Our tenant base includes municipal, provincial and federal governments, as well as a wide range of high-quality large international corporations and small to medium-sized businesses across Canada. With approximately 2,600 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are 8,617 square feet and 15,342 square feet, respectively. Effectively managing this diverse tenant base is one of our key strengths and has helped us to maintain consistently high occupancy levels and to continually capitalize on rental rate increases.

The stability and quality of our cash flow is further enhanced by the fact that rental revenue from government and government agencies comprises approximately 19% of our total rental revenue. The list of our 20 largest tenants includes both federal and provincial governments as well as other nationally and internationally recognizable high-quality corporations and businesses. The following table outlines their contributions to our rental revenues.

Tenant	Owned area (sq. ft.)	Owned area (%)	Gross rental revenue (%)	Weighted average remaining lease term (years)
Government of Canada	1,667,009	6.4	8.3	3.2
Government of Ontario	476,392	1.8	2.4	6.9
Government of Quebec	695,629	2.7	2.2	14.4
Bell Canada	372,693	1.4	2.2	5.7
TELUS	289,103	1.1	1.6	4.0
Government of Alberta	347,294	1.3	1.5	2.7
Enbridge Pipelines Inc.	224,040	0.9	1.5	8.2
Government of Saskatchewan	334,240	1.3	1.4	4.9
Aviva Canada Inc.	335,900	1.3	1.3	4.4
Government of British Columbia	269,413	1.0	1.3	4.7
Loyalty Management	194,018	0.7	1.1	5.5
SNC Lavalin Inc.	217,109	0.8	1.1	5.5
State Street Trust Company	135,546	0.5	0.9	9.6
Government of Northwest Territories	119,047	0.5	0.8	3.1
Winners Merchants International	204,268	0.8	0.8	3.2
ATCO Group	149,931	0.6	0.7	5.5
AON Canada Inc.	173,446	0.7	0.7	9.9
TD Canada Trust	201,123	0.8	0.7	4.1
The City of Edmonton	147,407	0.6	0.7	4.0
Hatch Optima Ltd.	124,544	0.5	0.7	3.4
Total	6,678,152	25.7	31.9	5.5

Our resources and financial condition

Investment properties

For the three months ended March 31, 2012, the fair value of our investment property portfolio (including those assets held in equity accounted investments) increased to $6.0 billion from $4.4 billion at December 31, 2011, representing a weighted average capitalization rate (“cap rate”) of 6.58%.

During the first quarter of 2012 we:

- acquired the Whiterock Portfolio for $1.4 billion, of which $106.8 million has been reclassified as assets held for sale;
- acquired two office buildings for $127.5 million and parking lots adjacent to one of our office properties for $18.2 million;
- sold an office property for $7.7 million that was classified as held for sale at December 31, 2011;
- incurred building improvements totalling $2.8 million and lease incentives totalling $4.6 million;
- spent $1.9 million to finalize the Gallery Building in Yellowknife, which was substantially completed in February 2012;
- recorded fair value gains of $42.2 million; and
- reclassified two properties owned as at December 31, 2011, with a total fair value of $28.8 million, to assets held for sale.

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 is further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using cap rates in the range of 5.40% to 9.25%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal capitalization rates specific to each property.

The fair value of our investment properties, including equity accounted investments, is set out below.

	Total portfolio	
	March 31, 2012	December 31, 2011
Office		
Western Canada	**$ 1,149,508**	$ 981,811
Calgary	**1,151,150**	1,098,595
Toronto	**2,249,376**	1,467,120
Eastern Canada	**806,852**	494,142
Total office	**5,356,886**	4,041,668
Industrial		
Western Canada	**121,033**	63,873
Calgary	**157,742**	148,897
Toronto	**50,181**	45,029
Eastern Canada	**214,038**	101,405
Total industrial	**542,994**	359,204
	5,899,880	4,400,872
Add: development properties and assets held for sale	**135,542**	25,512
Total portfolio	**$ 6,035,422**	$ 4,426,384
Less: equity accounted investments	**270,102**	264,505
Less: assets held for sale	**135,542**	7,700
Amount per condensed consolidated balance sheet	**$ 5,629,778**	$ 4,154,179

	Comparative properties[1]		
	March 31, 2012	December 31, 2011	Change
Office			
Western Canada	**$ 996,880**	$ 981,811	$ 15,069
Calgary	**1,107,115**	1,098,595	8,520
Toronto	**1,484,570**	1,467,120	17,450
Eastern Canada	**493,867**	494,142	(275)
Total office	**4,082,432**	4,041,668	40,764
Industrial			
Western Canada	**65,787**	63,873	1,914
Calgary	**152,105**	148,897	3,208
Toronto	**44,930**	45,029	(99)
Eastern Canada	**101,832**	101,405	427
Total industrial	**364,654**	359,204	5,450
	4,447,086	4,400,872	46,214
Add: development properties and assets held for sale	**28,806**	25,512	3,294
Total portfolio	**$ 4,475,892**	$ 4,426,384	$ 49,508
Less: equity accounted investments	**270,102**	264,505	5,597
Less: assets held for sale	**28,806**	7,700	21,106
Total comparative properties	**$ 4,176,984**	$ 4,154,179	$ 22,805

(1) Comparative properties are properties owned by the Trust on December 31, 2011.

Our total comparative portfolio (before development properties and assets held for sale) increased by $46.2 million, including fair value gains of $42.2 million, to $4,447.1 million during the quarter, representing a cap rate of 6.64%. The increase in fair value is primarily attributed to slight cap rate compression in downtown Calgary and Toronto, as well as the reclassification of the Gallery Building in Yellowknife from development to operational in the first quarter of 2012. In our office segment, the weighted average cap rate compressed by 4 basis points (bps) over the prior quarter.

By region, the fair value of our comparative Calgary office portfolio increased by $8.5 million, primarily reflecting weighted average cap rate compression of 4 bps offset by the reclassification of a property to assets held for sale. The Toronto office portfolio's fair value increased by $17.5 million, reflecting weighted average cap rate compression of approximately 5 bps. The fair value of the Western Canada office portfolio increased by $15.1 million, resulting from a fair value increase of approximately $15.0 million, the inclusion of the Gallery Building in comparative properties at $27.0 million, offset by the reclassification of one property as held for sale at $27.0 million. Our Eastern Canada office portfolio remained relatively flat quarter-over-quarter. Our comparative industrial portfolio increased by $5.5 million in the quarter.

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

						Capitalization rates(1)
		Total portfolio				Comparative properties(2)
		March 31, 2012		**March 31, 2012**		December 31, 2011
	Range (%)	**Weighted average (%)**	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)
Office						
Western Canada	**5.75–9.25**	**6.68**	**5.75–9.25**	**6.68**	5.75–9.25	6.69
Calgary	**6.00–8.50**	**6.96**	**6.00–8.50**	**6.97**	5.50–8.50	7.01
Toronto	**5.40–9.00**	**6.31**	**5.50–9.00**	**6.31**	5.50–9.00	6.36
Eastern Canada	**5.75–7.75**	**6.44**	**5.75–7.75**	**6.46**	6.20–8.00	6.56
Total office	**5.40–9.25**	**6.55**	**5.50–9.25**	**6.60**	5.50–9.25	6.64
Industrial						
Western Canada	**6.15–7.50**	**6.75**	**6.75–7.50**	**7.00**	6.75–7.50	7.00
Calgary	**6.50–7.50**	**7.01**	**6.50–7.50**	**7.02**	6.50–7.50	7.05
Toronto	**6.10–6.75**	**6.67**	**6.75–6.75**	**6.75**	6.75–7.00	6.80
Eastern Canada	**6.40–9.25**	**7.12**	**6.50–9.25**	**7.46**	6.75–9.25	7.45
Total industrial	**6.10–9.25**	**6.97**	**6.50–9.25**	**7.11**	6.50–9.25	7.12
Total portfolio	**5.40–9.25**	**6.58**	**5.50–9.25**	**6.64**	5.50–9.25	6.68

(1) Capitalization rates do not include assets held for sale.

(2) Comparative properties are properties owned as at December 31, 2011.

Investing activities

Key performance indicators in the management of our investing activities include the following:

Three months ended March 31	**2012**	2011
Investing activities(1)		
Acquisition of investment properties	**$ 145,690**	$ 104,034
Acquisition of Whiterock investment properties	**1,419,899**	–
Acquisition of Realex investment properties	**–**	363,697
Building improvements	**2,759**	848
Development projects	**1,944**	2,651

(1) Includes equity accounted investments and properties held for sale.

Acquisitions

During the first quarter of 2012, we completed the following acquisitions:

Three months ended March 31, 2012	**Property type**	**Interest acquired (%)**	**Acquired GLA (sq. ft.)**	**Occupancy on acquisition (%)**	**Purchase price[(1)]**	**Date acquired**
5001 Yonge Street, Toronto	**office**	**100**	**309,138**	**100**	**$ 112,984**	**January 19, 2012**
67 Richmond Street, Toronto	**office**	**100**	**44,996**	**100**	**14,464**	**January 30, 2012**
Whiterock Portfolio	**office/industrial/retail**	**100**	**7,368,679[(2)]**	**97.6**	**1,419,899**	**March 2, 2012**
Saskatoon parking lots, Saskatoon	**office**	**100**	**9,567**	**100**	**18,242**	**March 12, 2012**
Total			**7,732,380**	**97.7**	**$1,565,589**	

(1) Includes transaction costs.

(2) Includes 437,715 square feet of space reclassified to assets held for sale.

The acquisition of Whiterock was completed on March 2, 2012 and was accounted for as a business combination. The acquisition included $1,419.9 million of investment properties of which $106.8 million has been reclassified to assets held for sale. The purchase was funded with $159.8 million in cash and the issuance of 12,580,347 REIT A units, valued at $34.56 per unit, representing a total consideration of $594.6 million.

Mortgages assumed in connection with acquisitions completed in the first quarter totalled $758.0 million (including fair value adjustments).

The following acquisitions were completed during the first quarter of 2011:

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

(1) Includes transaction costs.

(2) Includes $20.8 million of equity accounted investments.

Acquisitions under contract and completed subsequent to quarter-end

On April 26, 2012, we purchased 1 Riverside Drive in Windsor, an office property comprising approximately 236,000 square feet, for $35.3 million before transaction costs. The acquisition was funded by drawing $34.0 million on the revolving credit facility.

Building improvements

During the quarter, we incurred $2.8 million of expenditures related to building improvements, including sustainability and environmental initiatives, substantially all of which will be recovered from tenants.

Building improvements represent investments made to ensure optimal building performance. Recurring recoverable expenditures of $1.9 million included elevator modernization, roofing upgrades, HVAC and chiller work. During the quarter, approximately $0.6 million was spent on sustainability and environmental initiatives, substantially all of which are recovered from tenants. Non-recurring building improvements include major capital expenditures that generally would not be expected to recur over the useful life of the building.

The table below represents amounts either paid or accrued during the period:

Three months ended March 31	**2012**	2011
Building improvements(1)		
Recurring recoverable	**$ 1,943**	$ 819
Recurring non-recoverable	**32**	29
Non-recurring	**213**	–
Sustainability and environmental initiatives	**571**	–
Total	**$ 2,759**	$ 848

(1) Includes equity accounted investments.

Development

During the quarter, we completed construction of the Gallery Building, an office property in Yellowknife that is fully leased to the Government of Canada for a ten-year term, which commenced in March 2012. During the quarter, costs of $1.9 million were incurred to complete the construction. The Gallery Building was reclassified to investment properties effective February 1, 2012 upon substantial completion of the development project.

Disposition

On February 2, 2012, the Trust completed the sale of a 36,400 square foot office building in Calgary. Gross proceeds from the disposal amounted to $7.7 million. A net loss of $0.2 million was recognized for the period ended March 31, 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 repayments, interest payments and property acquisitions. We expect to meet all of our ongoing obligations with current cash and cash equivalents, cash flows generated 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 related to equity accounted investments at the Trust's proportionate ownership.

	March 31, 2012	December 31, 2011
Debt	**$ 3,312,656**	$ 2,254,756
Less: Debt related to equity accounted investments and liabilities related to assets held for sale	**193,291**	130,239
Condensed consolidated balance sheets	**$ 3,119,365**	$ 2,124,517

Financing activities

Acquisitions are financed 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 entered into a $220 million bridge loan facility comprising a $210 million secured term facility bearing interest at the bankers' acceptance ("BA") rate plus 175 bps for one year, and a $10 million equity bridge facility bearing interest at the BA rate plus 235 bps for five months. This facility was entered into to finance the purchase of Whiterock. On April 5, 2012, the equity bridge facility was fully repaid; on April 17, 2012, the $210 million secured term facility was converted into a revolving credit facility with a one-year term and repaid with proceeds from the April offering. During the quarter, we made $14.9 million in principal repayments on mortgages and term debt and $49.0 million was repaid on the demand revolving credit facilities ($34.3 million of which was assumed on the Whiterock acquisition).

Debt

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

	March 31, 2012	December 31, 2011
Financing activities		
Average effective interest rate[1]	**4.58%**	4.96%
Level of debt (debt-to-gross book value)[2]	**51.8%**	49.0%
Interest coverage ratio[3]	**2.7 times**	2.6 times
Debt-to-EBITDFV (years)[4]	**9.92**	7.63
Proportion of total debt due in current year	**7.0%**	7.5%
Debt – average term to maturity (years)	**4.5**	5.2
Variable rate debt as percentage of total debt	**7.4%**	1.3%

(1) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt, including debt related to equity accounted investments.

(2) Level of debt is determined as total debt, including debt related to equity accounted investments, divided by total assets (including total assets of equity accounted investments and adjusted for accumulated amortization on property and equipment).

(3) The interest coverage ratio for the period, including results from equity accounted investments, is calculated as net rental income plus interest and fee income, less general and administrative expenses, all divided by interest expense on debt.

(4) 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 and fair value adjustments plus interest expense, depreciation, and acquisition related costs.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 2.7 times, demonstrating our ability to more than adequately cover interest expense requirements. We also monitor our debt-to-EBITDFV ratio to gauge our ability to repay existing debt. Our current debt-to-EBITDFV ratio is 9.92 years. Our weighted average face rate of interest at March 31, 2012 was 4.89%, down 9 bps from 4.98% at December 31, 2011, mainly reflecting the impact of new and assumed mortgage financing completed at a weighted average face rate of 4.64%. After accounting for market adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 4.58%.

Variable rate debt as a percentage of total debt increased to 7.4% from 1.3% at December 31, 2011 as a result of entering into a $220 million bridge loan facility during the period.

	March 31, 2012			December 31, 2011		
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 2,646,679**	**$ 25,985**	**$ 2,672,664**	$ 1,909,828	$ 25,982	$ 1,935,810
Term debt	**430**	**–**	**430**	504	–	504
Demand revolving credit facilities	**–**	**920**	**920**	–	2,435	2,435
Term loan facility	**184,837**	**–**	**184,837**	184,654	–	184,654
Bridge loan facility	**–**	**219,546**	**219,546**	–	–	–
Convertible debentures	**185,844**	**–**	**185,844**	131,353	–	131,353
Debentures	**48,415**	**–**	**48,415**	–	–	–
Total	**$ 3,066,205**	**$ 246,451**	**$ 3,312,656**	$ 2,226,339	$ 28,417	$ 2,254,756
Percentage	**92.6%**	**7.4%**	**100%**	98.7%	1.3%	100.0%

Mortgages payable include $33.0 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2011 – $10.5 million). Amounts recorded at March 31, 2012 for the convertible debentures are net of a $0.2 million discount allocated to their conversion features on issuance (December 31, 2011 – $1.1 million). The debentures include a $3.4 million fair value adjustment. The fair value adjustments and premiums, net of discount, 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 and term loan financing is highlighted in the table below.

Three months ended March 31, 2012		Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)(1)
New mortgages and bridge loan facility placed	$ 220,000	1.0	2.98	3.93
New mortgages assumed on investment property acquisitions and business combinations	727,227	4.5	5.15	4.05
Overall	$ 947,227	3.68	4.64	4.02

(1) After accounting for the impact of financing costs and fair value adjustments on mortgages assumed.

On March 2, 2012, we entered into a $10.0 million equity bridge facility and a $210.0 million secured term facility. The equity bridge facility is in the form of rolling one-month BAs bearing interest at the BA rate plus 2.35%. The secured term facility is in the form of rolling one-month BAs bearing interest at the BA rate plus 1.75%. The equity bridge facility was fully repaid on April 5, 2012. The secured term facility matures on March 1, 2013, and is secured by 15 investment properties as first-ranking mortgages. The secured term facility was converted into a revolving credit facility on April 17, 2012 and matures on March 5, 2013. On April 19, 2012, the Trust repaid the revolving credit facility.

During the quarter, we assumed $727.2 million of mortgages, primarily from the acquisition of Whiterock and one other property. The mortgages assumed are at a weighted average interest rate of 5.15% and have an average term to maturity of 4.5 years after accounting for marked-to-market adjustments. The weighted average effective interest rate is 4.05%.

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's prime rate (3.0% as at March 31, 2012) plus 1.5%, or bankers' acceptance rates, plus 3.0%. At March 31, 2012, the formula-based amount available is $36.1 million. This facility is secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. Currently, $1.5 million is being utilized in the form of letters of guarantee with $34.6 million available.

In connection with the acquisition of Realex in Q1 2011, we assumed a demand revolving credit facility authorized to a formula-based maximum of $22.0 million. In the third quarter of 2011, we negotiated an increase in the authorized amount of this facility to $35.0 million. At March 31, 2012, $nil amounts are drawn from the facility. The facility is secured by a second-ranking mortgage on two properties and bears interest based on the bank's prime rate (3% as at March 31, 2012) plus 0.85%.

In connection with the acquisition of Whiterock, we assumed a revolving acquisition and operating facility of up to $35 million with a major Canadian chartered bank. Interest is incurred at floating rates determined, at the REIT's option, by reference to the prime rate plus 85 bps or bankers' acceptance rates plus 185 bps. At March 31, 2012, the formula-based amount available is $34.8 million. The facility expires on August 23, 2013. Currently, $0.5 million is being utilized in the form of letters of guarantee and $34.3 million remains available.

We also assumed a $2.4 million demand revolving operating facility with a major Canadian chartered bank that is secured by a mortgage on an existing property and the guarantee of Dundee REIT. The facility bears interest at a floating rate determined by reference to the prime rate plus 150 bps. At March 31, 2012, $0.9 million was outstanding under the facility.

We also have a $188.0 million term loan facility outstanding, drawn to finance the acquisition of the Blackstone Portfolio in the third quarter of 2011. This facility expires on August 15, 2016, and bears interest monthly at BA plus 1.85%. In order to manage the interest rate fluctuations, we have entered into two interest rate swap agreements (the "swaps") to effectively make the interest rate fixed. The Trust has applied hedge accounting to the swaps.

At March 31, 2012, we had $227.9 million in cash and $103.9 million available from our revolving credit facilities. In addition, we have three unencumbered properties that may be leveraged to provide additional financing.

Changes in debt levels are as follows:

	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Bridge loan facility	Convertible debentures	Debentures	Total
Debt as at December 31, 2011	$ 1,935,810	$ 504	$ 2,435	$ 184,654	$ –	$ 131,353	$ –	$ 2,254,756
New debt assumed on investment property acquisitions	728,433	–	34,300	–	–	59,927	45,000	867,660
New debt placed	–	24	13,157	–	220,000	–	–	233,181
Scheduled repayments	(14,813)	(98)	–	–	–	–	–	(14,911)
Lump sum repayments	–	–	(48,972)	–	–	–	–	(48,972)
Conversion to unitholders' equity	–	–	–	–	–	(6,969)	–	(6,969)
Foreign exchange	506	–	–	–	–	–	–	506
Other adjustments[1]	22,728	–	–	183	(454)	1,533	3,415	27,405
Debt as at March 31, 2012	$ 2,672,664	$ 430	$ 920	$ 184,837	$ 219,546	$ 185,844	$ 48,415	$ 3,312,656

[1] Other adjustments include issue costs on new debt placed, fair value adjustments and amortization of issue costs and fair value adjustments.

The acquisition of Whiterock afforded us the opportunity to rebalance our debt profile and better stagger our maturities into years when we had very little debt maturing. The following is our debt maturity profile, as at March 31, 2012:

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2012 (remainder of year)	$ 181,016	$ 50,167	$ 231,183	7.0	4.62	5.48
2013	376,947	65,099	442,046	13.4	4.21	4.13
2014	244,432	63,583	308,015	9.4	5.52	5.85
2015	502,630	55,193	557,823	17.0	4.12	5.16
2016	637,717	42,814	680,531	20.7	4.17	4.53
2017 and thereafter	957,973	112,036	1,070,009	32.5	4.72	4.94
Total	$ 2,900,715	$ 388,892	$ 3,289,607	100.0	4.58	4.89
Fair value adjustments			36,610			
Transaction costs related to debt			(13,561)			
Total			$ 3,312,656			

Convertible debentures

In connection with the acquisition of Whiterock, Dundee REIT assumed the principal amount outstanding under each of the Whiterock convertible debentures Series F, Series G and Series H. The total principal amounts outstanding for all of the convertible debentures are as follows:

	Date issued	Maturity date	Outstanding principal April 30, 2012	REIT A Units if converted April 30, 2012	Outstanding principal March 31, 2012
6.5% Debentures	June 21, 2004	June 30, 2014	$ 2,464	98,560	$ 2,626
5.7% Debentures	April 1, 2005	March 31, 2015	6,313	210,433	7,142
6.0% Debentures	January 14, 2008	December 31, 2014	124,785	3,014,130	124,785
6.0% Series F Debentures	July 16, 2008	July 15, 2012	711	25,429	870
7.0% Series G Debentures	October 1, 2009	December 31, 2014	1,690	91,998	1,764
5.5% Series H Debentures	December 9, 2011	March 31, 2017	51,190	1,395,203	51,190
Total			$ 187,153	4,835,753	$ 188,377

The fair value of the conversion feature of the convertible debentures is remeasured each period, with changes in fair value being recorded in comprehensive income. At March 31, 2012, the conversion feature totalled $6.9 million (December 31, 2011 – $6.4 million).

Debentures

In connection with the acquisition of Whiterock, Dundee REIT also assumed the principal amount outstanding under each of the Whiterock Debentures Series K and Series L.

	Date issued	Maturity date	Interest rate	Outstanding principal March 31, 2012
Series K	April 26, 2011	April 26, 2016	5.95%	$ 35,000
Series L	August 8, 2011	September 30, 2016	5.95%	10,000
Total				$ 45,000

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 condensed consolidated financial statements.

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

March 31, 2012	Operating lease payments	Finance lease payments
Less than 1 year	$ 1,397	$ 298
1–5 years	2,434	152
Longer than 5 years	3,228	–
Total	$ 7,059	$ 450

During the three months ended March 31, 2012, we paid $0.4 million (March 31, 2011 – $0.3 million) in minimum lease payments, which have been included in comprehensive income for the period.

The Trust has entered into fixed price contracts to purchase electricity and gas as follows:

			Minimum payments due				
	Number of properties	Expiry date	2012 (remainder of year)	2013	2014	2015	Total
Electricity							
Calgary	14	January 31, 2013	$ 1,634	$ 170	$ –	$ –	$ 1,804
Edmonton, Parkland County and Strathcona County	9	May 31, 2015	509	755	755	326	2,345
Edmonton	2	October 31, 2012	268	–	–	–	268
Toronto and Ottawa	14	September 30, 2013	416	416	–	–	832
Mississauga	2	September 24, 2012	128	–	–	–	128
			2,955	1,341	755	326	5,377
Gas							
Calgary	14	December 31, 2012	326	–	–	–	326
Edmonton	1	November 30, 2012	85	–	–	–	85
			411	–	–	–	411
			$ 3,366	$ 1,341	$ 755	$ 326	$ 5,788

Our equity

Our discussion of equity is inclusive of LP Class B Units, Series 1, which are economically equivalent to REIT Units. Pursuant to IFRS, the LP B Units are classified as a liability in our condensed consolidated financial statements as subsidiary redeemable units.

				Unitholders' equity
	March 31, 2012		December 31, 2011	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**85,835,238**	**$ 2,820,165**	66,193,060	$ 2,118,116
REIT Units, Series B	**16,316**	**726**	16,316	720
Accumulated other comprehensive income (loss)	**–**	**1,205**	–	(1,602)
	85,851,554	**2,822,096**	66,209,376	2,117,234
Add: LP B Units	**3,511,837**	**123,612**	3,506,107	114,445
Total	**89,363,391**	**$ 2,945,708**	69,715,483	$ 2,231,679

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, 2012, Dundee Corporation, directly and indirectly through its subsidiaries, held 2,131,503 REIT A Units and 3,511,837 LP B Units, for a total ownership interest of approximately 6.3%.

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 January 1, 2012	66,193,060	16,316	3,506,107	69,715,483
Units issued pursuant to public offering	6,555,000	–	–	6,555,000
Units issued pursuant to Whiterock transaction	12,580,347	–	–	12,580,347
Units issued pursuant to DRIP	230,084	–	5,730	235,814
Units issued pursuant to Unit Purchase Plan	672	–	–	672
Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	22,130	–	–	22,130
Conversion of debentures	253,945	–	–	253,945
Total units outstanding on March 31, 2012	85,835,238	16,316	3,511,837	89,363,391
Percentage of all units	96.05%	0.02%	3.93%	100.00%
Units issued pursuant to DRIP on April 15, 2012	100,316	–	1,862	102,178
Units issued pursuant to Unit Purchase Plan	55	–	–	55
Units issued pursuant to conversion of debentures	1,166	–	–	1,166
Total units outstanding on April 30, 2012	85,936,775	16,316	3,513,699	89,466,790
Percentage of all units	96.05%	0.02%	3.93%	100.00%

On March 28, 2012, we completed a public offering of 6,555,000 REIT A Units, including an over-allotment option, at a price of $35.35 per Unit for gross proceeds of $231.7 million. Costs related to the offering totalled $9.4 million and were charged directly to unitholders' equity.

On March 2, 2012, Dundee REIT took up approximately 40.9% of the outstanding Whiterock units under its offer to acquire any and all Whiterock units in consideration for $16.25 or 0.4729 Dundee REIT units, as elected by Whiterock unitholders. Approximately 27% of the Whiterock units (9,832,563 Whiterock units) were tendered to Dundee REIT's offer for cash totalling $159.8 million. The remaining outstanding Whiterock units were redeemed by Whiterock in consideration for 0.4729 Dundee REIT A Units for each Whiterock unit. In total, Dundee REIT issued 12,580,347 REIT A Units in connection with the transaction. The Trust recorded the issuance of the 12,580,347 REIT A Units at $34.56 representing total equity consideration valued at $434.8 million.

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on December 2, 2011 and will remain in effect until the earlier of December 1, 2012 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 5,910,181 REIT A Units (representing 10% of the REIT's public float of 59,101,809 REIT A Units at the time of renewal through the facilities of the TSX). As at March 31, 2012, no purchases had been made. Based on the closing price of REIT A Units on March 31, 2012, the Trust may purchase up to $208.0 million worth of REIT A Units.

Distribution policy

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 costs 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.

Three months ended March 31, 2012	Declared distributions	4% bonus distributions	Total
2012 distributions			
Paid in cash or reinvested in Units	$ 25,597	$ 214	$ 25,811
Payable at March 31, 2012	16,353	104	16,457
Total distributions[1]	$ 41,950	$ 318	$ 42,268
2012 reinvestment			
Reinvested to March 31, 2012	$ 5,357	$ 214	$ 5,571
Reinvested on April 15, 2012	3,589	104	3,693
Total distributions reinvested	$ 8,946	$ 318	$ 9,264
Distributions paid in cash	$ 33,004		
Reinvestment to distribution ratio	21.3%		
Cash payout ratio	78.7%		

(1) Includes distributions on LP B Units.

Distributions declared for the quarter ended March 31, 2012 were $42.0 million, up $13.0 million over the comparative prior year period. The increase reflects a larger number of units outstanding as a result of the equity issues completed in 2011 and 2012 as well as distributions reinvested in additional units and vested deferred trust units exchanged for REIT A Units. Of the distributions declared for the three months ended March 31, 2012, $8.9 million, or approximately 21.3%, were reinvested in additional units resulting in a cash payout ratio of 78.7%.

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.

Three months ended March 31	**2012**	2011
Net income	$ **67,720**	$ 31,971
Cash flows from operating activities[1]	**40,214**	30,756
Distributions paid and payable[2]	**42,268**	29,078
(Shortfall) excess of cash flow from operating activities over distributions paid and payable	**(2,054)**	1,678

(1) Cash flows from operating activities exclude cash flows utilized for transaction costs on acquired businesses, and include operating cash flows from equity accounted investments.

(2) Includes distributions on LP B Units.

Distributions paid and payable exceeded cash flow from operations by $2.0 million for the first quarter in 2012. When establishing distribution payments, we do not take into consideration fluctuations in working capital and transaction costs on business combinations but rather use a normalized amount as a proxy for leasing costs. Net income exceeded distributions paid and payable by $25.5 million for the three months ended March 31, 2012.

Our results of operations

Results of operations for the three months ended March 31, 2012

						Three months ended March 31
			2012			2011
	Amounts per financial statements	**Share of income from equity accounted investments**	**Total**	Amounts per financial statements	Share of income from equity accounted investments	Total
Investment properties revenue	$ 142,487	$ 7,553	$ 150,040	$ 83,852	$ 7,153	$ 91,005
Investment properties operating expenses	58,527	3,175	61,702	33,905	3,108	37,013
Net rental income	83,960	4,378	88,338	49,947	4,045	53,992
Other income and expenses						
General and administrative	(4,625)	(3)	(4,628)	(3,360)	(42)	(3,402)
Share of net earnings from equity accounted investments	8,507	(8,507)	–	3,947	(3,947)	–
Fair value adjustments to investment properties	36,551	5,625	42,176	19,756	1,227	20,983
Loss on sale of investment properties	(169)	–	(169)	–	–	–
Acquisition related costs, net	(17,319)	–	(17,319)	(5,734)	–	(5,734)
Interest						
Debt	(29,443)	(1,522)	(30,965)	(17,751)	(1,316)	(19,067)
Subsidiary redeemable units	(1,935)	–	(1,935)	(1,919)	–	(1,919)
Depreciation and amortization	(318)	–	(318)	(117)	–	(117)
Interest and fee income	944	29	973	433	33	466
Fair value adjustments to financial instruments	(8,433)	–	(8,433)	(13,231)	–	(13,231)
Net income for the period	$ 67,720	$ –	$ 67,720	$ 31,971	$ –	$ 31,971

Investment properties revenue

Investment properties revenue includes net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Revenues generated by acquisitions completed in 2011 and the first quarter of 2012 were the primary drivers of the $59.0 million, or 64.9%, increase in investment properties revenue over the prior year comparative quarter.

Investment properties operating expenses

Operating expenses 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 changes in occupancy levels, weather, utility costs, realty taxes, and repairs and maintenance. Expenses increased $24.7 million, or 66.7%, over the prior year comparative quarter, reflecting the additional costs associated with properties acquired in 2011 and in the first quarter of 2012.

General and administrative

General and administrative expenses primarily comprise expenses related to corporate management, trustees' fees and expenses, investor relations and asset management fees. Included in the $4.6 million recorded this quarter is a $0.9 million non-cash component relating to the DUIP, representing an increase of $0.2 million over the prior year comparative period. On a cash basis, general and administrative expenses increased by $1.0 million over the prior year comparative quarter primarily as a result of asset management fees related to property acquisitions in 2011 and in the first quarter of 2012.

Fair value adjustments to investment properties

A fair value adjustment of $42.2 million was recognized in the quarter, primarily resulting from slight cap rate compression on properties that were owned at December 31, 2011.

Acquisition related costs, net

Included in comprehensive income this quarter is $17.3 million of acquisition costs related to the Whiterock transaction. Costs of a similar nature were incurred for the acquisition of Realex in Q1 2011 ($17.5 million offset by an acquisition gain of $11.8 million).

Interest expense – Debt

Interest on debt increased $11.9 million, or 62.4%, for the first quarter of 2012, mainly reflecting the additional mortgage debt and term loan credit facilities entered into in 2011 and in the first quarter of 2012. Our interest coverage ratio remains strong at 2.7 times, reflecting our ability to more than cover our interest expense requirements.

Interest expense – Subsidiary redeemable units

Interest on subsidiary redeemable units increased marginally over the comparative quarter, reflecting a greater number of units outstanding as a result of the distribution reinvestment plan.

Depreciation and amortization

During the quarter, we recognized $0.1 million of amortization related to external property management contracts assumed with the Whiterock acquisition. Amortization expense of $0.2 million was related to property and equipment.

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 may vary quarter-to-quarter. The $0.5 million increase over the prior year comparative quarter is primarily a result of management fees earned on jointly owned properties acquired in 2011 and the Whiterock acquisition in the first quarter of 2012.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments were $8.4 million for the quarter, representing a decrease of $4.8 million over the prior year comparative quarter. The decrease in the adjustment this quarter is primarily a result of a favourable fair value adjustment for the convertible debenture conversion feature of $1.2 million versus an unfavourable fair value adjustment of $2.1 million in the prior year comparative quarter.

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 22 to the condensed consolidated financial statements. During the first quarter of 2012, we received $0.7 million related to the DRC Services Agreement and also recovered $2.0 million for operating and administrative costs. Pursuant to the Asset Management Agreement, we paid $11.8 million including $3.1 million reported in general and administration expenses for asset management fees, $7.2 million recorded as a transaction cost for the Whiterock acquisition, $1.2 million included with property acquisition costs and $0.3 million recorded as a financing cost.

Net operating income

We define NOI as the total of investment property revenues, including property management income, less investment property operating expenses, excluding property revenues and operating expenses for properties sold and held for sale.

Net operating income is an important measure used by management in evaluating property operating performance; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

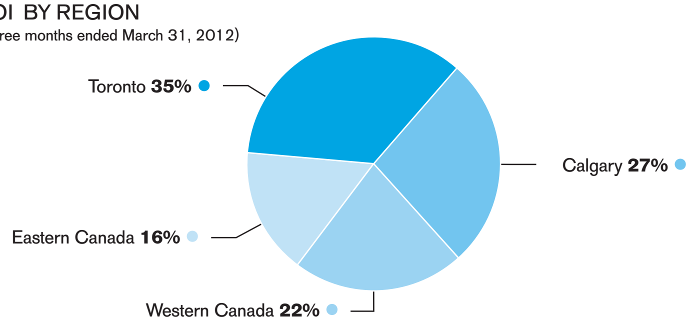
Three months ended March 31	**2012**	2011
Net rental income	**$ 83,960**	$ 49,947
Share of net rental income from equity accounted investments	**4,378**	4,045
NOI including income from properties sold and held for sale	**$ 88,338**	$ 53,992

Net operating income, before income from disposed properties and properties held for sale, increased by 62.8% to $87.2 million over the prior year comparative period. The increase is mainly attributable to income generated by properties acquired in 2011 and the first quarter of 2012.

			Growth	
Three months ended March 31	**2012**	2011	Amount	%
Office	**$ 79,352**	$ 47,414	$ 31,938	67
Industrial	**7,854**	6,140	1,714	28
NOI	**87,206**	53,554	33,652	63
Income from sold and held for sale properties	**1,132**	438	694	
NOI including income from properties sold and held for sale	**$ 88,338**	$ 53,992	$ 34,346	64

			Growth	
Three months ended March 31	**2012**	2011	Amount	%
Western Canada	**$ 19,341**	$ 13,543	$ 5,798	43
Calgary	**23,487**	17,966	5,521	31
Toronto	**30,569**	17,348	13,221	76
Eastern Canada	**13,809**	4,697	9,112	194
NOI	**87,206**	53,554	33,652	63
Income from sold and held for sale properties	**1,132**	438	694	
NOI including income from properties sold and held for sale	**$ 88,338**	$ 53,992	$ 34,346	64

NOI BY REGION
(Three months ended March 31, 2012)



NOI comparative portfolio

Net operating income 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, 2011. Income from disposed properties and properties held for sale contributing to NOI in comparative periods is shown separately. Comparative NOI and NOI attributed to acquisitions exclude lease termination fees and GAAP adjustments that relate to straight-line rents and amortization of lease incentives.

Comparative properties NOI increased by $1.2 million, or 3%, over the prior year comparative period.

			Growth	
Three months ended March 31	**2012**	2011	Amount	%
Office	**$ 42,329**	$ 41,282	$ 1,047	3
Industrial	**5,717**	5,539	178	3
Comparative properties	**48,046**	46,821	1,225	3
Lease termination fees and other	**767**	230	537	
Properties held for development	**308**	308	–	
Acquisitions	**37,222**	5,899	31,323	
Straight-line rent	**2,092**	1,074	1,018	
Amortization of lease incentives	**(1,229)**	(778)	(451)	
NOI	**87,206**	53,554	33,652	63
Income from properties sold and held for sale	**1,132**	438	694	
NOI including income from properties sold and held for sale	**$ 88,338**	$ 53,992	$ 34,346	64

			Growth	
Three months ended March 31	**2012**	2011	Amount	%
Western Canada	**$ 12,040**	$ 11,430	$ 610	5
Calgary	**16,494**	16,071	423	3
Toronto	**15,564**	15,418	146	1
Eastern Canada	**3,948**	3,902	46	1
Comparative properties	**48,046**	46,821	1,225	3
Lease termination fees and other	**767**	230	537	
Properties held for development	**308**	308	–	
Acquisitions	**37,222**	5,899	31,323	
Straight-line rent	**2,092**	1,074	1,018	
Amortization of lease incentives	**(1,229)**	(778)	(451)	
NOI	**87,206**	53,554	33,652	63
Income from properties sold and held for sale	**1,132**	438	694	
NOI including income from properties sold and held for sale	**$ 88,338**	$ 53,992	$ 34,346	64

Comparative office portfolio

			Growth	
Three months ended March 31	**2012**	2011	Amount	%
Western Canada	**$ 11,396**	$ 10,919	$ 477	4
Calgary	**13,885**	13,457	428	3
Toronto	**14,914**	14,779	135	1
Eastern Canada	**2,134**	2,127	7	–
Comparative properties	**42,329**	41,282	1,047	3
Lease termination fees and other	**767**	230	537	
Properties held for development	**308**	308	–	
Acquisitions	**35,413**	5,521	29,892	
Straight-line rent	**1,684**	765	919	
Amortization of lease incentives	**(1,149)**	(692)	(457)	
NOI – office portfolio	**$ 79,352**	$ 47,414	$ 31,938	67

Occupancy increases in the comparative Western Canada, Calgary and Toronto portfolios produced a 3% increase in NOI over the prior year comparative period. Eastern Canada region was consistent with the prior year comparative period.

Comparative industrial portfolio

			Growth	
Three months ended March 31	**2012**	2011	Amount	%
Western Canada	**$ 644**	$ 511	$ 133	26
Calgary	**2,609**	2,614	(5)	–
Toronto	**650**	639	11	2
Eastern Canada	**1,814**	1,775	39	2
Comparative properties	**5,717**	5,539	178	3
Lease termination fees and other	**–**	–	–	
Acquisitions	**1,809**	378	1,431	
Straight-line rent	**408**	309	99	
Amortization of lease incentives	**(80)**	(86)	6	
NOI – industrial portfolio	**$ 7,854**	$ 6,140	$ 1,714	28

Our comparative industrial portfolio NOI increased by $0.2 million, or 3%, over the prior year comparative period. The increase primarily comes from our Western Canada portfolio where NOI grew by $0.1 million, or 26%, in the period resulting from space leased during the later quarters of 2011.

NOI prior quarter comparison

The comparative properties disclosed in the following tables include properties acquired prior to October 1, 2011.

Three months ended	March 31, 2012	December 31, 2011	Growth Amount	Growth %
Office	$ 69,383	$ 68,813	$ 570	1
Industrial	6,531	6,224	307	5
Comparative properties	75,914	75,037	877	1
Lease termination fees and other	767	729	38	
Properties held for development	308	394	(86)	
Acquisitions	9,354	218	9,136	
Straight-line rent	2,092	2,437	(345)	
Amortization of lease incentives	(1,229)	(1,396)	167	
NOI	87,206	77,419	9,787	13
Income from sold and held for sale properties	1,132	697	435	
NOI including income from properties sold and held for sale	$ 88,338	$ 78,116	$ 10,222	13

Three months ended	March 31, 2012	December 31, 2011	Growth Amount	Growth %
Western Canada	$ 16,892	$ 16,504	$ 388	2
Calgary	23,158	22,658	500	2
Toronto	25,004	24,973	31	–
Eastern Canada	10,860	10,902	(42)	–
Comparative properties	75,914	75,037	877	1
Lease termination fees and other	767	729	38	
Properties held for development	308	394	(86)	
Acquisitions	9,354	218	9,136	
Straight-line rent	2,092	2,437	(345)	
Amortization of lease incentives	(1,229)	(1,396)	167	
NOI	87,206	77,419	9,787	13
Income from sold and held for sale properties	1,132	697	435	
NOI including income from properties sold and held for sale	$ 88,338	$ 78,116	$ 10,222	13

Comparative property NOI increased 1%, or $0.9 million, over the prior quarter. Both our office and industrial portfolios grew in the period; office increased by $0.6 million or 1% and industrial increased by $0.3 million or 5%.

Comparative office portfolio

Three months ended	March 31, 2012	December 31, 2011	Growth Amount	Growth %
Western Canada	$ 15,769	$ 15,395	$ 374	2
Calgary	20,482	20,319	163	1
Toronto	24,353	24,236	117	–
Eastern Canada	8,779	8,863	(84)	(1)
Comparative properties	69,383	68,813	570	1
Lease termination fees and other	767	729	38	
Properties held for development	308	394	(86)	
Acquisitions	8,359	218	8,141	
Straight-line rent	1,684	2,075	(391)	
Amortization of lease incentives	(1,149)	(1,316)	167	
NOI	$ 79,352	$ 70,913	$ 8,439	12

Overall, our comparative office property portfolio NOI increased by $0.6 million, or 1%, over the prior quarter. The majority of this increase is due to occupancy increases in our Western Canada portfolio, which increased by $0.4 million, or 2%, over the prior quarter. The increase comes from a property in Edmonton where a new lease commenced on March 1, 2012 for approximately 37,000 square feet. Our Calgary portfolio increased by $0.2 million, or 1%, resulting from new leases commencing in the period and the expiry of a free rent period. Our Toronto portfolio increased by $0.1 million over the prior quarter, resulting from a tenant that expanded in one of our downtown Toronto properties and the end of a free rent period for a tenant, partially offset by new vacancies in the quarter. Our Eastern Canada portfolio decreased slightly by $0.1 million, or 1%, over the prior quarter, resulting from lease expiries of 35,000 square feet in an Ottawa property.

Comparative industrial portfolio

Three months ended	March 31, 2012	December 31, 2011	Growth Amount	Growth %
Western Canada	$ 1,123	$ 1,109	$ 14	1
Calgary	2,676	2,339	337	14
Toronto	651	737	(86)	(12)
Eastern Canada	2,081	2,039	42	2
Comparative properties	6,531	6,224	307	5
Acquisitions	995	–	995	
Straight-line rent	408	362	46	
Amortization of lease incentives	(80)	(80)	–	
NOI	$ 7,854	$ 6,506	$ 1,348	21

During the quarter our comparative industrial NOI grew by $0.3 million or 5%. The increase primarily comes from our Calgary portfolio, which increased by $0.3 million, or 14%, over the prior quarter. The increase in Calgary comes from a new lease of approximately 58,000 square feet commencing in January 2012. Toronto NOI decreased by $0.1 million, or 12%, resulting from a lease that provided free gross rent for the first quarter of 2012. This tenant will recommence full rental payments in April 2012 of less than $0.1 million.

Funds from operations and adjusted funds from operations

Three months ended March 31	2012	2011
Net income	**$ 67,720**	$ 31,971
Add (deduct):		
Depreciation of property and equipment	**183**	117
Amortization of property management contracts	**138**	–
Amortization of lease incentives	**1,014**	786
Loss on disposal of rental properties	**169**	–
Interest expense on subsidiary redeemable units	**1,935**	1,919
Acquisition related costs	**17,319**	5,776
Leasing incentives expensed on lease terminations	**229**	–
Fair value adjustments to investment properties	**(36,551)**	(19,756)
Fair value adjustments to investment properties held in equity accounted investments	**(5,625)**	(1,227)
Fair value adjustments to financial instruments	**8,433**	13,231
Fair value adjustments of DUIP included in general and administrative expenses	**173**	81
Other	**(66)**	(34)
FFO	**$ 55,071**	$ 32,864
Funds from operations	**$ 55,071**	$ 32,864
Add (deduct):		
Amortization of fair value adjustments on assumed debt	**(1,673)**	(337)
Deferred unit compensation expense	**749**	659
Straight-line rent	**(2,131)**	(1,079)
Revenue supplement from vendor on acquisition	**598**	146
Other	**(2)**	14
	$ 52,612	$ 32,267
Deduct:		
Normalized initial direct leasing costs and lease incentives	**5,884**	3,430
Normalized non-recoverable recurring capital expenditures	**75**	75
AFFO	**$ 46,653**	$ 28,762

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 the weighted average of all REIT Units, LP B Units and vested but unissued deferred trust units and income deferred trust units. The diluted weighted average number of Units assumes the conversion of the 6.5%, 5.7% and 6.0% Debentures, 6% Series F, 7% Series G and 5.5% Series H Debentures.

Three months ended March 31	2012	2011
Weighted average units outstanding for basic per unit amounts (in thousands)	**74,527**	52,526
Weighted average units outstanding for diluted per unit amounts (in thousands)	**78,663**	56,012

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.

Three months ended March 31		**2012**		2011
FFO	**$**	**55,071**	$	32,864
FFO per unit – basic	**$**	**0.74**	$	0.63
FFO per unit – diluted	**$**	**0.73**	$	0.63

For the three-month period, FFO per unit was $0.74, up 17.4% over the comparative period, reflecting the impact of accretive acquisitions completed in 2011 and the first quarter of 2012. Total FFO increased by 67.6% to $55.1 million in the quarter, driven by NOI growth from properties acquired in 2011 and 2012.

Adjusted funds from operations

Three months ended March 31		**2012**		2011
AFFO	**$**	**46,653**	$	28,762
AFFO per unit – basic	**$**	**0.63**	$	0.55

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 2011, 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.

For the first quarter, AFFO per unit (basic) was $0.63, up 14.5% over the comparative period, reflecting the impact of accretive acquisitions completed in 2011 and 2012. Total AFFO for the quarter was $46.7 million, an increase of $17.9 million, or 62.2%, over the same quarter of 2011.

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 Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles AFFO to cash generated from operating activities.

Three months ended March 31	**2012**	2011
Cash generated from operating activities	**$ 21,064**	$ 11,674
Add (deduct):		
Share of earnings from equity accounted investments	**8,507**	3,947
Initial direct leasing costs and lease incentives incurred	**4,569**	4,289
Transaction costs on acquired businesses including those recorded in equity accounted investments	**17,319**	17,570
Change in non-cash working capital	**6,941**	(3,775)
Adjustments for equity accounted investments:		
Fair value adjustments to investment property	**(5,625)**	(1,227)
Straight-line rent	**(113)**	(22)
Deferred financing fee amortization	**46**	14
Fair value adjustments on assumed debt	**–**	(145)
Amortization of lease incentives	**99**	245
Revenue supplement from vendor on acquisition	**598**	146
Normalized initial direct leasing costs and lease incentives	**(5,884)**	(3,430)
Normalized non-recoverable recurring capital expenditures	**(75)**	(75)
Other	**(793)**	(449)
AFFO	**$ 46,653**	$ 28,762

Quarterly information

The following tables show quarterly information since April 1, 2010.

	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Investment properties revenue	**$ 142,487**	$ 128,642	$ 110,856	$ 88,238	$ 83,852	$ 70,337	$ 63,206	$ 55,229
Investment properties operating expenses	**58,527**	54,901	44,508	34,200	33,905	29,645	25,220	20,371
Net rental income	**83,960**	73,741	66,348	54,038	49,947	40,692	37,986	34,858
Other income and expenses								
General and administrative	**(4,625)**	(4,107)	(3,763)	(3,534)	(3,360)	(2,684)	(2,569)	(2,476)
Share of net earnings from equity accounted investments	**8,507**	24,847	14,054	6,880	3,947	24,554	2,808	2,339
Fair value adjustments to investment properties	**36,551**	162,617	10,902	39,712	19,756	117,538	17,149	8,306
Loss on sale of investment properties	**(169)**	–	–	–	–	(500)	–	–
Acquisition related costs	**(17,319)**	–	–	–	(5,734)	–	–	–
Interest:								
Debt	**(29,443)**	(26,679)	(24,098)	(19,870)	(17,751)	(15,005)	(13,949)	(13,241)
Subsidiary redeemable units	**(1,935)**	(1,931)	(1,928)	(1,926)	(1,919)	(1,918)	(1,914)	(1,907)
Depreciation and amortization	**(318)**	(157)	(173)	(133)	(117)	(111)	(208)	(119)
Interest and fee income	**944**	863	643	437	433	509	336	394
Fair value adjustments to financial instruments	**(8,433)**	(6,433)	5,870	2,729	(13,231)	(7,372)	(15,681)	4,699
Net income for the period	**$ 67,720**	$ 222,761	$ 67,855	$ 78,333	$ 31,971	$ 155,703	$ 23,958	$ 32,853

Calculation of funds from operations

	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
NET INCOME	**$ 67,720**	$ 222,761	$ 67,855	$ 78,333	$ 31,971	$ 155,703	$ 23,958	$ 32,853
Add (deduct):								
Depreciation of property and equipment	**183**	156	173	133	117	112	208	118
Amortization of property management contracts	**138**	–	–	–	–	–	–	–
Amortization of lease incentives	**1,014**	1,351	805	1,009	786	301	249	229
Loss on disposal of investment properties	**169**	–	–	–	–	500	–	–
Interest expense on subsidiary redeemable units	**1,935**	1,931	1,928	1,926	1,919	1,918	1,914	1,907
Acquisition related costs	**17,319**	–	–	–	5,776	–	–	–
Leasing incentives expensed on lease terminations	**229**	53	–	–	–	240	–	–
Fair value adjustments to investment properties	**(36,551)**	(162,617)	(10,902)	(39,712)	(19,756)	(117,538)	(17,149)	(8,306)
Fair value adjustments to investment properties held in equity accounted investments	**(5,625)**	(21,938)	(11,206)	(3,598)	(1,227)	(20,465)	(138)	398
Fair value adjustments to financial instruments	**8,433**	6,433	(5,870)	(2,729)	13,231	7,372	15,681	(4,699)
Fair value adjustments of DUIP included in general and administrative expenses	**173**	135	111	271	81	59	112	20
Other	**(66)**	(55)	(62)	(142)	(34)	(55)	(55)	(41)
FFO	**$ 55,071**	$ 48,210	$ 42,832	$ 35,491	$ 32,864	$ 28,147	$ 24,780	$ 22,479
FFO per unit – basic[1]	**$ 0.74**	$ 0.73	$ 0.68	$ 0.64	$ 0.63	$ 0.61	$ 0.60	$ 0.62
FFO per unit – diluted[1]	**$ 0.73**	$ 0.73	$ 0.68	$ 0.64	$ 0.63	$ 0.61	$ 0.60	$ 0.62

(1) The LP B Units are included in the calculation of basic and diluted FFO per unit.

	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
FUNDS FROM OPERATIONS	**$ 55,071**	$ 48,210	$ 42,832	$ 35,491	$ 32,864	$ 28,147	$ 24,780	$ 22,479
Add (deduct):								
Amortization of fair value adjustment on assumed debt	**(1,673)**	(799)	(638)	(382)	(337)	(175)	(215)	(168)
Deferred compensation expense	**749**	696	697	753	659	580	483	534
Straight-line rent	**(2,131)**	(2,459)	(2,083)	(1,199)	(1,079)	(857)	(1,564)	(1,178)
Revenue supplement from vendor on acquisition	**598**	598	342	131	146	171	677	787
Other	**(2)**	193	118	(3)	14	9	9	9
	$ 52,612	$ 46,439	$ 41,268	$ 34,791	$ 32,267	$ 27,875	$ 24,170	$ 22,463
Adjusted for:								
Normalized initial direct leasing costs and lease incentives	**5,884**	5,317	4,613	3,430	3,430	2,555	2,505	2,287
Normalized non-recoverable recurring capital expenditures	**75**	75	75	75	75	75	75	75
Adjusted funds from operations	**$ 46,653**	$ 41,047	$ 36,580	$ 31,286	$ 28,762	$ 25,245	$ 21,590	$ 20,101
AFFO per unit – basic(1)	**$ 0.63**	$ 0.62	$ 0.58	$ 0.56	$ 0.55	$ 0.55	$ 0.52	$ 0.55
Weighted average units outstanding for FFO and AFFO								
Basic	**74,526,502**	65,941,519	62,638,417	55,388,860	52,525,703	46,054,582	41,627,961	36,418,168
Diluted	**78,662,961**	69,430,422	66,118,114	58,887,400	56,011,583	49,596,634	45,106,887	39,871,032

(1) The LP B Units are included in the calculation of basic AFFO per unit.

Section III – Disclosure controls and procedures

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

For an explanation of our disclosure controls and procedures, please refer to our 2011 Annual Report or our Annual Information Form for the year ended December 31, 2011, filed on SEDAR (www.sedar.com).

Section IV – Risks and our strategy to manage

For a full list and explanation of our risks and uncertainties, please refer to our Annual Report or our Annual Information Form for the year ended December 31, 2011, filed on SEDAR (www.sedar.com).

Section V – Critical accounting policies

Critical accounting judgments, estimates and assumptions in applying accounting policies

Preparing the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the asset or liability affected in the future. Dundee REIT's significant accounting policies are described in Note 2 of the interim condensed consolidated financial statements and in our 2011 Annual Report.

Changes in accounting estimates and changes in accounting policies

Future accounting policy changes

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, "Financial Instruments: Classification and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Trust is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 7, "Financial Instruments – Disclosures" ("IFRS 7"), has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"). This new standard replaces IAS 31, "Interests in Joint Ventures", and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The Trust is currently evaluating the impact of this standard on the consolidated financial statements.

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7 requires the Trust to provide disclosures related to offsetting financial assets and liabilities. The Trust is currently evaluating the impact of IFRS 7 on its consolidated financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32"), has been amended to clarify requirements for offsetting financial assets and financial liabilities. The Trust will start the application of IAS 32 effective from January 1, 2014.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Trust is currently evaluating the impact of IFRS 10 on its consolidated financial statements and will start the application of this standard effective January 1, 2013.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. The Trust is currently evaluating the impact of IFRS 12 on the consolidated financial statements and will start the application of this standard effective from January 1, 2013.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The Trust will start the application of IFRS 13 effective January 1, 2013. The Trust has not yet evaluated the impact on the consolidated financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. The Trust will start the application of this amendment in the consolidated financial statements effective from January 1, 2013, and is currently evaluating the impact on the consolidated financial statements as a result of its adoption.

Condensed consolidated balance sheets

(unaudited)

(in thousands of dollars)	Note	**March 31, 2012**	December 31, 2011
Assets			
NON-CURRENT ASSETS			
Investment properties	8	**$ 5,629,778**	$ 4,154,179
Equity accounted investments	9	**151,231**	144,596
Other non-current assets	10	**104,195**	22,507
		5,885,204	4,321,282
CURRENT ASSETS			
Amounts receivable	11	**13,780**	13,618
Prepaid expenses and other assets		**19,864**	11,990
Cash and cash equivalents		**217,252**	111,870
		250,896	137,478
Assets held for sale	18	**137,044**	7,707
Total assets		**$ 6,273,144**	$ 4,466,467
Liabilities			
NON-CURRENT LIABILITIES			
Debt	12	**$ 2,663,440**	$ 1,957,538
Subsidiary redeemable units	13	**123,612**	114,445
Deposits		**18,047**	13,919
Deferred Unit Incentive Plan	14	**13,772**	12,971
Other financial instruments	12	**6,934**	8,028
		2,825,805	2,106,901
CURRENT LIABILITIES			
Debt	12	**455,925**	166,979
Amounts payable and accrued liabilities	15	**87,620**	63,139
Distributions payable	16	**15,812**	12,192
		559,357	242,310
Liabilities related to assets held for sale	18	**65,886**	22
Total liabilities		**3,451,048**	2,349,233
Equity			
Unitholders' equity		**2,419,951**	1,745,283
Retained earnings		**400,940**	373,553
Accumulated other comprehensive income (loss)		**1,205**	(1,602)
Total equity	17	**2,822,096**	2,117,234
Total liabilities and equity		**$ 6,273,144**	$ 4,466,467

See accompanying notes to the condensed consolidated financial statements.

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Condensed consolidated statements of comprehensive income

(unaudited)

For the three months ended March 31 (in thousands of dollars)	Note	2012	2011
Investment properties revenue		$ 142,487	$ 83,852
Investment properties operating expenses		58,527	33,905
Net rental income		83,960	49,947
Other income and expenses			
General and administrative		(4,625)	(3,360)
Share of net earnings from equity accounted investments	9	8,507	3,947
Fair value adjustments to investment properties	8	36,551	19,756
Loss on sale of investment properties	18	(169)	–
Acquisition related costs, net	6	(17,319)	(5,734)
Interest:			
Debt	19	(29,443)	(17,751)
Subsidiary redeemable units	19	(1,935)	(1,919)
Depreciation and amortization		(318)	(117)
Interest and fee income		944	433
Fair value adjustments to financial instruments	20	(8,433)	(13,231)
Net income		67,720	31,971
Other comprehensive income			
Unrealized gain on interest rate swap agreements	12	2,530	–
Unrealized foreign currency translation gain		277	–
Comprehensive income		$ 70,527	$ 31,971

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of changes in equity

(unaudited)

		Attributable to unitholders of the Trust				
(in thousands of dollars, except number of units)	Note	Number of units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2012		**66,209,376**	**$ 1,745,283**	**$ 373,553**	**$ (1,602)**	**$ 2,117,234**
Net income for the period		**–**	**–**	**67,720**	**–**	**67,720**
Distributions paid	16, 17	**–**	**–**	**(24,521)**	**–**	**(24,521)**
Distributions payable	16, 17	**–**	**–**	**(15,812)**	**–**	**(15,812)**
Public offering of REIT A Units	17	**6,555,000**	**231,719**	**–**	**–**	**231,719**
REIT A Units issued for Whiterock transaction	6	**12,580,347**	**434,777**	**–**	**–**	**434,777**
Distribution Reinvestment Plan	17	**230,084**	**8,097**	**–**	**–**	**8,097**
Unit Purchase Plan	17	**672**	**24**	**–**	**–**	**24**
Deferred units exchanged for REIT A Units	14, 17	**22,130**	**760**	**–**	**–**	**760**
Conversion of debentures	17	**253,945**	**6,969**	**–**	**–**	**6,969**
Conversion feature of debentures	17	**–**	**1,684**	**–**	**–**	**1,684**
Issue costs	17	**–**	**(9,362)**	**–**	**–**	**(9,362)**
Other comprehensive income		**–**	**–**	**–**	**2,807**	**2,807**
Balance at March 31, 2012		**85,851,554**	**$ 2,419,951**	**$ 400,940**	**$ 1,205**	**$ 2,822,096**

		Attributable to unitholders of the Trust				
(in thousands of dollars, except number of units)	Note	Number of units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2011		45,912,519	$ 1,118,058	$ 97,002	$ –	$ 1,215,060
Net income for the period		–	–	31,971	–	31,971
Distributions paid	16, 17	–	–	(17,805)	–	(17,805)
Distributions payable	16, 17	–	–	(9,354)	–	(9,354)
Public offering of REIT A Units	17	4,749,500	143,910	–	–	143,910
Distribution Reinvestment Plan	17	126,203	3,883	–	–	3,883
Unit Purchase Plan	17	2,289	70	–	–	70
Deferred units exchanged for REIT A Units	17	23,402	737	–	–	737
Conversion of debentures	17	4,160	104	–	–	104
Conversion feature of debentures		–	19	–	–	19
Issue costs	17	–	(6,285)	–	–	(6,285)
Balance at March 31, 2011		50,818,073	$ 1,260,496	$ 101,814	$ –	$ 1,362,310

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of cash flows

(unaudited)

For the three months ended March 31 (in thousands of dollars)	Note	2012	2011
Generated from (utilized in) operating activities			
Net income		$ 67,720	$ 31,971
Non-cash items:			
Acquisition related costs, net	6	17,319	5,734
Share of net earnings from equity accounted investments	9	(8,507)	(3,947)
Amortization of lease incentives	8	1,030	619
Amortization of external management contracts		138	–
Amortization of financing costs	19	828	390
Amortization of fair value adjustments on acquired debt	19	(1,673)	(193)
Loss on sale of investment properties	18	169	–
Deferred unit compensation expense	14	922	741
Straight-line rent adjustment		(2,046)	(1,109)
Fair value adjustments to investment properties	8	(36,551)	(19,756)
Fair value adjustments to financial instruments	20	8,433	13,231
Depreciation on property and equipment		180	117
Reinvestment in subsidiary redeemable units	19	202	188
Investment in lease incentives and initial direct leasing costs	8	(4,569)	(4,289)
Transaction costs on acquired business	6	(17,319)	(17,528)
Interest paid on subsidiary redeemable units	19	1,729	1,730
Change in non-cash working capital	23	(6,941)	3,775
		21,064	11,674
Generated from (utilized in) investing activities			
Investment in building improvements	8	(2,759)	(844)
Investment in development projects	8	(1,945)	(2,651)
Acquisition of Whiterock (2011 – Realex Properties Corporation), net of cash acquired	6	(147,134)	(154,380)
Acquisition of investment properties	7	(134,285)	(98,632)
Acquisition deposit on investment properties		(1,000)	(100)
Net proceeds from disposal of investment property	18	7,550	–
Distributions from (contributions to) equity accounted investments		1,872	(6,066)
Change in restricted cash		536	(81)
		(277,165)	(262,754)
Generated from (utilized in) financing activities			
Mortgages placed, net of costs of $16 (2011 – $70)		(16)	29,780
Mortgage principal repayments		(14,084)	(7,487)
Lump sum repayments		–	(1,638)
New term debt		24	–
Term debt principal repayments		(98)	(49)
Draw on bridge loan facility, net of costs of $579 (2011 – $nil)		219,421	–
Draw on revolving credit facility		13,157	31,854
Repayment of revolving credit facility		(48,972)	(17,000)
Distributions paid on Units	16	(28,616)	(22,365)
Interest paid on subsidiary redeemable units	19	(1,729)	(1,730)
Units issued for cash, net of costs of $9,362 (2011 – $6,285)		222,381	137,695
		361,468	149,060
Increase (decrease) in cash and cash equivalents		105,367	(102,020)
Foreign exchange gain on cash held in foreign currency		15	–
Cash and cash equivalents, beginning of period		111,870	108,810
Cash and cash equivalents, end of period		$ 217,252	$ 6,790

See accompanying notes to the condensed consolidated financial statements.

Notes to the condensed 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 condensed 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 in urban centres across Canada and the United States. A subsidiary of Dundee REIT performs the property management function.

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". Dundee REIT's condensed consolidated financial statements for the three months ended March 31, 2012, were authorized for issue by the Board of Trustees on May 3, 2012, after which date the condensed consolidated financial statements may only be amended with Board of Trustees approval.

Equity is described in Note 17; 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; Series B; and Special Trust Units, collectively

Subsidiary redeemable units classified as a liability are described in Note 13; however, for simplicity, throughout the Notes reference is made to "subsidiary redeemable units", meaning the LP Class B Units, Series 1 of Dundee Properties Limited Partnership ("DPLP").

At March 31, 2012, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 2,131,503 REIT A Units and 3,511,837 subsidiary redeemable units (December 31, 2011 – 1,776,158 and 3,506,107, respectively).

Note 2

Summary of significant accounting policies

Basis of presentation

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Financial Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

These condensed consolidated financial statements have been prepared using the same significant accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2011.

These condensed consolidated financial statements should be read in conjunction with the Trust's consolidated financial statements for the year ended December 31, 2011.

Note 3

Accounting policies selected and applied for significant transactions and events

The accounting policies selected and applied for significant transactions and events are consistent with those of the previous financial year. In addition, the Trust has adopted the following significant accounting policies in the period:

Goodwill

Goodwill arises on the acquisition of businesses, joint ventures and co-ownerships and represents the excess of the consideration transferred over the Trust's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

External property management contracts

External property management contracts assumed in a business combination are recorded on the condensed consolidated balance sheets. External property management fees arise when the Trust owns less than 100% of an investment property, but manages the investment property and earns a property management fee from the other owner as compensation. External property management contracts are in-place so long as the property is owned by the Trust. External property management contracts are amortized on a straight-line basis into comprehensive income over ten years.

Foreign currencies

The condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Trust and the presentation currency for the condensed consolidated financial statements.

Assets and liabilities related to properties held in a country having a functional currency other than the Canadian dollar are translated at the rate of exchange at the condensed consolidated balance sheet date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income.

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 it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes is required on such amounts. The Trust intends to continue to distribute its taxable income and to qualify as a real estate investment trust ("REIT") for the foreseeable future.

For U.S. subsidiaries, income taxes are accounted for using the asset and liability method. Under this method, future income taxes are recognized for the expected future tax consequences of temporary differences between the carrying amount of balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle.

Note 4
Critical accounting judgments, estimates and assumptions in applying accounting policies

Preparing the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts 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 affected asset or liability in the future. Management has applied the same methodologies in making critical accounting judgments, estimates and assumptions as disclosed in the consolidated financial statements for the year ended December 31, 2011.

Note 5
Future accounting policy changes

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, "Financial Instruments: Classification and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Trust is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 7, "Financial Instruments – Disclosures" ("IFRS 7"), has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"). This new standard replaces IAS 31, "Interests in Joint Ventures", and eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The Trust is currently evaluating the impact of this standard on the consolidated financial statements.

Financial instruments: Disclosures, amendment regarding disclosures on transfer of financial assets and presentation

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), requires the Trust to provide disclosures related to offsetting financial assets and liabilities. The Trust is currently evaluating the impact of IFRS 7 on its consolidated financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify requirements for offsetting financial assets and financial liabilities. The Trust will start the application of IAS 32 effective from January 1, 2014.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces current IAS 27, "Consolidated and Separate Financial Statements". The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Trust is currently evaluating the impact of IFRS 10 on its consolidated financial statements and will start the application of this standard effective January 1, 2013.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. The Trust is currently evaluating the impact of IFRS 12 on the consolidated financial statements and will start the application of this standard effective from January 1, 2013.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The Trust will start the application of IFRS 13 effective January 1, 2013. The Trust is currently evaluating the impact on the consolidated financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The Trust will start the application of this amendment in the consolidated financial statements effective from January 1, 2013, and is currently evaluating the impact on the consolidated financial statements as a result of its adoption.

Note 6
Business combinations

On March 2, 2012, Dundee REIT acquired Whiterock Real Estate Investment Trust ("Whiterock") for a total cash consideration of $159,779 and the issuance of 12,580,347 REIT A Units for $434,777, representing total consideration of $594,556. The Trust considers Whiterock an excellent strategic fit with the existing portfolio that will increase its market presence as the dominant office REIT in Canada. At that date, the fair value of the net identifiable assets and liabilities acquired equalled $533,398. The total consideration exceeded the net identifiable assets and liabilities by $61,158, which has been recorded as goodwill on acquisition. The Whiterock portfolio consisted of 7,405,010 square feet of office, industrial and retail properties.

Dundee REIT took up approximately 40.9% of the outstanding units of Whiterock REIT under its offer to acquire any and all units of Whiterock REIT in consideration for $16.25 or 0.4729 units of Dundee REIT, as elected by depositing unitholders of Whiterock REIT. Approximately 27% of the Whiterock units (9,832,563 Whiterock units) were tendered to Dundee REIT's offer for cash for $159,779. No elections were pro-rated under the offer. The remaining outstanding units of Whiterock REIT were redeemed by Whiterock REIT in consideration for 0.4729 units of Dundee REIT or 12,580,347 REIT A Units.

The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values:

Investment properties, including $106,754 classified as assets held for sale	$ 1,419,889
Other non-current assets	2,802
Amounts receivable	933
Cash and cash equivalents	12,645
Other assets	8,609
External management contracts	16,512
Amounts payable and accrued liabilities assumed	(34,237)
Financial instruments	(3,363)
Assumed debt	(890,392)
Total identifiable net assets and liabilities	533,398
Goodwill (Note 10)[1]	61,158
Fair value of consideration	$ 594,556

(1) Goodwill arises principally from the ability to realize synergies upon integration of the Trust's operating platform with Whiterock's as well as projected future growth.

Acquisition related costs comprise $17,319 in transaction costs. The fair value of acquired amounts receivable is $933 and includes tenant receivables with a fair value of $933. The gross contractual amount for tenant receivables is $2,833, of which $1,900 is expected to be uncollectible.

The fair value of the 12,580,347 REIT A Units issued as part of the consideration for Whiterock was based on the published share price of $34.56 at 8 a.m. on March 2, 2012, the time Dundee REIT acquired control.

During the three months ended March 31, 2012, the Trust recognized $12,951 of revenue and $5,299 of comprehensive income before fair value adjustments, related to the acquisition of Whiterock. Had the acquisition occurred on January 1, 2012, the Trust would have recognized an additional $26,481 of revenue and $3,736 of comprehensive income.

The initial accounting for the assets and liabilities recognized with respect to the acquisition of Whiterock has been completed provisionally with respect to the valuations of investment property, goodwill, external management contracts, mark-to-market valuations of assumed debt and other financial instruments. Accordingly, the initial accounting has not been finalized and is therefore subject to adjustment.

Note 7
Property acquisitions

Detailed below are the acquisitions completed during the three months ended March 31, 2012.

For the three months ended March 31, 2012	Property type	Interest acquired (%)	Purchase price[1]	Fair value of mortgage assumed	Date acquired
5001 Yonge Street, Toronto	office	100	$ 112,984	$ –	January 19, 2012
67 Richmond Street, Toronto	office	100	14,464	6,104	January 30, 2012
Saskatoon parking lots, Saskatoon	office	100	18,242	–	March 12, 2012
Total			$ 145,690	$ 6,104	

(1) Includes transaction costs.

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

Investment properties:	
Office	$ 145,690
Total purchase price	$ 145,690
The consideration paid consists of:	
Cash:	
Paid during the period	$ 134,285
Deposits applied	2,150
	136,435
Assumed mortgages at fair value	6,104
Assumed non-cash working capital	3,151
Total consideration	$ 145,690

Note 8
Investment properties

	Note	**For the three months ended March 31, 2012**	For the year ended December 31, 2011
Balance at beginning of period		**$ 4,154,179**	$ 2,330,005
Additions:			
Acquisitions from business combinations	6	**1,419,889**	352,609
Property acquisitions	7	**145,690**	1,206,449
Building improvements		**2,758**	8,044
Lease incentives and initial direct leasing costs		**4,562**	23,136
Development projects		**1,945**	13,215
Amortization of lease incentives		**(1,030)**	(3,566)
Vendor adjustment on investment property		**–**	(1,000)
Properties reclassified as held for sale		**(135,560)**	(7,700)
Foreign currency translation gain		**767**	–
Fair value adjustments to investment properties		**36,578**	232,987
Balance at end of period		**$ 5,629,778**	$ 4,154,179

Investment properties have been reduced by $17,178 (December 31, 2011 – $15,132) related to straight-line rent receivable, which has been reclassified to other non-current assets.

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

	March 31, 2012		December 31, 2011	
	Range (%)	**Weighted average (%)**	Range (%)	Weighted average (%)
Office:				
Capitalization rate	**5.40–9.25**	**6.55**	5.50–9.25	6.64
Discount rate	**6.50–10.50**	**7.79**	7.50–10.50	7.94
Terminal rate	**6.00–9.75**	**6.92**	6.00–9.75	7.12
Industrial:				
Capitalization rate	**6.10–9.25**	**6.97**	6.50–9.25	7.12
Discount rate	**7.50–9.25**	**8.09**	8.00–10.00	8.58
Terminal rate	**6.75–9.00**	**7.35**	7.25–10.00	7.76
Overall:				
Capitalization rate	**5.40–9.25**	**6.58**	5.50–9.25	6.68
Discount rate	**6.50–10.50**	**7.82**	7.50–10.50	7.99
Terminal rate	**6.00–9.75**	**6.96**	6.00–10.00	7.17

Investment properties with an aggregate fair value of $299,375 at March 31, 2012 (December 31, 2011 – $366,250), were valued by qualified external valuation professionals.

Investment properties, including equity accounted investments, pledged as security are as follows:

		Number of properties		Fair value	
Facility	Ranking	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011
Demand revolving credit facilities:					
Formula based maximum not to exceed $40,000	first ranking	**2**	2	**$ 39,853**	$ 40,000
	second ranking	**1**	1	**80,393**	75,000
Formula based maximum not to exceed $35,000 (Realex)	second ranking	**2**	3	**173,781**	181,500
Formula based maximum not to exceed $35,000 (Whiterock)	first ranking	**1**	–	**38,882**	–
	second ranking	**1**	–	**110,027**	–
$2,400 demand revolving operating facility	first ranking	**1**	–	**4,633**	–
Term loan facility	first ranking	**9**	9	**278,101**	278,136
Bridge loan facility	first ranking	**15**	–	**335,325**	–
				$ 1,060,995	$ 574,636

Investment properties, including equity accounted investments and properties held for sale, with a fair value of $5,322,257 (December 31, 2011 – $3,726,675), are pledged as security for mortgages.

If the cap rate were to increase by 25 bps, the value of investment properties would decrease by $224,034 (including assets held for sale). If the cap rate were to decrease by 25 bps, the value of investment properties would increase by $242,100 (including assets held for sale).

Note 9
Joint arrangements

	March 31, 2012	December 31, 2011
Investments in joint ventures	**$ 151,231**	$ 144,596

Investments in joint ventures

The Trust participates in 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, 2012**	December 31, 2011
IBM Corporate Centre	Investment property	Calgary, Alberta	**33**	33
TELUS Tower	Investment property	Calgary, Alberta	**50**	50
State Street Financial Centre	Investment property	Toronto, Ontario	**50**	50
Riverbend Atrium	Investment property	Calgary, Alberta	**25**	25
Stockman Centre	Investment property	Calgary, Alberta	**25**	25
Plaza 124	Investment property	Edmonton, Alberta	**25**	25
Capital Centre	Investment property	Edmonton, Alberta	**25**	25

The following amounts represent the total assets and liabilities of equity accounted investments in which the Trust participates and its ownership interest in the assets, liabilities, revenues, expenses and cash flows therein.

	March 31, 2012	December 31, 2011
Non-current assets		
Investment properties	$ 270,102	$ 264,505
Other non-current assets	1,968	2,386
	272,070	266,891
Current assets		
Amounts receivable	278	65
Prepaid expenses and other assets	82	89
Cash and cash equivalents	10,693	11,536
	11,053	11,690
Total assets	$ 283,123	$ 278,581
Non-current liabilities		
Debt	$ 126,660	$ 127,246
Deposits	163	160
	126,823	127,406
Current liabilities		
Debt	2,845	2,977
Amounts payable and accrued liabilities	2,224	3,602
	5,069	6,579
Total liabilities	$ 131,892	$ 133,985
Net assets	$ 151,231	$ 144,596

For the three months ended March 31	2012	2011
Investment properties revenue	$ 7,553	$ 7,153
Investment properties operating expenses	3,175	3,108
Net rental income	4,378	4,045
Other income and expenses		
General and administrative	(3)	(42)
Fair value adjustments to investment properties	5,625	1,227
Interest on debt	(1,522)	(1,316)
Interest and fee income	29	33
Net income	$ 8,507	$ 3,947

For the three months ended March 31	2012	2011
Cash flow generated from (utilized in):		
Operating activities	$ 1,831	$ 1,554
Investing activities	(72)	(118)
Financing activities	(2,602)	(2,385)
Decrease in cash and cash equivalents	$ (843)	$ (949)

Co-owned properties

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

The co-owned properties acquired in the three months ended March 31, 2012, relate to the Whiterock business acquisition as described in Note 6.

			Ownership interest (%)	
Name	Principal activity	Location	**March 31, 2012**	December 31, 2011
10199–101st Street NW	Investment property	Edmonton, Alberta	**50.0**	50.0
St. Albert Trail Centre	Investment property	Edmonton, Alberta	**50.0**	50.0
GE Turbine Building	Investment property	Sherwood Park, Alberta	**50.0**	50.0
Centre 70	Investment property	Calgary, Alberta	**15.0**	15.0
Commerce West (401–405 The West Mall)	Investment property	Toronto, Ontario	**40.0**	–
460 Two Nations Crossing	Investment property	Fredericton, New Brunswick	**40.0**	–
1900 Dickson Street	Investment property	Montréal, Québec	**20.0**	–
49 Ontario Street	Investment property	Toronto, Ontario	**40.0**	–
Valhalla Executive Centre (300–304 The East Mall)	Investment property	Mississauga, Ontario	**49.9**	–
West Mall (185–195 The West Mall)	Investment property	Toronto, Ontario	**49.9**	–
2810 Matheson Boulevard East	Investment property	Mississauga, Ontario	**49.9**	–
310 Hoffer Drive	Investment property	Regina, Saskatchewan	**40.0**	–
651 Henderson Drive	Investment property	Regina, Saskatchewan	**40.0**	–
402 McDonald Street	Investment property	Regina, Saskatchewan	**40.0**	–
219 Laurier Street	Investment property	Ottawa, Ontario	**40.0**	–
80 Whitehall Drive	Investment property	Markham, Ontario	**40.0**	–
2010 Winston Park	Investment property	Oakville, Ontario	**40.0**	–
10 Lower Spadina Avenue	Investment property	Toronto, Ontario	**40.0**	–
6501–6523 Mississauga Road	Investment property	Mississauga, Ontario	**40.0**	–
6531–6559 Mississauga Road	Investment property	Mississauga, Ontario	**40.0**	–
55 Norfolk Street	Investment property	Simcoe, Ontario	**40.0**	–
Effigi (1155 Chomedey Boulevard)	Investment property	Laval, Québec	**40.0**	–
The Brick (10001 Metropolitan Boulevard)	Investment property	Québec, Québec	**40.0**	–
350–450 Lansdowne Street	Investment property	Kamloops City, British Columbia	**40.0**	–
2261 Keating Cross Road	Investment property	Victoria, British Columbia	**40.0**	–
London City Centre	Investment property	London, Ontario	**40.0**	–
Sussex Centre (50 and 90 Burnhamthorpe)	Investment property	Mississauga, Ontario	**49.9**	–
Tillsonburg Gateway Centre	Investment property	Tillsonburg, Ontario	**49.9**	–
St. Albert Trail Place	Investment property	Edmonton, Alberta	**40.0**	–

			Ownership interest (%)	
Name	Principal activity	Location	**March 31, 2012**	December 31, 2011
Broadmoor Place I (2899 Broadmoor Boulevard)	Investment property	Edmonton, Alberta	**40.0**	–
Broadmoor Place II (2833 Broadmoor Boulevard)	Investment property	Edmonton, Alberta	**40.0**	–
Broadmoor Place VII (2693 Broadmoor Boulevard)	Investment property	Edmonton, Alberta	**40.0**	–
Broadmoor Place VIII (2055 Premier Way)	Investment property	Edmonton, Alberta	**40.0**	–
Trans West Place (26229 Township Road)	Investment property	Edmonton, Alberta	**40.0**	–
Yellowhead West (11404–11442 Winterburn Road)	Investment property	Edmonton, Alberta	**40.0**	–
Alberta Park Place I (16104–28 114th Avenue)	Investment property	Edmonton, Alberta	**40.0**	–
Alberta Park Place II (16134–54 114th Avenue)	Investment property	Edmonton, Alberta	**40.0**	–
117 Kearney Lake Road	Investment property	Halifax, Nova Scotia	**35.0**	–
310 Henderson Drive	Investment property	Regina, Saskatchewan	**15.0**	–

The following amounts represent the total assets and liabilities of co-owned properties in which the Trust participates and its ownership interest in the assets, liabilities, revenues and expenses therein.

	March 31, 2012	December 31, 2011
Non-current assets		
Investment properties	**$ 562,368**	$ 34,642
Other non-current assets	**1,857**	77
	564,225	34,719
Current assets		
Amounts receivable	**1,124**	202
Prepaid expenses and other assets	**3,729**	20
Cash and cash equivalents	**7,275**	300
	12,128	522
Total assets	**$ 576,353**	$ 35,241
Non-current liabilities		
Debt	**$ 240,108**	$ 24,374
Deposits	**1,832**	219
	241,940	24,593
Current liabilities		
Debt	**55,368**	737
Amounts payable and accrued liabilities	**12,325**	435
	67,693	1,172
Total liabilities	**$ 309,633**	$ 25,765

For the three months ended March 31		2012		2011
Investment properties revenue	$	**5,757**	$	606
Investment properties operating expenses		**2,619**		648
Net rental income (loss)		**3,138**		(42)
Other income and expenses				
General and administrative		**(15)**		–
Fair value adjustments to investment properties		**(442)**		(11)
Interest on debt		**(1,080)**		–
Interest and fee income		**32**		–
Fair value adjustments to financial instruments		**14**		–
Net income (loss)	$	**1,647**	$	(53)

Note 10
Other non-current assets

		March 31, 2012		December 31, 2011
Property and equipment (net of accumulated depreciation of $1,343 (December 31, 2011 – $1,308))	$	**2,906**	$	2,690
Deposits		**3,841**		3,065
Restricted cash		**1,810**		1,620
Straight-line rent receivable		**17,178**		15,132
External management contracts (net of accumulated amortization of $138 (December 31, 2011 – $nil))		**16,374**		–
Goodwill		**61,158**		–
Fair value of interest rate swaps (Note 12)		**928**		–
Total	$	**104,195**	$	22,507

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 11
Amounts receivable

Amounts receivable are net of credit adjustments aggregating to $7,071 (December 31, 2011 – $4,842).

		March 31, 2012		December 31, 2011
Trade receivables	$	**11,511**	$	8,791
Less: Provision for impairment of trade receivables		**(1,020)**		(955)
Trade receivables, net		**10,491**		7,836
Other amounts receivable		**3,289**		5,782
	$	**13,780**	$	13,618

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

	2012	2011
As at January 1	**$ 955**	$ 547
Provision for impairment of trade receivables	**160**	68
Receivables written off during the period as uncollectible	**(91)**	(96)
Reduction of other receivables written off during the period	**(4)**	(56)
As at March 31	**$ 1,020**	$ 463

The carrying amount of amounts receivable approximates fair value due to their current nature. As at March 31, 2012, trade receivables of approximately $2,734 (December 31, 2011 – $1,139) were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these receivables is not indicative of expected default.

The Trust leases office and industrial properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining term are as follows:

	March 31, 2012
2012	$ 262,762
2013 to 2016	1,001,976
2017 to 2021	503,419
	$ 1,768,157

Note 12
Debt

	March 31, 2012	December 31, 2011
Mortgages[1]	**$ 2,479,373**	$ 1,805,571
Term debt[1]	**430**	504
Demand revolving credit facilities[1]	**920**	2,435
Term loan facility[1]	**184,837**	184,654
Bridge loan facility[1]	**219,546**	–
Convertible debentures	**185,844**	131,353
Debentures	**48,415**	–
Total	**3,119,365**	2,124,517
Less: Current portion	**455,925**	166,979
Non-current debt	**$ 2,663,440**	$ 1,957,538

(1) Secured by charges on specific investment properties (refer to Note 8).

Convertible debentures

	Carrying value March 31, 2012	Carrying value December 31, 2011
6.5% Debentures	**$ 2,523**	$ 2,802
5.7% Debentures	**7,104**	7,497
6.0% Debentures	**121,150**	121,054
6.0% Series F Debentures	**898**	–
7.0% Series G Debentures	**1,854**	–
5.5% Series H Debentures	**52,315**	–
	$ 185,844	$ 131,353

	Date issued	Maturity date	Original principal issued	Outstanding principal amount March 31, 2012	Outstanding principal amount December 31, 2011
6.5% Debentures	June 21/04	June 30/14	$ 75,000	**$ 2,626**	$ 2,916
5.7% Debentures	April 1/05	March 31/15	100,000	**7,142**	7,539
6.0% Debentures	January 14/08	December 31/14	125,000	**124,785**	124,965
6.0% Series F Debentures	July 16/08	July 15/12	11,400	**870**	–
7.0% Series G Debentures	October 1/09	December 31/14	23,000	**1,764**	–
5.5% Series H Debentures	December 9/11	March 31/17	51,650	**51,190**	–
			$ 386,050	**$ 188,377**	$ 135,420

6.5% Debentures

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 condensed consolidated balance sheet as debt of $74,400 less costs of $3,605. Interest on the 6.5% Debentures is payable semi-annually on June 30 and December 31.

5.7% Debentures

Each 5.7% Debenture is convertible at any time by the debenture holder into 33.33333 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 the weighted average trading price of the REIT A Units for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. 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 condensed consolidated balance sheet as debt of $98,800 less costs of $4,558. Interest on the 5.7% Debentures is payable semi-annually on March 31 and September 30.

6.0% Debentures

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, 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 condensed consolidated balance sheet as debt of $122,840 less costs of $5,800. Interest on the 6.0% Debentures is payable semi-annually on June 30 and December 31.

In connection with the acquisition of Whiterock, Dundee REIT assumed the principal amount outstanding under each of the Whiterock convertible debentures Series F, G and H.

6.0% Series F Debentures

The Series F Debentures are convertible at the request of the holder after July 15, 2009, subject to certain terms and conditions, into 35.77156 REIT A Units, per one thousand dollars of face value, representing a conversion price of $27.96. The Series F Debentures are redeemable at the option of the Trust at 115% of the principal amount, subject to certain terms and conditions. Interest on the Series F debentures is payable quarterly on the 15th day of January, April, July and October.

7.0% Series G Debentures

The Series G Debentures are convertible at the request of the holder, subject to certain terms and conditions, into 54.43972 REIT A Units, per one thousand dollars of face value, representing a conversion price of $18.37. The Series G Debentures are redeemable at the Trust's option at the principal amount, subject to certain terms and conditions, from December 31, 2012, and prior to December 31, 2013, provided the 20-day weighted average trading price of the units is at least $22.97 and, after December 31, 2013, at their principal amount. Interest on the Series G debentures is payable semi-annually on June 30 and December 31.

5.5% Series H Debentures

The Series H Debentures are convertible at the request of the holder, subject to certain terms and conditions, into 27.25648 REIT A Units, per one thousand dollars of face value, representing a conversion price of $36.69. The Series H Debentures are redeemable at the principal amount at the Trust's option, subject to certain terms and conditions, from March 31, 2015, and prior to March 31, 2016, provided the 20-day weighted average trading price of the units is at least $45.87 and, on and after March 31, 2016, at their principal amount. Interest on the Series H debentures is payable semi-annually on March 31 and September 30.

Debentures

In connection with the acquisition of Whiterock, Dundee REIT assumed the principal amount outstanding under each of the Whiterock debentures Series K and Series L.

	Date issued	Maturity date	Original principal issued	Interest rate	Outstanding principal March 31, 2012	Carrying value March 31, 2012
Series K	April 26/11	April 26/16	$ 35,000	5.95%	**$ 35,000**	**$ 37,611**
Series L	August 8/11	September 30/16	10,000	5.95%	**10,000**	**10,804**
			$ 45,000		**$ 45,000**	**$ 48,415**

Series K

The Series K debentures are redeemable at the Trust's option, subject to certain terms and conditions. Interest is payable monthly.

Series L

The Series L debentures are redeemable at the Trust's option, subject to certain terms and conditions. Interest is payable monthly.

Demand revolving credit facilities

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40,000, bearing interest generally at the bank's prime rate (3.0% as at March 31, 2012) plus 1.5% or at bankers' acceptance rates plus 3.0%. This facility is secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. As at March 31, 2012, the formula-based amount available under this facility was $36,075, less $1,540 in the form of letters of guarantee (December 31, 2011 – $36,075, $3,975 drawn). The facility expired on April 30, 2012, and was renewed for another one-year term.

Through an acquisition in 2011, the Trust assumed a demand revolving credit facility with a formula-based maximum not to exceed $22,000, bearing interest generally at the bank's prime rate (3.0% as at March 31, 2012) plus 0.85%. In the third quarter of 2011, the Trust negotiated an increase in the facility to a maximum of $35,000. As at March 31, 2012, the formula-based amount available under the facility was $35,000. The facility is secured by a second-ranking collateral mortgage on two properties and expires on April 30, 2013. As at March 31, 2012, $nil is drawn from the facility.

In addition, pursuant to the acquisition of Whiterock, the Trust assumed a revolving acquisition and operating facility of up to $35,000. The facility can be increased by up to an additional $20,000. Interest is borne generally at the bank's prime rate (3.0% as at March 31, 2012) plus 0.85% or bankers' acceptance rates plus 1.85%. The facility is secured by mortgages on existing properties and the guarantee of the Trust. The facility expires on August 23, 2013. As at March 31, 2012, the maximum available under the facility was $34,800, less $500 in the form of letters of guarantee.

The Trust also assumed a $2,400 demand revolving operating facility that is secured by a mortgage on a property and the guarantee of the Trust. The facility bears interest at a floating rate determined by reference to the prime rate (3.0% as at March 31, 2012) plus 1.50%. At March 31, 2012, $920 was outstanding on the facility.

Term loan facility

On August 15, 2011, the Trust entered into a term loan facility for $188,000 in the form of rolling one-month bankers' acceptances. The term loan facility bears interest at bankers' acceptances plus 1.85% payable monthly. The term loan facility is secured by first-ranking collateral mortgages on nine properties acquired through the Blackstone Portfolio. The term loan facility expires on August 15, 2016.

On August 15, 2011, the Trust entered into interest rate swap agreements to modify the interest rate profile of the current variable rate debt on the $188,000 term loan facility, without an exchange of the underlying principal amounts. The Trust has applied hedge accounting to this relationship, whereby the change in fair value of the effective portion of the hedging derivative is recognized in other comprehensive income. The ineffective portion, if any, for accounting purposes is recognized in net income. Settlement of both the fixed and variable portion of the interest rate swaps occurs on a monthly basis.

Bridge loan facility

On March 2, 2012, the Trust entered into a $10,000 equity bridge facility and a $210,000 secured term facility. The equity bridge facility is in the form of rolling one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 2.35%. The secured term facility is in the form of rolling one-month BAs bearing interest at the BA rate plus 1.75%. The equity bridge facility matures on September 1, 2012, and was fully repaid on April 5, 2012. The secured term facility matures on March 1, 2013 and is secured by 15 investment properties as first-ranking mortgages. The secured term facility was converted into a revolving credit facility on April 17, 2012 and matures on March 5, 2013.

	Weighted average effective interest rates			Debt amount	
	March 31, 2012	December 31, 2011	Maturity dates	**March 31, 2012**	December 31, 2011
Fixed rate					
Mortgages	**4.58%**	4.95%	2012–2021	**$ 2,479,373**	$ 1,805,571
Term debt	**7.57%**	7.58%	2013	**430**	504
Convertible debentures	**5.74%**	7.03%	2012–2017	**185,844**	131,353
Debentures	**3.80%**	–	2016	**48,415**	–
Total fixed rate debt	**4.69%**	5.09%		**2,714,062**	1,937,428
Variable rate					
Demand revolving credit facilities	**4.50%**	4.50%	2012–2013	**920**	2,435
Term loan facility(1)	**3.83%**	3.83%	2016	**184,837**	184,654
Bridge loan facility	**3.94%**	–	2013	**219,546**	–
Total variable rate debt	**3.89%**	3.86%		**405,303**	187,089
Total debt	**4.59%**	4.98%		**$ 3,119,365**	$ 2,124,517

(1) Under a hedging arrangement, the Trust has entered into two interest rate swaps to fix the interest rate of the term loan facility: a five-year swap on a notional balance of $133,000, fixing interest at a bankers' acceptance rate of 1.67% plus a spread of 185 basis points, and a three-year swap on a notional balance of $55,000, fixing interest at a bankers' acceptance rate of 1.18% plus a spread of 185 basis points. The effective interest rate on the term loan facility is 3.83% after accounting for deferred financing costs.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Bridge loan facility	Convertible debentures	Debentures	Total
2012 (remainder of year)	$ 215,930	$ 210	$ 920	$ –	$ 10,000	$ 870	$ –	$ 227,930
2013	175,850	220	–	–	210,000	–	–	386,070
2014	169,727	–	–	–	–	129,175	–	298,902
2015	538,734	–	–	–	–	7,142	–	545,876
2016	352,731	–	–	188,000	–	–	45,000	585,731
2017 and thereafter	1,001,782	–	–	–	–	51,190	–	1,052,972
	2,454,754	430	920	188,000	220,000	188,377	45,000	3,097,481
Financing costs	(6,622)	–	–	(3,163)	(454)	(2,746)	–	(12,985)
Fair value adjustments	31,241	–	–	–	–	213	3,415	34,869
	24,619	–	–	(3,163)	(454)	(2,533)	3,415	21,884
	$2,479,373	$ 430	$ 920	$ 184,837	$ 219,546	$ 185,844	$ 48,415	$3,119,365

Other financial instruments

The Trust has other financial instruments as follows:

	March 31, 2012	December 31, 2011
Fair value of interest rate swaps – included in non-current assets	**$ 928**	$ –
Fair value of interest rate swaps	**–**	(1,602)
Conversion feature on the convertible debentures	**(6,934)**	(6,426)
Other financial instruments – liability	**(6,934)**	(8,028)
	$ (6,006)	$ (8,028)

Interest rate swaps

The following table summarizes the details of the interest rate swaps that are outstanding at March 31, 2012:

Transaction date	Term loan facility principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument classification	Fair value
August 15, 2011	$ 133,000	3.52%	August 15, 2016	Cash flow hedge	$ 558
August 15, 2011	55,000	3.03%	August 15, 2014	Cash flow hedge	370
Non-current debt	$ 188,000	3.38%			$ 928

For those swaps designated as cash flow hedges, the Trust has assessed that there is no ineffectiveness in the hedges of its interest rate exposure. The effectiveness of the hedging relationship is reviewed on a quarterly basis. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income. As at March 31, 2012, the aggregate fair value of the interest rate swaps amounted to a $928 financial asset (December 31, 2011 – $1,602 financial liability). The associated unrealized gains or losses that are recognized in other comprehensive income will be reclassified into the condensed consolidated statement of comprehensive income in the same period or periods during which the interest payments on the hedged item affect net income.

Conversion feature on the convertible debentures

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

	For the three months ended March 31, 2012	For the year ended December 31, 2011
As at January 1	**$ 6,426**	$ 6,489
Assumed from business combination	**3,363**	–
Reduction of conversion feature on the debentures converted during the period	**(1,684)**	(302)
Remeasurement of conversion feature (Note 20)	**(1,171)**	239
Ending balance	**$ 6,934**	$ 6,426

Note 13
Subsidiary redeemable units

The Trust has the following subsidiary redeemable units outstanding:

	For the three months ended March 31, 2012		For the year ended December 31, 2011	
	Number of units issued and outstanding	**Amount**	Number of units issued and outstanding	Amount
As at January 1	**3,506,107**	**$ 114,445**	3,481,733	$ 105,148
Distribution reinvestment plan	**5,730**	**202**	24,374	771
Remeasurement of carrying amount (Note 20)	**–**	**8,965**	–	8,526
Ending balance	**3,511,837**	**$ 123,612**	3,506,107	$ 114,445

During the three months ended March 31, 2012, the Trust incurred $1,935 (March 31, 2011 – $1,919) in distributions on the subsidiary redeemable units, which are included as interest expense in comprehensive income (see Note 19).

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 REIT A 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 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, 2012, and December 31, 2011, all issued and outstanding LP Class B Units, Series 2 are owned indirectly by Dundee REIT and have been eliminated in the condensed consolidated balance sheets.

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 on 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 on the surrender or exchange of the subsidiary redeemable units to which they relate. As at March 31, 2012, 3,511,837 Special Trust Units were issued and outstanding (December 31, 2011 – 3,506,107).

Note 14
Deferred Unit Incentive Plan

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

The movement in the Deferred Unit Incentive Plan balance was as follows:

As at January 1, 2011	$ 8,301
Compensation during the year	3,403
REIT A Units issued for vested units	(1,035)
Remeasurements of carrying value	2,302
As at December 31, 2011	12,971
Compensation during the period	922
REIT A Units issued for vested units	(760)
Remeasurements of carrying value (Note 20)	639
As at March 31, 2012	$ 13,772

During the three months ended March 31, 2012, $922 of compensation expense was recorded (March 31, 2011 – $741) and included in general and administrative expenses. For the same period, $639 (March 31, 2011 – $1,005) was recognized in fair value adjustments to financial instruments representing the remeasurement of the Deferred Unit Incentive Plan liability during the year.

	Deferred trust units	Income deferred trust units	Total units
Outstanding at January 1, 2011	300,447	74,151	374,598
Granted during the year	113,791	33,670	147,461
REIT A Units issued	(25,383)	(6,995)	(32,378)
Fractional units paid in cash	–	(13)	(13)
Outstanding at December 31, 2011	388,855	100,813	489,668
Granted during the period	114,100	6,243	120,343
REIT A Units issued	(18,883)	(3,247)	(22,130)
Fractional units paid in cash	–	(20)	(20)
Outstanding and payable at March 31, 2012	484,072	103,789	587,861
Vested but not issued at March 31, 2012	169,484	52,426	221,910

On February 23, 2012, 114,100 deferred trust units were granted to trustees and senior managers. Of the units granted, 29,000 related to key management personnel. The grant date value of these deferred trust units was $34.54.

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 13,291 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 15

Amounts payable and accrued liabilities

		March 31, 2012		December 31, 2011
Trade payables	$	9,622	$	6,451
Accrued liabilities and other payables		63,332		46,155
Accrued interest		12,144		8,157
Rent received in advance		2,160		2,376
Deferred income tax liabilities		362		–
Total	$	87,620	$	63,139

Note 16

Distributions

The following table breaks down distribution payments for the periods ended March 31:

		REIT Units, Series A		REIT Units, Series B		Total 2012		Total 2011
Paid in cash	$	28,607	$	9	$	28,616	$	22,365
Paid by way of reinvestment in REIT A Units		8,097		–		8,097		3,883
Less: Payable at December 31, 2011 (December 31, 2010)		(12,189)		(3)		(12,192)		(8,443)
Plus: Payable at March 31, 2012 (March 31, 2011)		15,809		3		15,812		9,354
Total	$	40,324	$	9	$	40,333	$	27,159

On March 16, 2012, a distribution for the month of March, in the amount of $0.183 per unit, was declared, totalling $15,812. The amount payable at March 31, 2012, was satisfied on April 15, 2012, by $12,187 in cash, and $3,625 in connection with the issuance of 100,316 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 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 unit per year during 2011 and $0.55 per unit for the three months ended March 31, 2012.

Note 17
Equity

	March 31, 2012		December 31, 2011	
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**85,835,238**	**$ 2,820,165**	66,193,060	$ 2,118,116
REIT Units, Series B	**16,316**	**726**	16,316	720
Accumulated other comprehensive income (loss)	**–**	**1,205**	–	(1,602)
Total	**85,851,554**	**$ 2,822,096**	66,209,376	$ 2,117,234

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.

	REIT Units, Series A		REIT Units, Series B			Total	
	Number of units	Amount	Number of units	Amount	Accumulated other comprehensive income (loss)	Number of units	Amount
Equity, January 1, 2012	66,193,060	$ 2,118,116	16,316	$ 720	$ (1,602)	66,209,376	$ 2,117,234
Net income	–	67,705	–	15	–	–	67,720
Distributions paid	–	(24,515)	–	(6)	–	–	(24,521)
Distributions payable	–	(15,809)	–	(3)	–	–	(15,812)
Public offering of REIT A Units	6,555,000	231,719	–	–	–	6,555,000	231,719
Units issued for Whiterock transaction	12,580,347	434,777	–	–	–	12,580,347	434,777
Distribution Reinvestment Plan	230,084	8,097	–	–	–	230,084	8,097
Unit Purchase Plan	672	24	–	–	–	672	24
Deferred units exchanged for REIT A Units	22,130	760	–	–	–	22,130	760
Conversion of debentures	253,945	6,969	–	–	–	253,945	6,969
Conversion feature of debentures	–	1,684	–	–	–	–	1,684
Issue costs	–	(9,362)	–	–	–	–	(9,362)
Other comprehensive income	–	–	–	–	2,807	–	2,807
Equity, March 31, 2012	85,835,238	$ 2,820,165	16,316	$ 726	$ 1,205	85,851,554	$ 2,822,096

	REIT Units, Series A		REIT Units, Series B		Total	
	Number of units	Amount	Number of units	Amount	Number of units	Amount
Equity, January 1, 2011	45,896,203	$ 1,214,604	16,316	$ 456	45,912,519	$ 1,215,060
Net 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	104	–	–	4,160	104
Conversion feature of debentures	–	19	–	–	–	19
Issue costs	–	(6,285)	–	–	–	(6,285)
Equity, March 31, 2011	50,801,757	$ 1,361,839	16,316	$ 471	50,818,073	$ 1,362,310

Public offering of REIT A Units

On March 28, 2012, the Trust completed a public offering of 6,555,000 REIT A Units, including an over-allotment option, at a price of $35.35 per unit for gross proceeds of $231,719. Costs related to the offering totalled $9,353 and were charged directly to unitholders' equity.

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 totalled $6,258 and were charged directly to unitholders' equity.

Units issued for Whiterock transaction

Pursuant to the acquisition of Whiterock on March 2, 2012, the Trust issued 12,580,347 REIT A Units to Whiterock unitholders who elected to redeem their Whiterock units for units of Dundee REIT.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment and Unit Purchase 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 ("TSX") 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, 2012, 230,084 REIT A Units were issued under the DRIP for $8,097 (March 31, 2011 – 126,203 REIT A Units for $3,883).

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 the same manner as 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 three months ended March 31, 2012, 672 REIT A Units were issued under the Unit Purchase Plan for $24 (March 31, 2011 – 2,289 REIT A Units for $70).

Conversion of debentures

For the three months ended March 31, 2012, the following REIT A Units were issued on the conversion of principal amounts of the convertible debentures.

	2012		2011	
For the three months ended March 31	**REIT A Units issued**	**Principal amount**	REIT A Units issued	Principal amount
6.5% Debentures	**11,560**	**$ 289**	4,160	$ 104
5.7% Debentures	**13,232**	**397**	–	–
6.0% Debentures	**4,347**	**180**	–	–
6.0% Series F Debentures	**205,864**	**5,755**	–	–
7.0% Series G Debentures	**18,942**	**348**	–	–
5.5% Series H Debentures	**–**	**–**	–	–
Total	**253,945**	**$ 6,969**	4,160	$ 104

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on December 2, 2011, and will remain in effect until the earlier of December 1, 2012, 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 5,910,181 REIT A Units (representing 10% of the REIT's public float of 59,101,809 REIT A Units at the time of renewal) through the facilities of the TSX. As of March 31, 2012, no purchases had been made. Based on the closing price of REIT A Units on March 31, 2012, the Trust may purchase up to $208,038 worth of REIT A Units.

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

Note 18

Assets and related liabilities held for sale

During the quarter, the Trust classified 15 properties as held for sale, including 11 retail and two office properties acquired with the Whiterock transaction, and two office properties from the pre-existing portfolio. At March 31, 2012, as management had committed to a plan of sale, the properties have been reclassified as assets held for sale. The properties' carrying values were established to be the lower of their carrying value or their estimated fair value less selling costs. On February 1, 2012, the Trust disposed of an industrial property in Calgary for gross proceeds of $7,700, which had been classified as held for sale at December 31, 2011. A net loss of $169 was recognized for the period ended March 31, 2012.

	March 31, 2012	December 31, 2011
Investment properties	**$ 135,542**	$ 7,700
Other non-current assets	**123**	–
Amounts receivable	**145**	3
Prepaid expenses	**1,234**	4
Assets held for sale	**137,044**	7,707
Debt	**(63,786)**	(16)
Deposits	**(301)**	–
Accounts payable and accrued liabilities	**(1,799)**	(6)
Liabilities held for sale	**(65,886)**	(22)
Net assets	**$ 71,158**	$ 7,685

Note 19

Interest

Interest on debt

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

For the three months ended March 31		2012		2011
Interest expense incurred, at stated and hedged rate of debt	$	30,364	$	17,716
Amortization of financing costs		828		390
Amortization of fair value adjustments on acquired debt		(1,673)		(193)
Interest capitalized		(76)		(162)
Interest expense	$	29,443	$	17,751

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 expected 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 condensed consolidated statements of cash flows.

Interest on subsidiary redeemable units

Interest payments charged to comprehensive income are recorded as follows:

For the three months ended March 31		2012		2011
Paid in cash	$	1,729	$	1,730
Paid by way of reinvestment in subsidiary redeemable units		202		188
Less: Interest payable at December 31, 2011 (December 31, 2010)		(641)		(640)
Plus: Interest payable at March 31, 2012 (March 31, 2011)		645		641
Total	$	1,935	$	1,919

The amount payable at March 31, 2012, was satisfied on April 15, 2012, by $577 in cash, and $68 in connection with the issue of 1,862 subsidiary redeemable units.

Note 20

Fair value adjustments to financial instruments

For the three months ended March 31,	Note		2012		2011
Fair value adjustment on conversion feature of convertible debt	12	$	1,171	$	(2,117)
Fair value adjustment on subsidiary redeemable units	13		(8,965)		(10,109)
Remeasurement of deferred units	14		(639)		(1,005)
		$	(8,433)	$	(13,231)

Note 21

Segmented information

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

The Trust's investment properties have been segmented into office and industrial components. Investment properties classified as held for sale have been included in other for segment disclosure. 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, 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, 2012	Office	Industrial	Segment total	Other	Subtotal	Reconciliation	Total
Operations							
Investment properties revenues	$ 137,971	$ 10,176	$ 148,147	$ 1,893	$ 150,040	$ (7,553)	$ 142,487
Investment properties operating expenses	(58,619)	(2,322)	(60,941)	(761)	(61,702)	3,175	(58,527)
Net rental income	79,352	7,854	87,206	1,132	88,338	(4,378)	83,960
Share of net earnings from equity accounted investments	–	–	–	–	–	8,507	8,507
Fair value adjustments to investment properties	37,066	5,084	42,150	26	42,176	(5,625)	36,551
Segment income	116,418	12,938	129,356	1,158	130,514	(1,496)	129,018
Loss on sale of investment properties	–	–	–	(169)	(169)	–	(169)
General and administrative expenses	–	–	–	(4,628)	(4,628)	3	(4,625)
Acquisition related costs, net	–	–	–	(17,319)	(17,319)	–	(17,319)
Interest:							
Debt	–	–	–	(30,965)	(30,965)	1,522	(29,443)
Subsidiary redeemable units	–	–	–	(1,935)	(1,935)	–	(1,935)
Depreciation and amortization	–	–	–	(318)	(318)	–	(318)
Interest and fee income	–	–	–	973	973	(29)	944
Fair value adjustments to financial instruments	–	–	–	(8,433)	(8,433)	–	(8,433)
Net income	$ 116,418	$ 12,938	$ 129,356	$ (61,636)	$ 67,720	$ –	$ 67,720
Capital expenditures							
Investment in building improvements	$ (2,691)	$ (67)	$ (2,758)	$ (1)	$ (2,759)	$ –	$ (2,759)
Investment in lease incentives and initial direct leasing costs	(4,357)	(278)	(4,635)	(7)	(4,642)	73	(4,569)
Investment in development projects	(1,955)	11	(1,944)	–	(1,944)	(1)	(1,945)
Acquisition of investment properties	(134,285)	–	(134,285)	–	(134,285)	–	(134,285)
Acquisition of Whiterock	(129,408)	(17,726)	(147,134)	–	(147,134)	–	(147,134)
Total capital expenditures	$(272,696)	$ (18,060)	$(290,756)	$ (8)	$(290,764)	$ 72	$(290,692)

For the three months ended March 31, 2011	Office	Industrial	Segment total	Other	Subtotal	Reconciliation	Total
Operations							
Investment properties revenues	$ 82,338	$ 7,877	$ 90,215	$ 790	$ 91,005	$ (7,153)	$ 83,852
Investment properties operating expenses	(34,924)	(1,737)	(36,661)	(352)	(37,013)	3,108	(33,905)
Net rental income	47,414	6,140	53,554	438	53,992	(4,045)	49,947
Share of net earnings from equity accounted investments	–	–	–	–	–	3,947	3,947
Fair value adjustments to investment properties	21,378	183	21,561	(578)	20,983	(1,227)	19,756
Segment income	68,792	6,323	75,115	(140)	74,975	(1,325)	73,650
Interest:							
Debt	–	–	–	(19,067)	(19,067)	1,316	(17,751)
Subsidiary redeemable units	–	–	–	(1,919)	(1,919)	–	(1,919)
General and administrative expenses	–	–	–	(3,360)	(3,360)	–	(3,360)
Depreciation and amortization	–	–	–	(117)	(117)	–	(117)
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	$ 68,792	$ 6,323	$ 75,115	$ (43,144)	$ 31,971	$ –	$ 31,971
Capital expenditures							
Investment in building improvements	$ (841)	$ (7)	$ (848)	$ –	$ (848)	$ 4	$ (844)
Acquisition of Realex Properties Corporation	(139,923)	(14,457)	(154,380)	–	(154,380)	–	(154,380)
Investment in lease incentives and initial direct leasing costs	(4,057)	(346)	(4,403)	–	(4,403)	114	(4,289)
Investment in development properties	(2,589)	(62)	(2,651)	–	(2,651)	–	(2,651)
Acquisition of investment properties	(98,632)	–	(98,632)	–	(98,632)	–	(98,632)
Total capital expenditures	$(246,042)	$ (14,872)	$(260,914)	$ –	$(260,914)	$ 118	$(260,796)

At March 31, 2012	**Office**	**Industrial**	**Segment total**	**Other**	**Reconciliation**	**Total**
Total assets	**$ 5,423,501**	**$ 549,538**	**$ 5,973,039**	**$ 431,998**	**$ (131,893)**	**$ 6,273,144**
Total liabilities	**$ 2,433,751**	**$ 268,737**	**$ 2,702,488**	**$ 880,453**	**$ (131,893)**	**$ 3,451,048**

At December 31, 2011	Office	Industrial	Segment total	Other	Reconciliation	Total
Total assets	$4,109,812	$ 363,725	$4,473,537	$ 126,915	$ (133,985)	$4,466,467
Total liabilities	$1,835,004	$ 166,917	$2,001,921	$ 481,297	$ (133,985)	$2,349,233

Note 22

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

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 fair 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, 2012, the Trust received total fees from DRC of $743 (March 31, 2011 – $631). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the period ended March 31, 2012, include $1,988 for operating and administration costs of regional offices (March 31, 2011 – $1,486), which are included in investment property operating expenses of the Trust. Amounts paid to DRC reported in general and administrative expense amounted to $225 (March 31, 2011 – $nil).

For the three months ended March 31, 2012, the Trust incurred total fees of $11,821 (March 31, 2011 – $4,297) under the Asset Management Agreement. Included in this amount is $3,055 (March 31, 2011 – $1,925), which is reported in general and administrative expenses; $7,236 (March 31, 2011 – $1,817), which is reported as an acquisition related cost; $1,190 (March 31, 2011 – $441), which is reported with property acquisitions; $289 (March 31, 2011 – $nil) in financing costs, which is reported with debt; and $51 (March 31, 2011 – $114) capitalized to properties under development.

Included in amounts receivable at March 31, 2012, is $339 related to the Services Agreement (December 31, 2011 – $368); $420 related to the Asset Management Agreement (December 31, 2011 – $677); and $132 related to other amounts owed by DRC (December 31, 2011 – $164). Accrued liabilities and other payables at March 31, 2012, include $128 for amounts related to the Asset Management Agreement (December 31, 2011 – $38).

Note 23

Supplementary cash flow information

For the three months ended March 31		**2012**		2011
Decrease in amounts receivable	**$**	**993**	$	1,815
Increase in prepaid expenses		**(499)**		(5,960)
(Increase) decrease in other non-current assets		**(168)**		926
(Decrease) increase in amounts payable		**(11,696)**		5,949
Increase in tenant deposits		**4,429**		1,045
Change in non-cash working capital	**$**	**(6,941)**	$	3,775

The following amounts were paid on account of interest:

For the three months ended March 31		**2012**		2011
Interest				
Debt	**$**	**27,702**	$	16,454
Subsidiary redeemable units		**1,729**		1,720

Note 24

Supplemental other comprehensive income information

Accumulated other comprehensive income (loss)

For the three months ended March 31				**2012**						2011
		Opening balance January 1, 2012		**Net change during the period**		**Closing balance March 31, 2012**	Opening balance January 1, 2011		Net change during the period	Closing balance March 31, 2011
Unrealized gain (loss) on interest rate swaps	**$**	**(1,602)**	**$**	**2,530**	**$**	**928**	$ –	$	–	$ –
Unrealized foreign currency translation gain		**–**		**277**		**277**	–		–	–
Accumulated other comprehensive income (loss)	**$**	**(1,602)**	**$**	**2,807**	**$**	**1,205**	$ –	$	–	$ –

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 condensed consolidated financial statements of Dundee REIT.

As at March 31, 2012, Dundee REIT's future minimum commitments under operating and finance leases are as follows:

	Operating lease payments	Finance lease payments
No longer than 1 year	$ 1,397	$ 298
1–5 years	2,434	152
Longer than 5 years	3,228	–
Total	$ 7,059	$ 450

During the three months ended March 31, 2012, the Trust paid $379 (March 31, 2011 – $330) in minimum lease payments, which have been included in comprehensive income for the period.

The Trust has no capital commitments with respect to its equity accounted investments.

The Trust's share of contingent liabilities arising from its equity accounted investments is as follows:

	March 31, 2012	December 31, 2011
Contingent liabilities for the obligation of the other owners of equity accounted investments	**$ 168,015**	$ 168,888

Purchase and other obligations

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $18,450.

The Trust has entered into fixed price contracts to purchase electricity and gas as follows:

			Minimum payments due				
	Number of properties	Expiry date	2012 (remainder of year)	2013	2014	2015	Total
Electricity							
Calgary	14	January 31, 2013	$ 1,634	$ 170	$ –	$ –	$ 1,804
Edmonton, Parkland County and Strathcona County	9	May 31, 2015	509	755	755	326	2,345
Edmonton	2	October 31, 2012	268	–	–	–	268
Toronto and Ottawa	14	September 30, 2013	416	416	–	–	832
Mississauga	2	September 24, 2012	128	–	–	–	128
			2,955	1,341	755	326	5,377
Gas							
Calgary	14	December 31, 2012	326	–	–	–	326
Edmonton	1	November 30, 2012	85	–	–	–	85
			411	–	–	–	411
			$ 3,366	$ 1,341	$ 755	$ 326	$ 5,788

Note 26
Subsequent events

On April 5, 2012, the Trust repaid the $10,000 drawn on the equity bridge facility. On April 17, 2012, the Trust converted the secured bridge facility of $210,000 into a revolving credit facility having interest payable monthly at either the bank's prime rate plus 75 basis points or bankers' acceptances plus 175 basis points. The revolving credit facility and the secured bridge loan facility are secured by the same 15 properties. The revolving credit facility matures on March 5, 2013. On April 19, 2012, the Trust repaid the revolving credit facility.

On April 26, 2012, the Trust purchased 1 Riverside Drive in Windsor, an office property comprising approximately 236,000 square feet, for $35,300 before transaction costs. The acquisition was funded by drawing $34,000 on the revolving credit facility.

Corporate information

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Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols:

REIT Units, Series A: D.UN
6.5% Convertible Debentures: D.DB
5.7% Convertible Debentures: D.DB.A
6.0% Convertible Debentures: D.DB.B
6.0% Series F Convertible Debentures: D.DB.F
7.0% Series G Convertible Debentures: D.DB.G
5.5% Series H Convertible Debentures: D.DB.H

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. 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.

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

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 DESIGN COMMUNICATIONS www.worksdesign.com

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