DUNDEE REIT ***2007 Second Quarter Report***

Contents

1 Letter to unitholders

3 Management's discussion and analysis

3 Section I – Objectives and financial highlights
3 Basis of presentation
4 Our objectives
4 Our strategy
5 Our assets
6 Our equity
7 Key performance indicators
7 Financial overview
8 Outlook

9 Section II – Executing the strategy
9 Our resources and financial condition
Rental properties
Development and redevelopment properties
Liquidity and capital resources
Operating activities
Investing activities
Financing activities
24 Proposed sale of the Eastern Portfolio to GE Real Estate
27 Our results of operations
Rental properties revenue
Interest and fee income
Rental properties operating expenses
Interest expense
Depreciation of rental properties
Amortization of deferred leasing costs, tenant improvements and intangibles
General and administrative expenses
Income tax expense
Discontinued operations
Related-party transactions
Net operating income
NOI prior quarter comparison
34 Quarterly information

36 Section III – Disclosure controls and procedures

36 Section IV – Risks and our strategy to manage

36 Section V – Critical accounting policies
36 Critical accounting estimates
Income taxes
37 Changes in accounting policies
Financial instruments

38 Consolidated financial statements

42 Notes to the consolidated financial statements

Letter to unitholders

Our second quarter results are excellent, with our key performance indicators evidencing improvements across our business. Overall occupancy remains very strong at 96%, down slightly from the first quarter but still ahead of the national industry average. Growth in net operating income continues to be generated both externally by acquisitions and internally by leasing activity and increasing rental rates. Comparative net operating income is up 3% and adjusted funds from operations also demonstrated continued strength, rising 11% on a per unit basis.

We continue to deliver consistent operating results. The percentage of occupied and committed space across our portfolio remains strong and ahead of the national industry average. Rates across most of our office portfolio represent virtually full economic occupancy both for the total portfolio as well as for the comparative properties. Net operating income generated by our comparative portfolio increased by $1.1 million or 3%, largely driven by leasing activity and rising rental rates attained on lease renewals and new leasing. Results from our comparative office portfolio are up 3% and 4% for the respective three- and six-month periods and results from the comparative industrial portfolio are up 5% and 3% for the respective three- and six-month periods. Much of the increase in NOI is attributable to our office portfolio and to rental rate growth in Alberta.

Less than 18 months ago, the consensus among the real estate analysts was that we were over-distributing and that we would continue to do so for the duration of their forecast period. This quarter we are reporting adjusted funds from operations per unit of $0.59 versus $0.53 last year, and, for the six-month period, $1.16 versus $1.05 last year. Distributions for the three- and six- month periods were $0.55 and $1.10, representing a 93% payout ratio for the quarter and 95% for the first six months.

Acquisitions remain a key driver of our performance. During the quarter we acquired 2.3 million square feet of office and industrial properties for $276.9 million, representing a going-in capitalization rate of 6.8%. Year-to-date we have acquired $612.6 million of properties, adding 3.5 million square feet to our portfolio.

Starting at the end of 2006, our Board of Trustees and management began to discuss and review Dundee REIT's activities, our potential for growth and strategic plan, and began to consider alternatives for maximizing value for our unitholders. These discussions were prompted, in part, by the value of our units at the time and the uncertainty created as a result of the proposed changes to the federal legislation governing investment trusts. On June 4, we announced the sale of assets principally located in Central and Eastern Canada to GE Real Estate. The total purchase price for the transaction is approximately $2.4 billion. Dundee REIT will continue to own assets located in Western Canada valued at approximately $1.5 billion, transforming Dundee REIT into a more growth-oriented, opportunistic real estate investment trust. The proceeds from the transaction will be used to redeem or purchase approximately 35 million outstanding units for $47.50 per unit, returning approximately $1.7 billion to our unitholders. A special meeting of unitholders will be held on August 15, 2007, to vote on the transaction. If approved, the transaction is scheduled to close on August 24, 2007, with the redemption effective on August 27, 2007.

Should the transaction close, we intend to continue to grow in Western Canada. The growth prospects in Western Canada are very exciting; however, we are not restricted in where we will pursue opportunities. We will look to expand in Western Canada to the extent that we can find properties with growth potential as good or better than our current portfolio. In addition, we will also consider expanding in other areas of Canada if the assets provide sufficient returns that they are accretive not only to our initial returns but will remain accretive to our portfolio as rents roll up.

In the past, we never knew where we would find future opportunities. The same is true now. But, we intend to run the new REIT similarly to how we have for the past four years – we will seek out compelling opportunities on a risk-adjusted basis. In the last few months there has been more turbulence than in the past and it gives us optimism that sufficient opportunities remain to grow our business and make it more valuable.

We are working very hard to close the present transaction and have full confidence that it will be approved and close as scheduled. We continue to identify some interesting opportunities and believe that we will be able to either continue to grow our existing business or begin growing the new Western-oriented REIT after closing.

MICHAEL J. COOPER

Vice Chairman and Chief Executive Officer

Management's discussion and analysis

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

Section I – Objectives and financial highlights

Basis of presentation

Our discussion and analysis of the financial position and results of operations of Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements of Dundee REIT for the year ended December 31, 2006, and the interim financial statements for the six months ended June 30, 2007.

This Management's Discussion and Analysis has been dated as at July 31, 2007, except where otherwise noted. For simplicity, throughout this discussion we may use "REIT Units" in reference to our REIT Units, Series A and "LP B Units" in reference to our LP Class B Units, Series 1. Certain market information has been obtained from CB Richard Ellis Market View, 2nd Quarter 2007, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

On June 4, 2007, Dundee REIT announced that it had entered into a definitive agreement with respect to a transaction with GE Real Estate ("GE") pursuant to which Dundee REIT's operating subsidiary will sell its portfolio of real estate assets located principally in Ontario, Québec and Newfoundland (the "Eastern Portfolio") to GE for a total purchase price of approximately $2.4 billion, including the assumption of liabilities by GE relating to the Eastern Portfolio (the "Transaction"). Dundee REIT will continue to own real estate assets located in Western Canada (the "Western Portfolio") valued at approximately $1.5 billion, transforming Dundee REIT into a more growth-oriented, opportunistic real estate investment trust, and will continue to own the property manager that manages the assets of the REIT. The proposed Transaction requires the approval of 66 2/3% of the votes cast by unitholders and a simple majority of the votes cast by minority unitholders at a special unitholder meeting to be held on August 15, 2007. In addition to obtaining unitholder approval, completion of the Transaction is subject to certain other conditions, including receipt of regulatory approvals and the approval of the Toronto Stock Exchange. Additional details about the Transaction are provided on page 24. The following Management's Discussion and Analysis is presented on the business in its present form and does not provide any consideration for the business on a post-closing basis.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dundee REIT's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest and currency rate fluctuations.

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

All forward-looking information in this Management's Discussion and Analysis speaks as of July 31, 2007, except where otherwise noted. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including the latest annual information form of Dundee REIT. These filings are also available on our web site at www.dundeereit.com.

Our objectives

We are committed to:

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

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit or $2.20 on an annual basis. We also have a Distribution Reinvestment and Unit Purchase Plan ("DRIP"), which allows unitholders to have their distributions automatically reinvested into additional units of the Trust. Unitholders who enrol in the DRIP receive a bonus distribution of 4% with each reinvestment (please see a description of our equity on page 6).

In connection with the proposed Transaction with GE, the DRIP was suspended as of June 28, 2007, and is anticipated to be reinstated in January 2008. The Trust continues to make monthly distributions of $0.183 per unit, or $2.20 per unit on an annualized basis. Further details of the Transaction are provided on page 24.

	July/06	Aug/06	Sept/06	Oct/06	Nov/06	Dec/06	Jan/07	Feb/07	Mar/07	**Apr/07**	**May/07**	**Jun/07**
Distribution rate	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	**$0.183**	**$0.183**	**$0.183**
Month-end closing price	$28.75	$31.75	$34.58	$34.99	$36.45	$38.65	$39.95	$40.68	$39.70	**$40.10**	**$39.64**	**$46.00**

Our strategy

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

Effectively managing our business

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

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

Building and maintaining a diversified portfolio

Diversifying our real estate portfolio decreases the overall risk of our business. Our portfolio is well diversified by asset type, geographic location and tenant mix. With approximately 2,000 tenants, renewals are frequent and the exposure to the loss of any single large tenant is minimized.

Meeting the needs of our tenants

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

Pursuing external growth strategy

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

Our assets

We provide high-quality, affordable business premises with a primary focus on mid-sized urban and suburban office properties as well as industrial and prestige industrial properties. The majority of our assets are concentrated in our target markets: Montréal, Ottawa, Toronto, Calgary and Edmonton.

During the quarter, we acquired $276.9 million of office and industrial rental properties, resulting in a year-to-date total of $574.4 million of acquisitions. Acquisitions in the second quarter include two office buildings, one located in each of Toronto and suburban Vancouver, an industrial building in Vaughan and a portfolio of 69 primarily industrial properties in Vaughan, Burlington and Mississauga, Ontario.

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

	June 30, 2007				December 31, 2006	
	Office	Industrial	Total	%	Total	%
Québec	**1,826,052**	**3,336,016**	**5,162,068**	**24**	5,162,587	28
National Capital Region	**1,594,105**	**103,438**	**1,697,543**	**8**	1,697,388	9
Toronto Region	**4,034,986**	**4,566,871**	**8,601,857**	**39**	5,968,817	32
Alberta	**2,700,459**	**2,404,999**	**5,105,458**	**23**	4,546,087	25
Western Canada	**1,238,648**	**–**	**1,238,648**	**6**	1,058,587	6
Total as at June 30	**11,394,250**	**10,411,324**	**21,805,574**	**100**	18,433,466	100
Percentage	**52%**	**48%**	**100%**			
Total as at December 31, 2006	10,121,765	8,311,701	18,433,466			
Percentage	55%	45%	100%			

[1] Excludes redevelopment properties.

Office rental properties

Dundee REIT owns 121 office properties (146 buildings) comprising approximately 11.4 million square feet, excluding redevelopment properties, located in St. John's, Québec City, Montréal, Ottawa, Toronto, Regina, Saskatoon, Calgary, Edmonton, Yellowknife and Vancouver. Our office properties can generally be categorized as high-quality, yet affordable, suburban and downtown buildings. Acquisitions completed in 2007 have added 1.2 million square feet of well-occupied office properties to our portfolio.

The Canadian national office market continues to perform well. The average occupancy rate in our office portfolio remains strong at 96.5%, and remains well ahead of the national industry average of 92.7% (CB Richard Ellis, Canadian Office Market View, 2nd Quarter 2007). Our occupancy rate includes lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial rental properties

We own 200 prime suburban industrial and prestige industrial properties (218 buildings) comprising approximately 10.4 million square feet, concentrated in Québec City, Montréal, Toronto, Calgary and Edmonton. Our strategy is to own clusters of properties, allowing us to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. Acquisitions completed in 2007 have added 2.2 million square feet of quality properties.

At June 30, 2007, the average occupancy rate across our industrial portfolio also remains strong at 95.8%, and ahead of the national industry average of 94.6% (CB Richard Ellis, Canadian Industrial Market View, 2nd Quarter 2007).

Development and redevelopment properties

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

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

Our equity

				Unitholders' equity
		June 30, 2007		December 31, 2006
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**41,594,536**	**$ 915,925**	34,854,553	$ 745,348
LP Class B Units, Series 1	**7,893,688**	**126,365**	8,565,095	147,879
Cumulative foreign currency translation adjustment	**–**	**(5,888)**	–	(5,116)
Total	**49,488,224**	**$ 1,036,402**	43,419,648	$ 888,111

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP B Units. The LP B Units are held by Dundee Corporation and Dundee Realty Corporation, related parties to Dundee REIT. Both the REIT Units and Special Trust Units entitle the holder to one vote for each unit held at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT Units, Series B at the option of the holder, which can then be converted into REIT Units, Series A. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT Units, Series A. The REIT Units, Series A and REIT Units, Series B have economic and voting rights equivalent in all material respects to each other. At June 30, 2007, there were no REIT Units, Series B outstanding. Subsequent to quarter-end, 674,744 LP B Units were exchanged for 674,744 REIT Units, Series B.

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

Key performance indicators

Performance is measured by these and other key indicators:

	Three months ended June 30		Six months ended June 30	
	2007	2006	**2007**	2006
Operations				
Occupancy rate (period-end)[1]	**96.2%**	95.9%		
In-place rent per square foot (office and industrial)[1]	**$ 10.07**	$ 9.73		
Operating results				
Rental properties revenue	**$ 95,883**	$ 66,051	**$ 183,060**	$ 129,021
Net operating income ("NOI")[2]	**57,503**	37,364	**107,464**	71,222
Funds from operations ("FFO")[3]	**37,309**	21,929	**69,080**	41,211
Adjusted funds from operations ("AFFO")[4]	**29,182**	17,399	**54,351**	32,280
Distributions				
Distributable income[5]	**$ 32,982**	$ 20,499	**$ 61,951**	$ 38,480
Reinvestment to distribution ratio[6]	**18.9%**	32.0%	**22.8%**	33.7%
Cash distribution ratio[7]	**81.1%**	68.0%	**77.2%**	66.3%
Financing				
Weighted average interest rate (period-end)	**5.82%**	6.03%		
Debt-to-gross book value	**50.9%**	56.7%		
Per unit amounts				
Basic:				
FFO	**$ 0.76**	$ 0.67	**$ 1.47**	$ 1.34
Distributable income	**0.67**	0.63	**1.32**	1.25
Distribution rate	**0.55**	0.55	**1.10**	1.10
Total distributions as a % of distributable income	**82.5%**	90.4%	**84.7%**	90.1%
AFFO	**0.59**	0.53	**1.16**	1.05
Diluted:[8]				
FFO	**$ 0.75**	$ 0.64	**$ 1.44**	$ 1.26
Distributable income	**0.66**	0.60	**1.29**	1.19

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

[1] Excludes redevelopment properties.
[2] NOI – rental property revenues less operating expenses, excluding redevelopment and discontinued operations. The reconciliation of NOI to net income can be found on page 29.
[3] FFO – The reconciliation of FFO to net income can be found on page 16.
[4] AFFO – The reconciliation of AFFO to distributable income can be found on page 19.
[5] The reconciliation of distributable income to cash generated from operating activities can be found on page 17.
[6] These percentages do not include the additional 4% distributions available under the DRIP.
[7] Cash distribution ratio represents the amount of distribution paid in cash and not reinvested through the DRIP. The ratio calculation can be found on page 18.
[8] Diluted amounts assume the conversion of the 6.5% and 5.7% Debentures.

Financial overview

Overall occupancy remain very strong at 96.2%, with lease rollover activity allowing us to take advantage of generally higher market rental rates, especially in our office portfolio. Our average office and industrial portfolio occupancy rates remain above the national industry averages. Details of our leasing profile are provided on page 9.

During the second quarter, we continued to grow our operations through strategic acquisitions and effectively managing our existing portfolio, evidenced by NOI growth of $20.1 million or 54% compared to the same period in 2006. For the six-month period, NOI increased $36.2 million or 51% compared to the same period in 2006. The office portfolio now generates nearly 78% of NOI. Details of our NOI are provided on page 29.

For the quarter, distributable income increased 61% to $33.0 million, on which we declared distributions of $27.0 million, resulting in a more favourable 82% distribution rate (June 30, 2006 – 89%). For the six-month period, distributable income increased 61% to $62.0 million, on which we declared distributions of $52.0 million, resulting in an 84% payout ratio (June 30, 2006 – 89%).

As a result of the high level of participation in our DRIP, our year-to-date cash payout ratio is 77% of declared distributions. Details of our distributions and distributable income begin on page 17.

For the quarter, AFFO increased 68% to $29.2 million compared to the prior year period. This marks the fourth quarter that AFFO has met or exceeded our declared distributions. For the six-month period, AFFO increased 68% to $54.4 million or $1.16 per unit, compared to the prior year period. The improvement reflects our commitment to grow our AFFO through acquisitions and effectively managing our leasing and capital costs. Details of our AFFO are provided on page 19.

Outlook

Dundee REIT continues to deliver consistent operating results. Our second quarter results are strong, with our key performance indicators evidencing improvements across our business. The percentage of occupied and committed space across our portfolio remains strong and ahead of the national industry average. Growth in net operating income continues to be generated both externally by acquisitions and internally by leasing activity and rising rental rates. Most importantly, net operating income from our comparative property portfolio is up 3% and adjusted funds from operations continues to grow, rising 11% on a per unit basis.

Four years ago, we re-organized our business and created Dundee REIT. Since that time, our portfolio has doubled in size, our market capitalization has increased from $330 million to $2.2 billion and we have provided unitholders with a total return of 157%.

With the proposed sale of the Eastern Portfolio to GE and the changes to our Declaration of Trust presently before our unitholders, we once again find ourselves on the cusp of tremendous change. In the past, we never knew ahead of time where our future opportunities would be found but we have always been quick to identify and act on value creating opportunities. Going forward we intend to run the new REIT similarly to how we have for the past four years – we will seek out compelling opportunities on a risk-adjusted basis. The primary differences will be that our portfolio will consist of assets based in Western Canada with higher growth prospects, the changes to our Declaration of Trust will allow us to be more flexible and competitive in our pursuit of growth opportunities and with a smaller portfolio we expect to have a lower cost of capital and to be able to grow our remaining operations in a significant and accretive way.

Our primary focus at this time is on closing the Transaction. We look forward to what lies ahead and to living up to our track record of building and operating a successful real estate operation and creating value for unitholders.

Section II – Executing the strategy

Our resources and financial condition

Rental properties

During the quarter, we purchased $276.9 million of office and industrial rental properties. Acquisitions included two office properties, an industrial property and a portfolio of 69 primarily industrial properties, adding 2.3 million square feet to our portfolio.

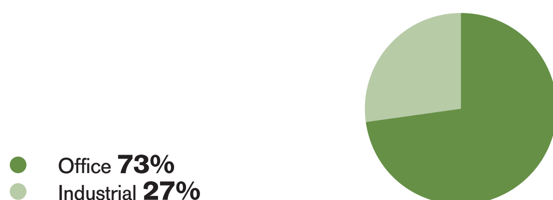
The net book value of segmented rental properties by geography and asset type is set out below.

	June 30, 2007[1]				December 31, 2006[1]	
	Office	**Industrial**	**Total**	**%**	Total	%
Québec	**$ 176,682**	**$ 131,978**	**$ 308,660**	**14**	$ 311,045	18
National Capital Region	**225,582**	**8,130**	**233,712**	**10**	236,222	13
Toronto Region	**519,133**	**356,291**	**875,424**	**38**	542,013	30
Alberta	**561,936**	**126,405**	**688,341**	**30**	532,601	30
Western Canada	**192,118**	**–**	**192,118**	**8**	163,310	9
Total as at June 30, 2007	**$ 1,675,451**	**$ 622,804**	**$ 2,298,255**	**100**	$ 1,785,191	100
Percentage	**73%**	**27%**	**100%**			
Total as at December 31, 2006	$ 1,381,034	$ 404,157	$ 1,785,191			
Percentage	77%	23%	100%			

[1] Excludes $22.1 million related to Greenbriar Mall and $9.0 million related to other redevelopment properties totalling $31.1 million (December 31, 2006 – $31.6 million).

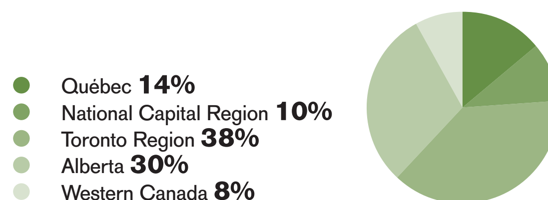
Portfolio asset type by net book value

At June 30, 2007



Geographic distribution of rental properties by net book value

At June 30, 2007



Leasing profile

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

Performance indicators[1]	June 30, 2007	December 31, 2006
Operating activities (office and industrial average)		
Occupancy level	**96.2%**	96.4%
Tenant maturity profile – average term to maturity (years)	**4.3 years**	4.6 years
In-place rental rates	**$ 10.07**	$ 10.00

[1] Excludes properties under redevelopment and discontinued operations.

The overall percentage of occupied and committed space across our rental properties portfolio was 96.2% at quarter-end. Both our average office and industrial portfolio occupancy rates remain above the national industry averages of 92.7% and 94.6%, respectively (CB Richard Ellis, Canadian Office and Industrial Market Views, 2nd Quarter 2007). The Dundee REIT occupancy rates discussed in this report include occupied and committed space at June 30, 2007, and exclude space to which the rent supplement (as described on page 31) is applied.

(%)	Total portfolio June 30, 2007	Total portfolio December 31, 2006	Comparative properties June 30, 2007	Comparative properties December 31, 2006
Office				
Québec	**90.1**	90.7	**90.1**	90.7
National Capital Region	**99.3**	99.0	**99.3**	99.0
Toronto Region	**96.6**	98.1	**96.7**	98.1
Alberta	**99.4**	99.5	**99.5**	99.5
Western Canada	**95.9**	96.3	**96.9**	96.3
Total office	**96.5**	97.0	**96.5**	97.0
Industrial				
Québec	**94.7**	93.2	**94.7**	93.2
Toronto Region	**97.0**	94.8	**95.5**	94.8
Alberta	**95.1**	99.7	**95.1**	99.7
Total industrial	**95.8**	95.6	**95.1**	95.6
Overall	**96.2**	96.4	**95.9**	96.4

Excludes redevelopment properties.

The percentage of occupied and committed space across our portfolio remains strong. Rates across most of our office portfolio represent virtually full economic occupancy, both for the total portfolio as well as for the comparative properties. The slight decline in occupancy in the Toronto Region office portfolio was the result of acquiring two properties in the first quarter with vacancy higher than our average. Occupancy rates in this portfolio otherwise remain strong. The industrial markets in central Canada both experienced improved occupancy while the Alberta industrial portfolio is down slightly due to an anticipated vacancy that occurred in the second quarter.

Summary of leasing activity to June 30, 2007:

(In square feet)	Office	Industrial	Total
Vacant space available – January 1, 2007	301,707	367,202	668,909
Remeasurements	6,965	(482)	6,483
Acquisitions	46,668	32,639	79,307
Leases terminated/expiring	817,771	1,248,205	2,065,976
Total space available for lease	1,173,111	1,647,564	2,820,675
New tenants	333,261	526,710	859,971
Renewals	443,369	685,811	1,129,180
Total space leased	776,630	1,212,521	1,989,151
Total space available for lease – June 30, 2007	396,481	435,043	831,524
Net increase in vacant space	(94,774)	(67,841)	(162,615)

As a result of acquisitions completed in the quarter, our portfolio increased in size by 12% or 2.3 million square feet, including 43,000 square feet of vacancy. During the first quarter, approximately 1.4 million square feet of leases expired or were terminated and we completed approximately 1.2 million square feet of renewals and new leasing, resulting in a net increase in vacant space of 240,000 square feet.

Year-to-date, approximately 2.1 million square feet of leases expired or were terminated, 79,000 square feet of vacant space was acquired and we completed 2.0 million square feet of renewals and new leasing, resulting in a net increase in vacant space of 163,000 square feet.

Lease maturity profile as at June 30, 2007, by asset type:

(In square feet)	Current vacancy	Current monthly tenancies	2007	2008	2009	2010	2011 and thereafter	Total
Office	396,481	157,332	507,626	1,169,771	1,728,829	1,550,831	5,883,380	11,394,250
Industrial	435,043	178,758	887,746	1,689,748	1,515,282	1,153,469	4,551,278	10,411,324
Total	831,524	336,090	1,395,372	2,859,519	3,244,111	2,704,300	10,434,658	21,805,574
Percentage	3.8%	1.5%	6.4%	13.1%	14.9%	12.4%	47.9%	100.0%

Excludes redevelopment properties.

Throughout the remainder of 2007, 6.4% of our leases will be up for renewal. We have a long and successful track record in managing our lease rollovers. With average market rents increasing across the country, particularly in Alberta and Western Canada, our lease maturity profile affords us the opportunity to take advantage of buoyant economic conditions. As a result, we anticipate generating increased cash flow as space is re-leased.

The following table provides expiring rents across our portfolio as well as an estimate of average market rents as at June 30, 2007:

	Current monthly tenancies	2007	2008	2009	2010	2011 and thereafter
Expiring rents						
Office	$ 7.26	$ 12.43	$ 12.32	$ 12.87	$ 14.24	$ 15.70
Industrial	4.34	5.17	5.33	5.92	6.38	6.88
Portfolio average	5.70	7.80	8.19	9.61	10.85	11.84
Market rents[1]						
Office	$ 15.30	$ 18.05	$ 16.34	$ 16.19	$ 18.51	$ 18.78
Industrial	5.21	5.75	5.75	6.19	6.59	6.79
Market rent average	9.93	10.21	10.08	11.49	13.36	13.54

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

Our estimate of the current average market rental rate is approximately 31% higher than our 2007 expiring rental rate. While this is a positive indicator, the marketplace remains competitive and any uplift in our overall average rent will depend on the specific market and the amount of space rolling into the higher net rental rates.

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

	June 30, **2007**			December 31, 2006		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**[1]	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)[1]
Office	**4.39**	**8,715**	**$ 13.74**	4.72	8,554	$ 13.67
Industrial	**4.26**	**11,579**	**$ 6.03**	4.36	13,024	$ 5.47
Portfolio average	**4.33**	**9,825**	**$ 10.07**	4.56	10,105	$ 10.00

All amounts exclude redevelopment properties and discontinued operations.

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

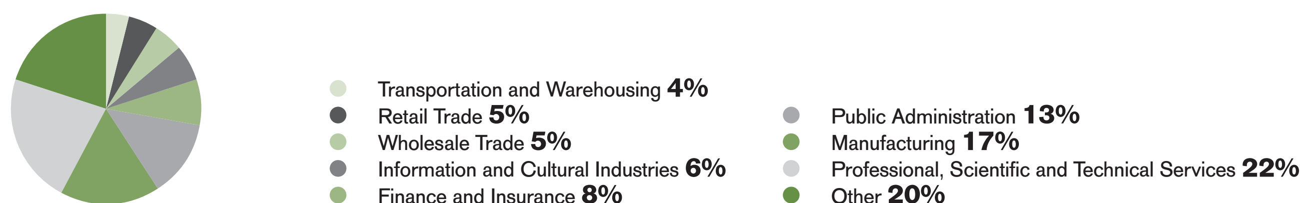
Our tenant maturity profile has remained consistent over a long period of time. The small decrease in the average term to maturity in the office and industrial portfolios reflects the impact of month-to-month tenancies as well as the time elapsed since year-end, partially offset by new leasing activity.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

Our tenant base includes a wide range of high-quality tenants including government, large international corporations and small entrepreneurial businesses across the country. With over 2,000 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 8,715 and 11,579 square feet, respectively, placing us at the lower end of our peer group. Effectively managing this diverse tenant base has become a key strength and has helped us to maintain consistently high occupancy levels.

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

Tenant base by percentage contribution to total contract rent

At June 30, 2007



The stability and quality of our cash flow is further enhanced by government agencies contributing 13% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable businesses. The table below highlights the quality of these tenancies and outlines their contribution to our cash flow.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
Government of Canada	888,831	4.1	5.5	2007–2015
Government of Ontario	540,574	2.5	3.8	2008–2015
Aviva	315,987	1.4	2.0	2016
Telus Communications	311,472	1.4	2.6	2013–2016
Bell Canada	307,094	1.4	1.8	2007–2010
Government of British Columbia	180,772	0.8	1.4	2007–2016
Entrust	146,170	0.7	1.1	2015
Government of Northwest Territories	108,701	0.5	1.1	2007–2012
International Financial Data Services	96,015	0.4	1.0	2007–2013
State Street Trust Company	93,587	0.4	1.1	2012
Total	2,989,203	13.6	21.4	

Development and redevelopment properties

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

	June 30, 2007	December 31, 2006
Land under development	**$ 32,618**	$ 31,991
Land held for future development	**1,026**	1,021
Land held for sale	**7,588**	8,383
Total	**$ 41,232**	$ 41,395

A key component of our strategy is to grow our portfolio. Joint venture development activities where we provide mezzanine financing offer prudent opportunities for us to expand our portfolio while mitigating development and leasing risks. In connection with these joint ventures, as at June 30, 2007, we have funded $10.1 million and provided a guarantee of $8.3 million on third-party financing related to two development projects in suburban Toronto that we expect will yield about 60 acres of developable lands.

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

During the quarter, we sold 0.5 acres in Saskatoon for net proceeds of $2.3 million.

Location	Property type	Acres	Investment	Development capacity (sq. ft.)	Status
Redevelopment properties					
2280 boul. Alfred Nobel, Montréal	office	–	$ 7,204	85,000	Construction is complete and the property is 48% leased.
Gallery Building, Yellowknife	office	–	457	25,000	Planning
Greenbriar Mall, Atlanta	retail	–	22,101	398,000	Property being redeveloped by our co-owner.
		–	$ 29,762	508,000	
Current development					
Barker Business Park, Richmond Hill (JV)[1]	office/ind.	40	$ 7,017	860,000	Site work, pre-leasing
Tullamore Business Park, Caledon (JV)[1]	industrial	19	3,097	375,000	Site work, pre-leasing
Sunwapta Business Park, Edmonton	office/ind.	32	9,963	681,000	Site work, pre-leasing
Sunwapta Warehouse, Edmonton	industrial	7	1,334	119,000	Site work, pre-leasing
		98	$ 21,411	2,035,000	
Development opportunities					
Palladium Lands, Ottawa	office	3	$ 866	81,000	
10089 and 10079 Jasper Ave., Edmonton	office	–	4,862	250,000	
Speakman Project, Mississauga	office	14	–	100,000	
Station Tower Lands, Surrey	office	3	4,082	500,000	
Niven Lake Lands, Yellowknife	–	10	716	200,000	
		30	$ 10,526	1,131,000	
Held for sale					
Sunwapta Business Park, Edmonton	retail	11	$ 7,588	–	
		11	$ 7,588	–	

[1] Joint venture ("JV").

Liquidity and capital resources

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

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

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Cash generated from operating activities	**$ 35,150**	$ 24,634	**$ 67,221**	$ 41,801
Cash utilized in investing activities	**(217,622)**	(277,067)	**(487,294)**	(303,470)
Cash generated from financing activities	**133,538**	253,171	**359,702**	268,325
Increase (decrease) in cash and cash equivalents	**$ (48,934)**	$ 738	**$ (60,371)**	$ 6,656

At June 30, 2007, cash and cash equivalents were $10.6 million, a decrease of $48.9 million compared to the first quarter, and a decrease of $60.4 million compared to December 31, 2006. The decrease was a result of the cash flows indicated above, including the impact of acquisitions, new financing activity and equity issues. We have an $80.0 million revolving credit facility, of which approximately $47.8 million is available to provide further funding for working capital or as a bridge facility to fund acquisitions.

Operating activities

The following table details the cash generated from operating activities:

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Net loss	**$ (27,790)**	$ (6,746)	**$ (19,372)**	$ (3,557)
Non-cash items:				
Amortization of market rent adjustments on acquired leases	**(3,337)**	(451)	**(5,249)**	(607)
All other depreciation and amortization	**26,176**	15,776	**48,201**	30,073
Internalization of property manager	**–**	13,090	**1,230**	13,090
Gain on disposal of rental properties and land held for sale	**(1,474)**	(3,428)	**(1,474)**	(3,428)
Deferred unit compensation expense	**431**	275	**884**	540
Future income taxes	**40,031**	2,453	**39,914**	2,627
Straight-line rent adjustment	**(850)**	(647)	**(1,783)**	(1,486)
Non-controlling interest	**–**	527	**–**	1,876
	33,187	20,849	**62,351**	39,128
Deferred leasing costs incurred	**(1,554)**	(1,739)	**(2,912)**	(2,773)
Change in non-cash working capital	**3,517**	5,524	**7,782**	5,446
Cash generated from operating activities	**$ 35,150**	$ 24,634	**$ 67,221**	$ 41,801

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

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

In the second quarter of 2006, we fully internalized our property management function through the purchase of the remaining 50% interest of Dundee Management Limited Partnership ("DMLP"). On closing, 92,000 LP B Units were issued, placed in trust and enrolled in the DRIP to satisfy the maximum number of units that Dundee Realty Corporation ("DRC") could be entitled to receive on June 30, 2007, as a result of qualifying property acquisitions being completed by us. The cost of these units has been expensed and added to cumulative capital as qualifying properties have been acquired. As of June 30, 2007, DRC received the maximum 100,000 LP B Units that it was entitled to receive.

As of June 12, 2007, amendments were made to the *Income Tax Act*, modifying the tax treatment of certain publicly traded trusts and partnerships that are specified investment flow-through trusts ("SIFTs"), such that certain distributions and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes. Certain real estate investment trusts that satisfy specified conditions are excluded from the SIFT definition and therefore will not be subject to the SIFT rules (the "REIT Exception"). As the Trust did not meet the technical REIT Exception we recorded a future income tax liability of $40.0 million for the three- and six-month periods ended June 30, 2007, based on the temporary differences that are expected to reverse on or after January 1, 2011.

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

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

Deferred leasing costs include fees and related costs, except for initial leasing costs that are included in rental properties, and deferred leasing costs associated with acquisitions. Deferred leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense.

The second quarter variance in the change in non-cash working capital over the prior year comparative period reflects the increase in accounts payable as a result of property tax accruals, tenant deposits on acquired properties and timing of vendor payments as well as an increase in accounts receivable. The year-to-date variance is mainly due to an increase in accounts payable resulting from acquisitions in the second quarter, and an increase in accounts receivable, largely from increased straight-line rent. We expect to meet all working capital requirements from cash generated from operating activities.

Leasing costs and tenant improvements

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

Total leasing costs for the six months ended June 30, 2007, increased 5% to $6.3 million over the comparative period while leasing activity increased 51% and resulted in 2.0 million square feet of renewals and new leasing. Office leasing activity increased 89% over the prior year, resulting in 0.8 million square feet of renewals and new leasing activity, while related expenditures decreased $0.6 million or 14%. Industrial leasing activity increased 34% and resulted in 1.2 million square feet of renewals and new leasing activity, while related expenditures only increased $0.9 million or 54%.

Performance indicators	Office[1]	Industrial	Total
Operating activities			
Portfolio size (sq. ft.)	11,394,250	10,411,324	21,805,574
Occupied and committed	96.5%	95.8%	96.2%
Square footage leased and occupied in 2007	409,071	682,477	1,091,548
Leasing costs	$ 1,919	$ 759	$ 2,678
Tenant improvements	$ 1,878	$ 1,758	$ 3,636

[1] Excludes redevelopment properties.

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

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

Other assets and liabilities

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

The net increase in deferred costs during the quarter was $1.2 million. This change includes an approximate $2.2 million increase in deferred charges related to acquisitions and a $4.2 million increase in additional deferred expenditures, less $5.2 million in amortization. The year-to-date net increase in deferred costs is $3.0 million. This change includes an approximate $12.3 million increase in deferred charges related to acquisitions and a $7.4 million increase in additional deferred expenditures, less $9.7 million in amortization and $7.0 million of deferred financing costs that was transferred to the related debt upon adopting new accounting policies for financial instruments in the first quarter of 2007. Complete details of deferred costs are provided in Note 5 of the financial statements.

Intangible assets and liabilities include the value of above and below market leases, in-place leases, lease origination costs and tenant relationships. Complete details of these assets and liabilities are provided in Note 9 of the financial statements. As of June 30, 2007, net intangible liabilities increased by $12.9 million during the quarter, mainly comprising $17.8 million related to acquisitions, offset by amortization of $4.9 million. Net intangible assets increased $18.9 million from December 31, 2006, comprising approximately $27.7 million related to acquisitions, offset by $8.8 million in amortization expense.

As at June 30, 2007, we had $4.5 million in mezzanine loans outstanding related to our joint venture developments, as discussed under "Development and redevelopment properties" on page 12.

Deposits of $0.4 million represent cash amounts held for repayment of tenant security deposits as required by various lending agreements and deposits for potential acquisitions. The $3.6 million net decrease is a result of acquisitions completed during the year.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages. As of June 30, 2007, the balance is $5.3 million, down $0.3 million from December 31, 2006.

Funds from operations

Management believes FFO is an important measure of our operating performance and is indicative of our cash-generating activities. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs.

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

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Net loss	**$ (27,790)**	$ (6,746)	**$ (19,372)**	$ (3,557)
Add (deduct):				
Depreciation of rental properties	**13,495**	9,255	**25,831**	17,825
Amortization of deferred leasing costs, tenant improvements and intangibles	**12,988**	6,527	**22,831**	12,252
Imputed amortization of leasing costs related to the rent supplement	**88**	289	**167**	545
Internalization of property manager	**–**	13,090	**1,230**	13,090
Gain on disposal of rental property and land held for sale	**(1,474)**	(3,453)	**(1,474)**	(3,428)
Future income tax	**40,031**	2,453	**39,914**	2,627
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(29)**	(13)	**(47)**	(19)
Non-controlling interest	**–**	527	**–**	1,876
FFO	**$ 37,309**	$ 21,929	**$ 69,080**	$ 41,211
FFO per unit – basic	**$ 0.76**	$ 0.67	**$ 1.47**	$ 1.34
FFO per unit – diluted	**$ 0.75**	$ 0.64	**$ 1.44**	$ 1.26

The 13% increase in FFO per unit compared to the same quarter last year is primarily due to additional revenue generated by acquisitions as well as growth in occupancy and rising rental rates. A reduction in our weighted average interest rate also had a positive impact on FFO. Below market rents, which result in a non-cash amortization to our operating results, positively impact FFO. The impact of market rent adjustments on diluted FFO per unit for the three month period was $0.07, and year-to-date was $0.11.

Diluted FFO per unit amounts assume the conversion of the 6.5% and 5.7% Debentures. The weighted average number of units outstanding for basic and diluted FFO calculations for the quarter are 49,115,213 and 51,306,940, respectively. Diluted FFO includes interest and amortization adjustments of $0.9 million. Year-to-date, the weighted average number of units outstanding for basic and diluted FFO calculations are 47,046,296 and 49,536,089, respectively. Diluted FFO includes interest and amortization adjustments of $2.1 million.

Distributions and distributable income

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

For the six months ended June 30, 2007, distributable income per unit was $1.32 and declared distributions were $1.10, representing an 83% payout ratio. In the prior year comparative period, distributable income per unit was $1.25 and declared distributions were $1.10, representing an 88% payout ratio.

Distributable income

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Cash generated from operating activities	**$ 35,150**	$ 24,634	**$ 67,221**	$ 41,801
Add (deduct):				
Deferred leasing costs incurred	**1,554**	1,739	**2,912**	2,773
Amortization of deferred financing costs incurred prior to June 30, 2003	**94**	94	**181**	188
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**13**	19	**29**	41
Amortization of tenant inducement	**33**	–	**59**	–
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(29)**	(13)	**(47)**	(18)
Gain on disposal of rental property	**–**	(25)	**–**	–
Amortization of deferred financing costs	**(316)**	(425)	**(622)**	(858)
Change in non-cash working capital	**(3,517)**	(5,524)	**(7,782)**	(5,447)
Distributable income	**$ 32,982**	$ 20,499	**$ 61,951**	$ 38,480
Distributable income per unit – basic	**$ 0.67**	$ 0.63	**$ 1.32**	$ 1.25
Distributable income per unit – diluted	**$ 0.66**	$ 0.60	**$ 1.29**	$ 1.19
Distributions	**$ 0.55**	$ 0.55	**$ 1.10**	$ 1.10

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

Distributable income exceeds distributions paid and payable by $5.8 million and $9.5 million for the quarter and year-to-date, respectively, representing payout ratios of 82% and 85%. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

Distributions

The distributions presented in the table below comprise $43.5 million relating to REIT Units and $8.9 million relating to LP B Units. Prior to June 28, 2007, cash distributions were only paid to holders of the REIT Units as all of the LP B Units were enrolled in the DRIP. As of June 28, 2007, the DRIP was temporarily suspended in connection to the anticipated sale of the Eastern Portfolio to GE. As a result, all distributions paid on July 15, 2007, and thereafter, are paid in cash. It is anticipated that the DRIP will be reinstated in January 2008.

	Declared distributions	4% additional distributions	Total
2007 distributions			
Paid in cash or reinvested in units	$ 42,955	$ 474	$ 43,429
Payable at June 30, 2007	9,056	–	9,056
Total distributions	$ 52,011	$ 474	$ 52,485
2007 reinvestment			
Reinvested to June 30, 2007	$ 11,844	$ 474	$ 12,318
Reinvested on July 15, 2007	–	–	–
Total distributions reinvested	$ 11,844	$ 474	$ 12,318
Distributions paid in cash	$ 40,167		
Reinvestment to distribution ratio	22.8%		
Cash distribution payout ratio	77.2%		

Distributions declared in the six months ended June 30, 2007, totalled $52.0 million or 84% of distributable income, an increase of $17.8 million over the comparative period. Of this amount, $11.8 million or 23% was reinvested in additional units. The increase in declared distributions arises from an incremental increase in units generated through the DRIP, REIT Units issued as part of public offerings completed in April, June and December 2006 and March 2007, as well as REIT Units issued on the conversion of debentures. As a result of the high level of participation in the DRIP, our cash payout ratio for our distributions is 77%.

In the six months ended June 30, 2007, we declared $8.7 million in distributions on LP B Units, which was satisfied by the issuance of 163,848 REIT Units, 10,530 LP B Units and a $1.4 million cash payment.

On July 6, 2007, the CSA announced amendments to National Policy 41-201 *Income Trusts and Other Indirect Offerings*, providing additional guidance with respect to disclosures around distributable cash. These amendments are effective July 6, 2007. The following table outlines the excess of cash flow from operations over cash distributions and the shortfall of net income over cash distributions in accordance with the guidelines:

	For the three months ended June 30	For the six months ended June 30
	2007	**2007**
Net loss	**$ (27,790)**	**$ (19,372)**
Cash flow from operations	**$ 35,150**	**$ 67,221**
Distributions paid and payable	**$ 27,203**	**$ 52,485**
Excess of cash flow from operations over cash distributions	**$ 7,947**	**$ 14,736**

Cash flow from operations exceeded distributions paid and payable by $7.9 million and $14.7 million for the quarter and year -to-date, respectively, reflecting our ability to fund distributions from cash flow from operations. We do not consider net income in determining our cash distribution policy. The shortfall between distributions and net loss is mainly a result of non-cash expenses.

Adjusted funds from operations

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Distributable income	**$ 32,982**	$ 20,499	**$ 61,951**	$ 38,480
Adjusted for:				
Normalized leasing costs and tenant improvements	**(3,450)**	(2,750)	**(6,900)**	(5,500)
Normalized non-recoverable recurring capital expenditures	**(350)**	(350)	**(700)**	(700)
AFFO	**$ 29,182**	$ 17,399	**$ 54,351**	$ 32,280
AFFO per unit – basic	**$ 0.59**	$ 0.53	**$ 1.16**	$ 1.05

Management believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This measurement is generally accepted as one of the most appropriate measures for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs. Please see our description of distributable income on page 17, which reconciles distributable income to cash flow from operations.

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

Investing activities

The following table details our cash utilized in investing activities:

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Investment in rental properties	**$ (2,708)**	$ (1,662)	**$ (5,131)**	$ (3,769)
Investment in tenant improvements	**(2,176)**	(1,574)	**(3,661)**	(3,511)
Investment in land development	**(1,023)**	(292)	**(1,744)**	(292)
Acquisition of rental properties and land	**(214,889)**	(297,109)	**(478,722)**	(318,599)
Acquisition deposit on rental properties	**839**	600	**(261)**	(600)
Investment in mezzanine loan	**(143)**	(2,235)	**(365)**	(2,235)
Net proceeds from disposal of rental properties and land held for sale	**2,286**	25,337	**2,286**	25,337
Change in restricted cash, net	**192**	(132)	**304**	199
Cash utilized in investing activities	**$ (217,622)**	$ (277,067)	**$ (487,294)**	$ (303,470)

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

	For the three months ended June 30		For the six months ended June 30	
Performance indicators	**2007**	2006	**2007**	2006
Investing activities				
Acquisition of rental properties	**$ 276,904**	$ 385,561	**$ 574,419**	$ 416,927
Building improvements	**$ 3,133**	$ 2,713	**$ 4,720**	$ 4,202
Acquisition and development of land	**$ 1,023**	$ –	**$ 1,744**	$ 32,005

Acquisitions and dispositions

During the second quarter of 2007, we acquired $276.9 million of rental properties, land and related intangible assets funded by $214.9 million in cash. Year-to-date, we have completed acquisitions totalling $574.4 million, funded by $478.7 million in cash. Acquisitions completed during 2006 and 2007 have increased net operating income by approximately $16.2 million for the three-month period and $29.4 million for the six-month period.

For the six months ended June 30, 2007	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
30 and 55 St. Clair Avenue West, Toronto	office	100	426,000	96	$ 110,798	$ –	January 9, 2007
625 Agnes Street, New Westminster, British Columbia	office	100	83,000	88	14,587	–	January 24, 2007
Aspen Portfolio, Calgary	office	100	543,000	99	172,130	29,225	March 13, 2007
HCI Portfolio, Vaughan, Burlington and Mississauga, Ontario	industrial	100	2,100,000	98	237,696	56,528	May 1, 2007
501 Applewood Crescent, Vaughan, Ontario	industrial	100	76,000	100	6,787	–	May 1, 2007
154 University Avenue, Toronto	office	100	67,000	100	13,784	5,487	May 10, 2007
4400 Dominion Street, Burnaby, British Columbia	office	100	91,000	93	18,637	–	June 27, 2007
Total			3,386,000	98	$ 574,419	$ 91,240	

Acquisitions subsequent to quarter-end

Subsequent to quarter-end, we acquired a 148,000 square foot office building in Calgary, Alberta, for approximately $38.2 million.

Building improvements

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Building improvements:				
Recurring recoverable	**$ 1,424**	$ 1,535	**$ 1,964**	$ 2,041
Recurring non-recoverable	**675**	28	**1,032**	98
Non-recurring	**1,034**	1,150	**1,724**	2,063
Total	**$ 3,133**	$ 2,713	**$ 4,720**	$ 4,202

For the three-month period, capital expenditures or expenditures accrued for rental property building improvements and equipment was $3.1 million (June 30, 2006 – $2.7 million). Recurring recoverable costs of $1.4 million incurred in the quarter include $0.7 million for an air conditioning system for an office property in Western Canada, $0.2 million in various roof repairs, and $0.5 million in general building maintenance required throughout the portfolio. Recurring non-recoverable costs include approximately $0.3 million in roof replacements and repairs. Non-recurring expenditures of $1.0 million in the quarter include approximately $0.4 million to re-clad an office property in Western Canada and $0.6 million for general repairs and construction costs required throughout the portfolio.

For the six-month period, expenditures totalled $4.7 million (June 30, 2006 – $4.2 million). Recurring non-recoverable costs of $1.0 million include approximately $0.6 million for various roof replacements, largely in the Québec industrial portfolio.

As part of our acquisition due diligence, we endeavour to identify any near-term capital expenditure requirements and factor those costs into our investment analysis and purchase price negotiations. Such potential expenditures are approved in the acquisition process and will be identified as incurred. Anticipated non-recoverable capital expenditures associated with both the current quarter and year-to-date acquisitions are expected to be approximately $8.0 million and will be incurred over the next two to three years. These expenditures were factored into the purchase price paid for our acquisitions.

Financing activities

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

The following table details our cash generated from financing activities:

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Mortgages placed, net of costs	**$ 136,498**	$ 117,006	**$ 236,588**	$ 160,340
Mortgage principal repayments	**(8,118)**	(6,058)	**(15,170)**	(11,588)
Mortgage lump sum repayments	**(6,726)**	–	**(19,462)**	(12,926)
Term debt principal repayments	**(29)**	(115)	**(57)**	(214)
Term debt lump sum repayments	**–**	(14,957)	**–**	(14,957)
Term debt placed, net of costs	**24**	5,892	**61**	5,892
Demand revolving credit facility	**31,330**	–	**31,330**	–
Distributions paid on REIT Units	**(19,235)**	(11,253)	**(37,138)**	(21,090)
Units issued, net of costs	**(206)**	162,656	**163,550**	162,868
Cash generated from financing activities	**$ 133,538**	$ 253,171	**$ 359,702**	$ 268,325

Debt

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

	June 30, **2007**	December 31, 2006
Financing activities		
Average interest rate	**5.82%**	5.95%
Level of debt (debt-to-gross book value)	**50.9%**	50.6%
Interest coverage ratio	**2.88 times**	2.46 times
Proportion of total debt due in the remainder of 2007	**3.8%**	4.7%
Debt – average term to maturity (years)	**6.0**	5.8
Variable rate debt as percentage of total debt	**3.8%**	2.2%

The interest coverage ratio, which reflects our ability to cover interest expense requirements, has improved steadily since the beginning of the year to 2.88 times. This improvement is largely the result of the reduction in our overall level of debt-to-gross book value during the first quarter. As at June 30, 2007, the debt-to-gross book value increased to 50.9%, returning to a level more consistent with year-end (December 31, 2006 – 50.6%, March 31, 2007 – 47.7%). In addition, our average interest rate continues to decline, now 5.82% compared to 5.95% at the beginning of the year, and is also a positive indicator of our ability to manage our debt.

As a result of accessing our credit facility during the second quarter, the proportion of total debt due in the remainder of 2007 has increased from the first quarter to 3.8% but is down year-to-date as a result of refinancing activity. Our variable rate debt as a percentage of total debt also increased during the quarter as a result of drawing $31.3 million from our revolving credit facility.

			June 30, 2007			December 31, 2006
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 1,326,202**	**$ 17,578**	**$ 1,343,780**	$ 1,036,909	$ 19,402	$ 1,056,311
Term debt	**2,242**	**5,526**	**7,768**	2,238	5,526	7,764
Demand revolving credit facility	**–**	**31,330**	**31,330**	–	–	–
Debenture – 6.5%	**14,889**	**–**	**14,889**	24,438	–	24,438
Debenture – 5.7%	**30,716**	**–**	**30,716**	65,281	–	65,281
Total	**$ 1,374,049**	**$ 54,434**	**$ 1,428,483**	$ 1,128,866	$ 24,928	$ 1,153,794
Percentage	**96.2%**	**3.8%**	**100%**	97.8%	2.2%	100%

Mortgages payable include an $11.7 million fair value adjustment (December 31, 2006 – $9.6 million) reflecting the fair value of mortgages assumed in connection with acquisitions. During the year, $42.6 million of debentures were converted into 1,478,126 REIT Units. Amounts recorded as at June 30, 2007, for the 6.5% and 5.7% Debentures are net of the $0.5 million premiums allocated to their conversion features. The fair value adjustment and premium are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method. Further details on the conversions are provided on page 24.

Debt-to-gross book value

Our Declaration of Trust limits our overall debt to 65% of gross book value. At June 30, 2007, our debt-to-gross book value increased to 50.9% from 47.7% as at March 31, 2007 (December 31, 2006 – 50.6%), mainly as a result of $136.5 million in new mortgage financing and $62.0 million in mortgages assumed in connection with acquisitions completed in the second quarter.

	June 30, 2007
Total assets	**$ 2,622,422**
Accumulated depreciation	**145,335**
Accumulated amortization of acquired intangibles and leasing costs	**39,129**
Gross book value	**$ 2,806,886**
Outstanding debt	**$ 1,428,483**
Unamortized discount component of convertible debentures	**452**
Total debt	**$ 1,428,935**
Debt-to-gross book value	**50.9%**

We consider our convertible debentures to be debt and treat them as such when computing our debt ratios. Assuming the conversion of all of the 6.5% and 5.7% Debentures, our debt-to-gross book value would decrease to 49.3%.

Debt financing activity

During the year we secured approximately $236.6 million in new mortgage financing. The new financing was completed with an average term to maturity of 9.8 years and an average interest rate of 5.3%. As a result, our overall average interest rate decreased to 5.82% and our average term to maturity was extended to 6.0 years.

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

	Mortgages	Term debt	Revolving credit facility[1]	Convertible debentures	Total
Debt as at December 31, 2006	$ 1,056,311	$ 7,764	$ –	$ 89,719	$ 1,153,794
Adjustment on adoption of new financial instrument accounting standard	(3,596)	–	–	(3,746)	(7,342)
New debt assumed on rental property acquisitions	91,240	–	–	–	91,240
New debt placed	236,588	61	124,697	–	361,346
Scheduled repayments	(15,170)	(57)	–	–	(15,227)
Lump sum repayments	(19,462)	–	(93,367)	–	(112,829)
Conversion to unit equity	–	–	–	(42,566)	(42,566)
Amortization and other adjustments	(2,131)	–	–	2,198	67
Debt as at June 30, 2007	**$ 1,343,780**	**$ 7,768**	**$ 31,330**	**$ 45,605**	**$ 1,428,483**

[1] Our credit facility has not exceeded its $80.0 million maximum at any time during the year.

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

In connection with acquisitions completed during the quarter, we assumed $62.0 million in mortgages, resulting in a year-to-date total of $91.2 million in assumed mortgages with an average 6.5-year term to maturity and a weighted average interest rate of 5.2%.

	June 30, 2007					December 31, 2006
	Debt maturities	**Scheduled principal repayments on non-matured debt**	**Amount**	**%**	**Weighted average interest rate on balance due at maturity %**	Amount
Remainder of 2007	**$ 35,513**	**$ 18,075**	**$ 53,588**	**3.8**	**6.39**	$ 52,117
2008	**111,699**	**36,011**	**147,710**	**10.4**	**6.45**	138,521
2009	**122,963**	**32,846**	**155,809**	**10.9**	**6.50**	147,724
2010	**45,451**	**30,831**	**76,282**	**5.4**	**5.53**	60,752
2011	**160,557**	**28,065**	**188,622**	**13.3**	**6.30**	179,286
2012 and thereafter	**719,283**	**81,804**	**801,087**	**56.2**	**5.55**	565,827
Total	**$ 1,195,466**	**$ 227,632**	**1,423,098**	**100.0**	**5.86**	1,144,227
Fair value adjustments			**11,239**			9,567
Deferred financing costs			**(5,854)**			–
			$ 1,428,483			$ 1,153,794

Convertible debentures

In the six-month period, we issued 1,478,126 REIT Units upon the conversion of $42.6 million of the principal amount of 6.5% and 5.7% Debentures.

With respect to the 6.5% Debentures, we issued 355,560 REIT Units upon the conversion of $8.9 million of the principal amount. Subsequent to quarter-end, we issued an additional 127,120 REIT Units upon the conversion of $3.2 million of the principal amount. The total principal amount outstanding at August 3, 2007, was $12.5 million, and is convertible into 500,640 REIT Units.

With respect to the 5.7% Debentures, we issued 1,122,566 REIT Units upon the conversion of $33.7 million of the principal amount. Subsequent to quarter-end, we issued an additional 330,593 REIT Units upon the conversion of $9.9 million of the principal amount. The total principal amount outstanding at August 3, 2007, was $22.3 million, and is convertible into approximately 744,500 REIT Units.

Equity

The following table summarizes the changes in our outstanding equity:

	REIT Units, Series A	LP Class B Units, Series 1	Total
Units issued and outstanding on December 31, 2006	34,854,553	8,565,095	43,419,648
Units issued pursuant to public offerings	4,195,000	–	4,195,000
Units issued pursuant to internalization of property manager	–	44,674	44,674
Units issued pursuant to DRIP	335,159	13,260	348,419
Unit Purchase Plan	1,170	–	1,170
Units issued pursuant to Deferred Unit Incentive Plan	1,287	–	1,287
Unit redemption	(100)	–	(100)
Conversion of 6.5% Debentures	355,560	–	355,560
Conversion of 5.7% Debentures	1,122,566	–	1,122,566
Exchange of LP B Units	729,341	(729,341)	–
Total units outstanding on June 30, 2007	**41,594,536**	**7,893,688**	**49,488,224**
Percentage of all units	84.0%	16.0%	100%
Conversion of 6.5% Debentures	127,120	–	127,120
Conversion of 5.7% Debentures	330,593	–	330,593
Total units outstanding on August 3, 2007	42,052,249	7,893,688	49,945,937
Percentage of all units	84.2%	15.8%	100%

Proposed sale of the Eastern Portfolio to GE Real Estate

On June 4, 2007, the Trust announced that it had entered into a definitive agreement to sell the Eastern Portfolio to GE. The sale will be for a total purchase price of approximately $2.4 billion, including the assumption of liabilities by GE relating to this portfolio (the "Transaction"). If the Transaction is completed, Dundee REIT will continue to own the Western Portfolio, valued at approximately $1.5 billion. Following closing, property management for the Western Portfolio will continue to be provided by a subsidiary of Dundee REIT.

Dundee REIT will receive cash proceeds on closing of approximately $1.5 billion but this amount may be reduced by the aggregate value ascribed to certain holdback properties that, due to the purchase rights of our co-owners or certain tenants, cannot be transferred to GE by the closing date or sold to the co-owner or tenant. The potential reduction in such cash consideration is not expected to exceed $90.0 million. The proceeds received on closing from the sale of the Eastern Portfolio will be used to redeem approximately 32 million outstanding units for $47.50 per unit (the "Redemption"). In addition, GE has agreed to purchase $165 million worth of outstanding units of the Trust, at a purchase price of $47.50 per unit, which will give GE an approximate 18% equity interest in the Trust. Dundee REIT will incur transaction costs of approximately $9.0 million in relation to the Transaction. Dundee REIT has also agreed to pay a termination payment in the amount of $55.0 million to GE under certain circumstances, pursuant to the terms outlined in the Purchase Agreement.

The Transaction contemplates that all of the Trust's senior management will be transferred to DRC and continue to work as a team. On closing, DRC and GE will enter into an asset management agreement pursuant to which DRC will provide asset management services to GE with respect to the Eastern Portfolio. Also on closing, Dundee REIT will enter into an asset management agreement with DRC pursuant to which DRC will provide asset management services with respect to the Western Portfolio. The asset management agreement between Dundee REIT and DRC is for an initial term of five years and is renewable for further five-year terms in accordance with the Termination and Term provisions of the agreement.

On closing, GE will also enter into an administrative services agreement with the Trust pursuant to which DMLP will, for a two-year term, provide general office support services, including information systems support, human resources and payroll services, regulatory compliance services, accounting services and such other services as GE may reasonably request from time to time.

The proposed Transaction requires the approval of 66 2/3% of the votes cast by unitholders and a simple majority of the votes cast by minority unitholders at a special unitholder meeting to be held on August 15, 2007. In addition to authorizing the Transaction, unitholders are being asked to approve various amendments to the governing documents of Dundee REIT and its subsidiaries in respect of the governance and operation of the Trust, including the modification of Dundee Corporation's existing board appointment rights and significant changes to the investment guidelines and operating policies of Dundee REIT's operating subsidiary, Dundee Properties Limited Partnership ("DPLP"). It is anticipated that this Transaction will be completed by August 24, 2007.

In connection with this Transaction, effective June 28, 2007, the DRIP was temporarily suspended. The Trust will continue to distribute $2.20 per unit on an annualized basis and it is anticipated that the DRIP will be reinstated in January 2008.

The segmented balance sheet below includes the assets and liabilities of Dundee REIT, the Eastern Portfolio and the Western Portfolio, which includes existing corporate assets and liabilities of Dundee REIT, as at June 30, 2007. The segmented balance sheet does not include any transactions occurring subsequent to June 30, 2007, nor does it include the receipt of proceeds or the Redemption of REIT Units described above.

	Eastern Portfolio	Western Portfolio	Dundee REIT June 30, 2007
Assets			
Rental properties	$ 1,476,533	$ 852,819	$ 2,329,352
Land	41,232	–	41,232
Deferred costs	48,477	27,944	76,421
Accounts receivable	12,026	5,523	17,549
Prepaid expenses and other assets	15,042	5,238	20,280
Cash and cash equivalents	–	10,626	10,626
Intangible assets	77,860	49,102	126,962
	$ 1,671,170	$ 951,252	$ 2,622,422
Liabilities			
Debt	$ 863,681	$ 564,802	$ 1,428,483
Amounts payable and accrued liabilities	29,680	20,153	49,833
Distributions payable	–	9,056	9,056
Future income tax liability	31,273	12,388	43,661
Intangible liabilities	13,910	41,077	54,987
	$ 938,544	$ 647,476	$ 1,586,020
Unitholders' equity	$ 732,626	$ 303,776	$ 1,036,402
	$ 1,671,170	$ 951,252	$ 2,622,422

The tables below set forth the net operating income for the three- and six-month periods ended June 30, 2007 and 2006, related to the Western Portfolio, after excluding the real estate assets to be sold to GE as described above.

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Office	**$ 5,620**	$ 5,468	$ 152	3	**$ 11,659**	$ 10,597	$ 1,062	10
Industrial	**2,830**	2,444	386	16	**5,519**	4,836	683	14
Comparative properties	**8,450**	7,912	538	7	**17,178**	15,433	1,745	11
Acquisitions	**10,942**	2,326	8,616		**19,269**	2,373	16,896	
Rent supplement	**24**	(57)	81		**47**	(130)	177	
GAAP adjustments	**3,399**	325	3,074		**5,259**	753	4,506	
NOI	**22,815**	10,506	12,309	117	**41,753**	18,429	23,324	127
Redevelopment	**2**	(8)	10		**–**	(1)	1	
Discontinued operations	**(2)**	159	(161)		**(3)**	319	(322)	
NOI including redevelopment and discontinued operations	**$ 22,815**	$ 10,657	$ 12,158	114	**$ 41,750**	$ 18,747	$ 23,003	123

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Alberta	**$ 7,186**	$ 6,556	$ 630	10	**$ 14,308**	$ 12,724	$ 1,584	12
Western Canada	**1,264**	1,356	(92)	(7)	**2,870**	2,709	161	6
Comparative properties	**8,450**	7,912	538	7	**17,178**	15,433	1,745	11
Acquisitions	**10,942**	2,326	8,616		**19,269**	2,373	16,896	
Rent supplement	**24**	(57)	81		**47**	(130)	177	
GAAP adjustments	**3,399**	325	3,074		**5,259**	753	4,506	
NOI	**22,815**	10,506	12,309	117	**41,753**	18,429	23,324	127
Redevelopment	**2**	(8)	10		**–**	(1)	1	
Discontinued operations	**(2)**	159	(161)		**(3)**	319	(322)	
NOI including redevelopment and discontinued operations	**$ 22,815**	$ 10,657	$ 12,158	114	**$ 41,750**	$ 18,747	$ 23,003	123

Our results of operations

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Revenues				
Rental properties revenue	**$ 95,883**	$ 66,051	**$ 183,060**	$ 129,021
Interest and fee income	**680**	852	**1,344**	1,351
	96,563	66,903	**184,404**	130,372
Expenses				
Rental properties operating expenses	**37,900**	27,744	**74,572**	55,811
Interest	**19,426**	15,833	**36,675**	30,811
Depreciation of rental properties	**13,495**	9,227	**25,831**	17,767
Amortization of deferred leasing costs, tenant improvements and intangibles	**12,988**	6,513	**22,831**	12,223
General and administrative	**1,975**	1,755	**4,179**	3,263
	85,784	61,072	**164,088**	119,875
Income before the undernoted item	**10,779**	5,831	**20,316**	10,497
Internalization of property manager	**–**	(13,090)	**(1,230)**	(13,090)
Gain on disposal of rental property and land held for sale	**1,474**	216	**1,474**	216
Income (loss) before income taxes	**12,253**	(7,043)	**20,560**	(2,377)
Income taxes				
Current income and large corporations taxes	**10**	76	**15**	121
Future income taxes	**40,031**	2,453	**39,914**	2,627
	40,041	2,529	**39,929**	2,748
Loss before non-controlling interest and discontinued operations	**(27,788)**	(9,572)	**(19,369)**	(5,125)
Income attributable to non-controlling interest	**–**	(517)	**–**	(1,840)
Loss before discontinued operations	**(27,788)**	(10,089)	**(19,369)**	(6,965)
Discontinued operations	**(2)**	3,343	**(3)**	3,408
Net loss	**$ (27,790)**	$ (6,746)	**$ (19,372)**	$ (3,557)

Rental properties revenue

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs, property taxes, parking revenues and other miscellaneous revenues from tenants. The increase in rental property revenue is primarily a result of additional revenues generated by acquisitions as well as receiving 100% of the fees earned by the property manager, effective May 1, 2006.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management including management, construction and leasing fees, and interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary from quarter to quarter.

Rental properties operating expenses

Operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, repairs and maintenance. The $10.2 million or 37% increase in operating expenses over the comparative quarter mainly reflects the additional costs associated with acquired properties.

Interest expense

The $3.6 million or 23% increase in interest expense for the three-month period was mainly the result of additional debt incurred in connection with acquisitions. Although the overall dollar amount of our debt increased, the impact on interest expense was mitigated to some extent by the reduction in our weighted average interest rate to 5.82% compared with 5.88% at March 31, 2007, and 5.95% at December 31, 2006.

Depreciation of rental properties

Depreciation increased by $4.3 million or 46% compared with the same quarter in 2006 mainly as a result of acquisitions.

Amortization of deferred leasing costs, tenant improvements and intangibles

Amortization for the quarter was $13.0 million, an increase of $6.5 million or 99% over the comparative period. The increase is largely due to the allocation of a portion of the purchase price to intangibles on new acquisitions since 2004.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations. Expenses for the quarter were $2.0 million, an increase of $0.2 million or 13% over the comparative period reflecting the growth of our business and the additional costs resulting from the internalization of the property manager. The increase in expense is offset by increased property management fees as we now own 100% of the property manager.

Income tax expense

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

As of June 2007, amendments were made to the *Income Tax Act*, modifying the tax treatment of certain publicly traded trusts and partnerships that are SIFTs, such that certain distributions and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes. Certain real estate investment trusts that satisfy specified conditions are excluded from the SIFT definition and therefore will not be subject to the SIFT rules (the "REIT Exception"). As the Trust did not meet the technical REIT Exception as of June 30, 2007, a future income tax liability of $40.0 million has been recorded, based on the temporary differences that are expected to reverse on or after January 1, 2011.

Discontinued operations

Discontinued operations include assets that have been categorized as held for sale or sold and meet specific criteria as discontinued assets in accordance with GAAP. These assets and operations are disclosed separately on the income statement and balance sheet. There are no assets that meet the criteria for classification as held for sale as at June 30, 2007. The proposed sale of the Eastern Portfolio is subjected to unitholder approval and, as such, did not meet such criteria.

Related-party transactions

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

During the quarter, we received $0.2 million in fees related to the rent supplement and $0.5 million related to the DRC Services Agreement.

Net operating income

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

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Net loss	**$ (27,790)**	$ (6,746)	**$ (19,372)**	$ (3,557)
Add (deduct):				
Interest expense	**19,426**	15,833	**36,675**	30,811
Depreciation of rental properties	**13,495**	9,227	**25,831**	17,767
Amortization of deferred leasing costs, tenant improvements and intangibles	**12,988**	6,513	**22,831**	12,223
General and administrative expenses	**1,975**	1,755	**4,179**	3,263
Gain on disposal of rental property and land held for sale	**(1,474)**	(216)	**(1,474)**	(216)
Internalization of property manager	**–**	13,090	**1,230**	13,090
Interest and fee income	**(680)**	(852)	**(1,344)**	(1,351)
Income taxes	**40,041**	2,529	**39,929**	2,748
Non-controlling interest	**–**	517	**–**	1,840
Depreciation, amortization, gain and non-controlling interest included in discontinued operations	**–**	(3,184)	**–**	(3,089)
NOI including redevelopment and discontinued operations	**$ 57,981**	$ 38,466	**$ 108,485**	$ 73,529

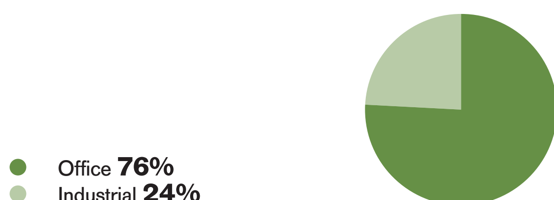
We define NOI as the total of rental property revenues less rental property operating expenses. NOI, before redevelopment and discontinued operations, for the quarter increased 54% over the comparative period, primarily due to income generated by properties acquired in 2006, and those acquired in the first quarter of 2007. NOI generated by our comparative portfolio increased $1.1 million or 3%, largely driven by increased occupancy and higher rental rates achieved on renewals and new leasing. Redevelopment properties include the results of Greenbriar Mall, Atlanta. Discontinued operations mainly reflects the results of Kameyosek Shopping Centre, which was sold on June 29, 2006.

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Office	**$ 43,795**	$ 27,251	$ 16,544	61	**$ 83,246**	$ 51,602	$ 31,644	61
Industrial	**13,708**	10,113	3,595	36	**24,218**	19,620	4,598	23
NOI	**57,503**	37,364	20,139	54	**107,464**	71,222	36,242	51
Redevelopment	**480**	943	(463)		**1,024**	1,988	(964)	
Discontinued operations	**(2)**	159	(161)		**(3)**	319	(322)	
NOI including redevelopment and discontinued operations	**$ 57,981**	$ 38,466	$ 19,515	51	**$ 108,485**	$ 73,529	$ 34,956	48

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Québec	**$ 8,314**	$ 8,511	$ (197)	(2)	**$ 16,329**	$ 16,742	$ (413)	(2)
National Capital Region	**6,281**	6,010	271	5	**12,350**	11,764	586	5
Toronto Region	**19,208**	11,524	7,684	67	**35,276**	22,685	12,591	56
Alberta	**18,740**	8,351	10,389	124	**33,586**	15,712	17,874	114
Western Canada	**4,960**	2,968	1,992	67	**9,923**	4,319	5,604	130
NOI	**57,503**	37,364	20,139	54	**107,464**	71,222	36,242	51
Redevelopment	**480**	943	(463)		**1,024**	1,988	(964)	
Discontinued operations	**(2)**	159	(161)		**(3)**	319	(322)	
NOI including redevelopment and discontinued operations	**$ 57,981**	$ 38,466	$ 19,515	51	**$ 108,485**	$ 73,529	$ 34,956	48

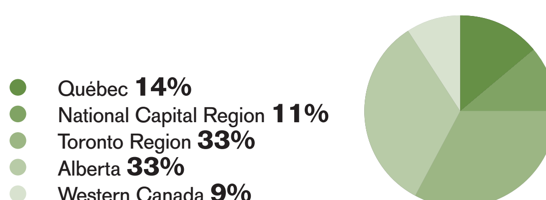
NOI by segment

Three months ended June 30, 2007



NOI by region

Three months ended June 30, 2007



NOI comparative portfolio

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

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Office	**$ 24,348**	$ 23,724	$ 624	3	**$ 48,942**	$ 47,071	$ 1,871	4
Industrial	**9,441**	8,996	445	5	**18,479**	17,901	578	3
Comparative properties	**33,789**	32,720	1,069	3	**67,421**	64,972	2,449	4
Acquisitions	**19,432**	3,188	16,244		**32,810**	3,393	29,417	
Rent supplement	**161**	398	(237)		**308**	863	(555)	
GAAP adjustments	**4,121**	1,058	3,063		**6,925**	1,994	4,931	
NOI	**57,503**	37,364	20,139	54	**107,464**	71,222	36,242	51
Redevelopment	**480**	943	(463)		**1,024**	1,988	(964)	
Discontinued operations	**(2)**	159	(161)		**(3)**	319	(322)	
NOI including redevelopment and discontinued operations	**$ 57,981**	$ 38,466	$ 19,515	51	**$ 108,485**	$ 73,529	$ 34,956	48

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Québec	**$ 7,703**	$ 7,754	$ (51)	(1)	**$ 15,084**	$ 15,560	$ (476)	(3)
National Capital Region	**5,919**	5,772	147	3	**11,647**	11,338	309	3
Toronto Region	**10,873**	10,511	362	3	**21,838**	21,106	732	3
Alberta	**8,030**	7,327	703	10	**15,982**	14,259	1,723	12
Western Canada	**1,264**	1,356	(92)	(7)	**2,870**	2,709	161	6
Comparative properties	**33,789**	32,720	1,069	3	**67,421**	64,972	2,449	4
Acquisitions	**19,432**	3,188	16,244		**32,810**	3,393	29,417	
Rent supplement	**161**	398	(237)		**308**	863	(555)	
GAAP adjustments	**4,121**	1,058	3,063		**6,925**	1,994	4,931	
NOI	**57,503**	37,364	20,139	54	**107,464**	71,222	36,242	51
Redevelopment	**480**	943	(463)		**1,024**	1,988	(964)	
Discontinued operations	**(2)**	159	(161)		**(3)**	319	(322)	
NOI including redevelopment and discontinued operations	**$ 57,981**	$ 38,466	$ 19,515	51	**$ 108,485**	$ 73,529	$ 34,956	48

Comparative NOI growth was driven by occupancy growth and rising rental rates across our office and industrial portfolios nationally.

The rent supplement from DRC contributed $0.2 million for the three-month period. The rent supplement represents amounts funded by DRC based on specific vacancies previously agreed to upon the formation of Dundee REIT and as included in the property management agreement. This rent supplement will fluctuate as leasing of supplemented space occurs. The supplement commenced July 1, 2003, and is effective for five years for office and three years for industrial space. The rent supplement decreased in the quarter as a result of leasing activity in supplemented office space, and the expiry of the supplement period for industrial properties on June 30, 2006.

Comparative office portfolio

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Québec	**$ 4,227**	$ 4,472	$ (245)	(5)	**$ 8,507**	$ 9,010	$ (503)	(6)
National Capital Region	**5,919**	5,772	147	3	**11,647**	11,338	309	3
Toronto Region	**8,242**	7,696	546	7	**16,450**	15,497	953	6
Alberta	**4,696**	4,428	268	6	**9,468**	8,517	951	11
Western Canada	**1,264**	1,356	(92)	(7)	**2,870**	2,709	161	6
Comparative properties	**24,348**	23,724	624	3	**48,942**	47,071	1,871	4
Acquisitions	**15,659**	2,632	13,027		**27,900**	2,631	25,269	
Rent supplement	**161**	210	(49)		**308**	503	(195)	
GAAP adjustments	**3,627**	685	2,942		**6,096**	1,397	4,699	
Office NOI	**$ 43,795**	$ 27,251	$ 16,544	61	**$ 83,246**	$ 51,602	$ 31,644	61

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

On a regional basis, the decline in contribution from the Québec portfolio comprises $0.1 million attributable to a slight decrease in occupancy as well as $0.2 million as a result of a lease renegotiation completed in December 2006. Looking ahead, we anticipate significant leasing at our redevelopment property in Montréal that should contribute to NOI by the third quarter. Results from the National Capital Region portfolio reflect slight increases in occupancy and rental rates, and also include $0.1 million from a one-time lease surrender payment. Growth in the Toronto Region reflects strong occupancy and the impact of internal growth in rental rates as well as renewals and new leasing completed at market rates. Lower non-recoverable expenses and prior year recovery adjustments contributed $0.2 million to the second quarter over the prior year period. The Alberta office portfolio leads our growth, benefiting from leasing activity and rising rental rates. For the six-month period, NOI from our portfolio in Western Canada included a one-time lease surrender payment for space vacated by the tenant. For the three-month period, the resulting decline in occupancy negatively impacted NOI. The space has been re-leased for a 10-year term starting in the third quarter.

Comparative industrial portfolio

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Québec	**$ 3,476**	$ 3,282	$ 194	6	**$ 6,577**	$ 6,550	$ 27	–
Toronto Region	**2,631**	2,815	(184)	(7)	**5,388**	5,609	(221)	(4)
Alberta	**3,334**	2,899	435	15	**6,514**	5,742	772	13
Comparative properties	**9,441**	8,996	445	5	**18,479**	17,901	578	3
Acquisitions	**3,773**	556	3,217		**4,910**	762	4,148	
Rent supplement	**–**	188	(188)		**–**	360	(360)	
GAAP adjustments	**494**	373	121		**829**	597	232	
Industrial NOI	**$ 13,708**	$ 10,113	$ 3,595	36	**$ 24,218**	$ 19,620	$ 4,598	23

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

Increased NOI from our comparative Québec portfolio in the second quarter reflects improved occupancy and lower non-recoverable costs, offset by the free rental period provided to a tenant. The decline in NOI from the Toronto portfolio reflects slightly lower occupancy. Our Alberta industrial portfolio continues to produce strong results, reflecting leasing activity and higher rates on lease renewals, as well as reduced non-recoverable costs.

NOI prior quarter comparison

The comparative properties disclosed in the following table are based on properties that were acquired prior to January 1, 2007.

Overall, comparative properties are maintaining a high level of occupancy, achieving incremental improvements in rental rates and producing modest growth in NOI. Total NOI increased by 15% quarter-over-quarter, largely reflecting the impact of acquisitions as well as the benefits of leasing activity in Alberta and Western Canada.

For the three months ended	June 30, 2007	March 31, 2007	Growth Amount	Growth %
Office	**$ 36,384**	$ 35,031	$ 1,353	4
Industrial	**10,475**	10,174	301	3
Comparative properties	**46,859**	45,205	1,654	4
Acquisitions	**6,362**	1,806	4,556	
Rent supplement	**161**	147	14	
GAAP adjustments	**4,121**	2,804	1,317	
NOI	**57,503**	49,962	7,541	15
Redevelopment	**480**	543	(63)	
Discontinued operations	**(2)**	(1)	(1)	
NOI including redevelopment and discontinued operations	**$ 57,981**	$ 50,504	$ 7,477	15

For the three months ended	June 30, 2007	March 31, 2007	Growth Amount	Growth %
Québec	**$ 8,074**	$ 7,725	$ 349	5
National Capital Region	**6,197**	5,995	202	3
Toronto Region	**13,988**	14,022	(34)	–
Alberta	**13,972**	12,730	1,242	10
Western Canada	**4,628**	4,733	(105)	(2)
Comparative properties	**46,859**	45,205	1,654	4
Acquisitions	**6,362**	1,806	4,556	
Rent supplement	**161**	147	14	
GAAP adjustments	**4,121**	2,804	1,317	
NOI	**57,503**	49,962	7,541	15
Redevelopment	**480**	543	(63)	
Discontinued operations	**(2)**	(1)	(1)	
NOI including redevelopment and discontinued operations	**$ 57,981**	$ 50,504	$ 7,477	15

NOI from the office portfolio increased $1.4 million. Contributing to this growth were gains in occupancy, the impact of step rents, higher rental rates and parking revenues, prior year operating expense recoveries and realty tax rebates. NOI from the industrial portfolio increased $0.3 million. This is largely due to lower non-recoverable operating expenses and the impact of step rents.

The increase in the Québec portfolio is a result of improving occupancy and the impact of one-time tenant provisions and lease renegotiations recorded in previous quarters. The National Capital Region has benefited from slight improvements in occupancy and rental rates. Alberta continues to produce the strongest NOI growth due to strong overall occupancy, rental rate and step rent increases and higher parking revenues. The quarter-over-quarter decline in Western Canada NOI reflects the impact of a $0.3 million one-time lease surrender payment received in the first quarter. The vacant space has been re-leased for a 10-year term starting in the third quarter.

Quarterly information

The following tables show quarterly information since June 30, 2005.

	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Revenues								
Rental properties revenue	**$ 95,883**	$ 87,177	$ 81,995	$ 76,778	$ 66,051	$ 62,970	$ 60,391	$ 57,385
Interest and fee income	**680**	664	1,257	1,038	852	499	397	410
	96,563	87,841	83,252	77,816	66,903	63,469	60,788	57,795
Expenses								
Rental properties operating expenses	**37,900**	36,672	34,959	31,380	27,744	28,067	27,190	25,216
Interest	**19,426**	17,249	17,307	17,934	15,833	14,978	14,701	14,378
Depreciation of rental properties	**13,495**	12,336	11,259	10,824	9,227	8,540	8,087	7,967
Amortization of deferred leasing costs, tenant improvements and intangibles	**12,988**	9,843	9,384	9,007	6,513	5,710	5,907	5,565
General and administrative	**1,975**	2,204	1,861	1,688	1,755	1,508	1,641	1,362
	85,784	78,304	74,770	70,833	61,072	58,803	57,526	54,488
Income before the undernoted items	**10,779**	9,537	8,482	6,983	5,831	4,666	3,262	3,307
Provision for impairment in value of rental property	**–**	–	–	–	–	–	(11,533)	–
Internalization of property manager	**–**	(1,230)	(615)	27	(13,090)	–	–	–
Gain (loss) on disposal of rental property and land held for sale	**1,474**	–	9	(445)	216	–	–	–
Dilution gain	**–**	–	–	–	–	–	296	269
Income (loss) before income and large corporations taxes	**12,253**	8,307	7,876	6,565	(7,043)	4,666	(7,975)	3,576
Income taxes								
Current income and large corporations taxes	**10**	5	22	(81)	76	45	49	44
Future income taxes (recovery)	**40,031**	(117)	(111)	(202)	2,453	174	(4,286)	259
Income tax expense (recovery)	**40,041**	(112)	(89)	(283)	2,529	219	(4,237)	303
Income (loss) before non-controlling interest and discontinued operations	**(27,788)**	8,419	7,965	6,848	(9,572)	4,447	(3,738)	3,273
Loss (income) attributable to non-controlling interest	**–**	–	–	–	(517)	(1,323)	1,192	(1,007)
Income (loss) before discontinued operations	**(27,788)**	8,419	7,965	6,848	(10,089)	3,124	(2,546)	2,266
Discontinued operations	**(2)**	(1)	(13)	(25)	3,343	65	(2,469)	(43)
Net income (loss)	**$ (27,790)**	$ 8,418	$ 7,952	$ 6,823	$ (6,746)	$ 3,189	$ (5,015)	$ 2,223
Net income (loss) per unit								
Basic	**$ (0.57)**	$ 0.19	$ 0.24	$ 0.19	$ (0.23)	$ 0.15	$ (0.28)	$ 0.13
Diluted[1]	**$ (0.57)**	$ 0.19	$ 0.24	$ 0.19	$ (0.23)	$ 0.15	$ (0.29)	$ 0.12

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

Calculation of funds from operations and distributable income

	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Net income (loss)	**$ (27,790)**	$ 8,418	$ 7,952	$ 6,823	$ (6,746)	$ 3,189	$ (5,015)	$ 2,223
Add (deduct):								
Depreciation of rental properties	**13,495**	12,336	11,259	10,824	9,255	8,570	8,117	8,053
Amortization of deferred leasing costs and intangibles	**12,988**	9,843	9,384	9,007	6,527	5,725	5,918	5,765
Future income tax	**40,031**	(117)	(111)	(202)	2,453	174	(4,286)	259
Imputed amortization of leasing costs related to the rent supplement	**88**	79	81	68	289	256	318	168
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(29)**	(18)	(17)	(18)	(13)	(5)	(6)	(4)
Dilution gain	**–**	–	–	–	–	–	(296)	(269)
(Gain) loss on disposal of rental properties and land held for sale	**(1,474)**	–	4	415	(3,453)	24	3,837	–
Provision for impairment in value of rental property	**–**	–	–	–	–	–	11,533	–
Internalization of property manager	**–**	1,230	615	(27)	13,090	–	–	–
Non-controlling interest	**–**	–	–	–	527	1,349	(2,281)	986
Funds from operations	**$ 37,309**	$ 31,771	$ 29,167	$ 26,890	$ 21,929	$ 19,282	$ 17,839	$ 17,181
Funds from operations per unit								
Basic[1]	**$ 0.76**	$ 0.71	$ 0.74	$ 0.74	$ 0.67	$ 0.67	$ 0.68	$ 0.68
Diluted	**$ 0.75**	$ 0.69	$ 0.71	$ 0.70	$ 0.64	$ 0.63	$ 0.64	$ 0.63
Cash generated from operating activities	**$ 35 ,150**	$ 32,071	$ 24,003	$ 22,058	$ 24,634	$ 17,167	$ 13,204	$ 16,351
Add (deduct):								
Deferred leasing costs incurred	**1,554**	1,358	2,352	972	1,739	1,034	1,602	831
Amortization of deferred financing costs incurred prior to June 30, 2003	**94**	87	65	81	94	94	94	98
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**13**	16	16	17	19	21	25	78
Amortization of tenant inducements	**33**	26	20	–	–	–	–	–
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(29)**	(18)	(17)	(18)	(13)	(5)	(4)	(4)
Loss (gain) on disposal of rental property	**–**	–	–	–	(25)	24	–	–
Amortization of deferred financing costs	**(316)**	(306)	(445)	(619)	(425)	(433)	(415)	(440)
Change in non-cash working capital	**(3,517)**	(4,265)	660	1,378	(5,524)	78	2,040	(924)
Distributable income	**$ 32,982**	$ 28,969	$ 26,654	$ 23,869	$ 20,499	$ 17,980	$ 16,546	$ 15,990
Distributable income per unit								
Basic[1]	**$ 0.67**	$ 0.64	$ 0.67	$ 0.66	$ 0.63	$ 0.62	$ 0.63	$ 0.63
Diluted	**$ 0.66**	$ 0.63	$ 0.65	$ 0.63	$ 0.60	$ 0.59	$ 0.60	$ 0.59
Weighted average units outstanding for FFO and DI								
Basic	**49,115,213**	44,954,392	39,588,295	36,350,417	32,727,091	28,968,219	26,266,118	25,387,969
Diluted	**51,306,940**	47,732,198	43,447,393	42,292,776	38,953,240	35,281,362	32,562,042	31,712,785

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

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

(%)	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Office	**96.5**	97.0	97.0	96.4	96.1	96.1	96.3	95.5
Industrial	**95.8**	97.0	95.6	95.9	95.7	95.2	96.3	97.0
Overall	**96.2**	97.0	96.4	96.2	95.9	95.6	96.3	96.1

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

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 control over financial reporting.

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

Section IV – Risks and our strategy to manage

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

Section V – Critical accounting policies

Critical accounting estimates

Management of Dundee REIT believes that certain policies may be subject to estimation and management's judgment. For a list and explanation of these policies, please refer to Note 2 of the interim financial statements and to our 2006 Annual Report.

Income taxes

On June 12, 2007, amendments to the *Income Tax Act* (Canada) were substantively enacted, which modify the tax treatment of certain publicly traded trusts and partnerships that are SIFTs.

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust is required by its Declaration of Trust to distribute all of its taxable income to its unitholders, which currently enables the Trust to deduct such distributions for income tax purposes. Canadian and U.S. based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. Accordingly, prior to June 12, 2007, the only provision for income taxes recorded in the consolidated financial statements was to reflect the future tax obligations of these incorporated subsidiaries and comprise the amounts resulting from the differences in tax and book values relating to the underlying rental properties.

Under the SIFT rules, certain distributions by a SIFT entity relating to income from a business carried on in Canada by the SIFT and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes and will accordingly will be taxed in the SIFT entity at a rate that is generally comparable to the combined provincial/federal corporate income tax rate for ordinary business income. Allocations or distributions of income and capital gains that are subject to the SIFT rules will be treated as a taxable dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT. For Canadian resident beneficiaries or partners, such dividend will be taxed as an eligible dividend and will be subject to the applicable gross-up and dividend tax credit rules. Pursuant to the normal growth guidelines issued in a press release by the Department of Finance (Canada) on December 15, 2006 (the "Normal Growth Guidelines"), the SIFT rules will not apply until the 2011 taxation year to trusts or partnerships that would have been SIFTs on October 31, 2006, if the "SIFT trust" and "SIFT partnership" definitions in the *Income Tax Act* had been in force as of that date.

Certain real estate investment trusts that satisfy certain specified conditions (the "REIT Exception") are excluded from the SIFT definition and therefore will not be subject to the SIFT rules. In order to qualify for the REIT Exception in respect of a taxation year, the REIT (i) must not, at any time in that taxation year, hold non-portfolio property other than "qualified REIT properties" (as defined in the *Income Tax Act*); (ii) must derive at least 95% of the REIT's revenues for that taxation year from rent generated by real or immovable properties, interest, capital gains from dispositions of real or immovable properties, dividends and royalties; (iii) must derive at least 75% of the REIT's revenues for that taxation year from rent, interest, mortgages or hypothecs on, and capital gains from the disposition of, real or immovable properties situated in Canada; and (iv) must, throughout the taxation year, hold real or immovable properties situated in Canada, cash and certain government-guaranteed debt with a total fair market value that is not less than 75% of the REIT's equity value.

As the Trust did not meet the technical REIT Exception as at June 12, 2007, or as at June 30, 2007, a future income tax liability in the amount of $40,000 has been recorded as at June 30, 2007, based on the temporary differences that are expected to reverse on or after January 1, 2011. The future income tax liability has been recorded as a charge to the consolidated statement of net loss and comprehensive loss, for the quarter ended June 30, 2007. Should the Trust meet the REIT Exception in the future, the future income tax liability will be reversed and recorded as a recovery through the consolidated statement of net loss and comprehensive loss at that time.

Changes in accounting policies

Financial instruments

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

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

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

In conjunction with Section 3855, the Trust also adopted CICA Handbook Section 1530, "Comprehensive Income", which requires the Trust to disclose Other Comprehensive Income ("OCI") in its financial statements. The Trust has included this disclosure on its statement of net income. Foreign currency translation losses of $0.8 million related to the net investment in Greenbriar Mall are disclosed as OCI. Previously these amounts were disclosed as a component of unitholders' equity. Any change as a result of a reduction in the net investment will be disclosed as comprehensive income. The comparative financial statements were restated by reclassifying the opening cumulative foreign currency translation adjustment of $5.1 million to accumulated other comprehensive income on the statement of unitholders' equity, with 2006 being restated to conform with the new presentation.

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

Consolidated balance sheets

(Unaudited) (In thousands of dollars)	Note	June 30, 2007	December 31, 2006
Assets			
Rental properties	4	**$ 2,329,352**	$ 1,816,811
Deferred costs	5	**76,421**	73,455
Land	6	**41,232**	41,395
Amounts receivable	7	**17,549**	18,606
Prepaid expenses and other assets	8	**20,280**	20,240
Cash and cash equivalents		**10,626**	70,997
Intangible assets	9	**126,962**	86,416
		$ 2,622,422	$ 2,127,920
Liabilities			
Debt	10	**$ 1,428,483**	$ 1,153,794
Amounts payable and accrued liabilities	11	**49,833**	40,701
Distributions payable	12	**9,056**	8,013
Future income tax liability	15	**43,661**	3,950
Intangible liabilities	9	**54,987**	33,351
		1,586,020	1,239,809
Unitholders' equity	13	**1,036,402**	888,111
		$ 2,622,422	$ 2,127,920

See accompanying notes to the consolidated financial statements

See Note 24 – "Proposed sale of the Eastern Portfolio to GE Real Estate"

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of net loss and comprehensive loss

(Unaudited) (In thousands of dollars, except per unit amounts)	Note	For the three months ended June 30 **2007**	2006	For the six months ended June 30 **2007**	2006
Revenues					
Rental properties revenue		**$ 95,883**	$ 66,051	**$ 183,060**	$ 129,021
Interest and fee income		**680**	852	**1,344**	1,351
		96,563	66,903	**184,404**	130,372
Expenses					
Rental properties operating expenses		**37,900**	27,744	**74,572**	55,811
Interest	14	**19,426**	15,833	**36,675**	30,811
Depreciation of rental properties		**13,495**	9,227	**25,831**	17,767
Amortization of deferred leasing costs, tenant improvements and intangibles		**12,988**	6,513	**22,831**	12,223
General and administrative		**1,975**	1,755	**4,179**	3,263
		85,784	61,072	**164,088**	119,875
Income before the undernoted items		**10,779**	5,831	**20,316**	10,497
Internalization of property manager	22	**–**	(13,090)	**(1,230)**	(13,090)
Gain on disposition of land held for sale		**1,474**	–	**1,474**	–
Gain on disposal of rental property		**–**	216	**–**	216
Income (loss) before income taxes		**12,253**	(7,043)	**20,560**	(2,377)
Income taxes	15				
Current income taxes		**10**	76	**15**	121
Future income taxes		**40,031**	2,453	**39,914**	2,627
		40,041	2,529	**39,929**	2,748
Loss before non-controlling interest and discontinued operations		**(27,788)**	(9,572)	**(19,369)**	(5,125)
Income attributable to non-controlling interest		**–**	(517)	**–**	(1,840)
Loss before discontinued operations		**(27,788)**	(10,089)	**(19,369)**	(6,965)
Discontinued operations	19	**(2)**	3,343	**(3)**	3,408
Net loss		**$ (27,790)**	$ (6,746)	**$ (19,372)**	$ (3,557)
Basic income (loss) per unit	16				
Continuing operations		**$ (0.57)**	$ (0.34)	**$ (0.41)**	$ (0.28)
Discontinued operations		**–**	0.11	**–**	0.14
Net loss		**$ (0.57)**	$ (0.23)	**$ (0.41)**	$ (0.14)
Diluted income (loss) per unit	16				
Continuing operations		**$ (0.57)**	$ (0.34)	**$ (0.41)**	$ (0.28)
Discontinued operations		**–**	0.11	**–**	0.14
Net loss		**$ (0.57)**	$ (0.23)	**$ (0.41)**	$ (0.14)
Net loss		**$ (27,790)**	$ (6,746)	**$ (19,372)**	$ (3,557)
Other comprehensive income (loss):					
Cumulative foreign currency translation adjustment		**(713)**	1,901	**(772)**	1,914
Comprehensive loss		**$ (28,503)**	$ (4,845)	**$ (20,144)**	$ (1,643)

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity

(Unaudited) (In thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income (loss)	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity, January 1, 2007		**43,419,648**	**$ 1,067,125**	**$ 33,388**	**$ (207,286)**	**$ (5,116)**	**$ 888,111**
Adjustment to opening unitholders' equity to comply with new accounting standard	**2**	**–**	**–**	**448**	**–**	**–**	**448**
Unitholders' equity, January 1, 2007 (restated)		**43,419,648**	**$ 1,067,125**	**$ 33,836**	**$ (207,286)**	**$ (5,116)**	**$ 888,559**
Net loss		**–**	**–**	**(19,372)**	**–**	**–**	**(19,372)**
Distributions paid	**12**	**–**	**–**	**–**	**(43,429)**	**–**	**(43,429)**
Distributions payable	**12**	**–**	**–**	**–**	**(9,056)**	**–**	**(9,056)**
Public offering of REIT Units	**13**	**4,195,000**	**170,946**	**–**	**–**	**–**	**170,946**
Distribution Reinvestment Plan	**13**	**348,419**	**14,305**	**–**	**–**	**–**	**14,305**
Unit Purchase Plan	**13**	**1,170**	**51**	**–**	**–**	**–**	**51**
Conversion of 6.5% Debentures	**13**	**355,560**	**8,889**	**–**	**–**	**–**	**8,889**
Conversion of 5.7% Debentures	**13**	**1,122,566**	**33,677**	**–**	**–**	**–**	**33,677**
Units to be issued on internalization of property manager	**22**	**44,674**	**1,230**	**–**	**–**	**–**	**1,230**
Deferred Unit Incentive Plan	**13**	**1,287**	**884**	**–**	**–**	**–**	**884**
Issue costs		**–**	**(9,506)**	**–**	**–**	**–**	**(9,506)**
Unit redemptions		**(100)**	**(4)**	**–**	**–**	**–**	**(4)**
Change in foreign currency translation adjustment		**–**	**–**	**–**	**–**	**(772)**	**(772)**
Unitholders' equity, June 30, 2007		**49,488,224**	**$ 1,287,597**	**$ 14,464**	**$ (259,771)**	**$ (5,888)**	**$ 1,036,402**

(Unaudited) (In thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income (loss)	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity, January 1, 2006		20,449,209	$ 446,678	$ 15,844	$ (85,680)	$ (5,100)	$ 371,742
Net loss		–	–	(3,557)	–	–	(3,557)
Distributions paid		–	–	–	(21,661)	–	(21,661)
Distributions payable		–	–	–	(6,653)	–	(6,653)
Distribution Reinvestment Plan	13	446,898	12,274	–	–	–	12,274
Public offering of REIT Units	13	6,080,000	169,966	–	–	–	169,966
Unit Purchase Plan	13	12,585	342	–	–	–	342
Conversion of 6.5% Debentures	13	148,960	3,724	–	–	–	3,724
Conversion of 5.7% Debentures	13	1,633	49	–	–	–	49
Issue of units on internalization of property manager	22	485,016	13,357	–	–	–	13,357
Deferred Unit Incentive Plan	13	–	540	–	–	–	540
Issue costs		–	(7,897)	–	–	–	(7,897)
Change in foreign currency translation adjustment		–	–	–	–	1,914	1,914
Reclassification of LP Class B Units, Series 1	13	8,337,365	195,884	6,326	(50,504)	(2,373)	149,333
Unitholders' equity, June 30, 2006		35,961,666	$ 834,917	$ 18,613	$ (164,498)	$ (5,559)	$ 683,473

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(Unaudited) (In thousands of dollars)	Note	For the three months ended June 30 **2007**	2006	For the six months ended June 30 **2007**	2006
Generated from (utilized in) operating activities					
Net loss		**$ (27,790)**	$ (6,746)	**$ (19,372)**	$ (3,557)
Non-cash items:					
Depreciation of rental properties		**13,495**	9,255	**25,831**	17,825
Amortization of deferred leasing costs, tenant improvements and intangibles		**12,988**	6,527	**22,831**	12,252
Amortization of deferred financing costs		**316**	425	**622**	858
Amortization of fair value adjustment on acquired debt		**(623)**	(431)	**(1,083)**	(862)
Internalization of property manager		**–**	13,090	**1,230**	13,090
Gain on disposal of rental properties		**–**	(3,428)	**–**	(3,428)
Gain on disposal of land held for sale		**(1,474)**	–	**(1,474)**	–
Deferred unit compensation expense		**431**	275	**884**	540
Future income taxes		**40,031**	2,453	**39,914**	2,627
Amortization of market rent adjustments on acquired leases		**(3,337)**	(451)	**(5,249)**	(607)
Straight-line rent adjustment		**(850)**	(647)	**(1,783)**	(1,486)
Non-controlling interest		**–**	527	**–**	1,876
		33,187	20,849	**62,351**	39,128
Deferred leasing costs incurred		**(1,554)**	(1,739)	**(2,912)**	(2,773)
Change in non-cash working capital	21	**3,517**	5,524	**7,782**	5,446
		35,150	24,634	**67,221**	41,801
Generated from (utilized in) investing activities					
Investment in rental properties		**(2,708)**	(1,662)	**(5,131)**	(3,769)
Investment in tenant improvements		**(2,176)**	(1,574)	**(3,661)**	(3,511)
Investment in land development		**(1,023)**	(292)	**(1,744)**	(292)
Acquisition of rental properties and land	3	**(214,889)**	(297,109)	**(478,722)**	(318,599)
Acquisition deposit on rental properties		**839**	600	**(261)**	(600)
Investment in mezzanine loan		**(143)**	(2,235)	**(365)**	(2,235)
Net proceeds from disposal of rental properties		**–**	25,337	**–**	25,337
Net proceeds from disposal of land held for sale		**2,286**	–	**2,286**	–
Change in restricted cash, net		**192**	(132)	**304**	199
		(217,622)	(277,067)	**(487,294)**	(303,470)
Generated from (utilized in) financing activities					
Mortgages placed, net of costs		**136,498**	117,006	**236,588**	160,340
Mortgage principal repayments		**(8,118)**	(6,058)	**(15,170)**	(11,588)
Mortgage lump sum repayments		**(6,726)**	–	**(19,462)**	(12,926)
Term debt principal repayments		**(29)**	(115)	**(57)**	(214)
Term debt lump sum repayments		**–**	(14,957)	**–**	(14,957)
Term debt placed, net of costs		**24**	5,892	**61**	5,892
Demand revolving credit facility		**31,330**	–	**31,330**	–
Distributions paid on REIT Units	12	**(19,235)**	(11,253)	**(37,138)**	(21,090)
Units issued for cash, net of costs		**(206)**	162,656	**163,550**	162,868
		133,538	253,171	**359,702**	268,325
Increase (decrease) in cash and cash equivalents		**(48,934)**	738	**(60,371)**	6,656
Cash and cash equivalents, beginning of period		**59,560**	22,434	**70,997**	16,516
Cash and cash equivalents, end of period		**$ 10,626**	$ 23,172	**$ 10,626**	$ 23,172

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

1.
Organization

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

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

On May 12, 2006, the Trust acquired the remaining 50% interest in Dundee Management Limited Partnership ("DMLP"), a joint venture with Dundee Realty Corporation ("DRC") comprising property management operations relating to revenue properties. As discussed in Note 22 – "Internalization of property manager", this transaction increased the Trust's ownership of DMLP to 100%.

At June 30, 2007, Dundee Corporation, the majority shareholder of DRC, held 2,493 REIT Units, Series A ("REIT Units"), and indirectly held 7,893,687 LP Class B Units, Series 1 ("LP B Units") (December 31, 2006 – 127,955 and 8,565,095 units, respectively, including 55,326 units it was entitled to receive on June 30, 2007).

2.
Summary of significant accounting policies

The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual statements. These interim financial statements should be read in conjunction with the consolidated financial statements of Dundee REIT as at, and for the year ended, December 31, 2006. These financial statements are in conformity with the requirements of GAAP for interim financial statements as recommended by The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, "Interim Financial Statements".

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

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

Financial instruments

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

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

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

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

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

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

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

Income taxes

The Trust uses the liability method of accounting for future income taxes. The net future income tax liability represents the cumulative amount of tax applicable to the temporary differences between the reported carrying amount of assets and liabilities and their carrying amounts for tax purposes. In addition, the benefit of tax losses available to be carried forward to future years for tax purposes, which are more likely than not to be realized, is recognized as a reduction of the income tax liability. Future income taxes are measured at the tax rates expected to apply in the future when temporary differences reverse and tax losses are utilized. Changes to future income taxes related to changes in tax rates are recognized in income in the period when the tax rate change is substantively enacted.

Comparative figures

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

3.
Property acquisitions

The Trust completed the following acquisitions during the six months ended June 30, 2007 and 2006, which have contributed to operating results from the date of acquisition:

For the six months ended June 30, 2007	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
30 and 55 St. Clair Avenue West, Toronto	**office**	**100**	**426,000**	**96**	**$ 110,798**	**$ –**	**January 9, 2007**
625 Agnes Street, New Westminster, British Columbia	**office**	**100**	**83,000**	**88**	**14,587**	**–**	**January 24, 2007**
Aspen Portfolio, Calgary	**office**	**100**	**543,000**	**99**	**172,130**	**29,225**	**March 13, 2007**
HCI Portfolio, Vaughan, Burlington and Mississauga, Ontario	**industrial**	**100**	**2,100,000**	**98**	**237,696**	**56,528**	**May 1, 2007**
501 Applewood Crescent, Vaughan, Ontario	**industrial**	**100**	**76,000**	**100**	**6,787**	**–**	**May 1, 2007**
154 University Avenue, Toronto	**office**	**100**	**67,000**	**100**	**13,784**	**5,487**	**May 10, 2007**
4400 Dominion Street, Burnaby, British Columbia	**office**	**100**	**91,000**	**93**	**18,637**	**–**	**June 27, 2007**
Total			**3,386,000**	**98**	**$ 574,419**	**$ 91,240**	

For the six months ended June 30, 2006	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Park 19, Edmonton	industrial	100	48,000	100	$ 2,726	$ –	January 10, 2006
70 Disco Road, Toronto	industrial	100	99,000	100	7,577	3,117	January 12, 2006
SEC Portfolio, Québec	office/industrial	100	265,000	99	21,063	6,199	January 27, 2006
2440 Scanlan Street, London	industrial	100	85,000	100	6,266	3,477	April 20, 2006
Sherwood Place, Regina	office	100	182,000	99	33,090	14,442	April 21, 2006
1400 boul. de la Rive Sud, Québec	office	100	77,000	100	12,062	–	May 1, 2006
4255 14th Avenue, Markham	industrial	100	57,000	100	5,914	–	May 1, 2006
Princeton Portfolio, Western Canada	office/industrial/land	100	530,000	94	96,818	43,835	May 17, 2006
10089 Jasper Avenue, Edmonton	development	100	86,000	–	4,160	–	May 29, 2006
Barker Business Park (Phase II), Toronto	land	60	–	–	8,994	–	June 7, 2006
Calgary Office Portfolio, Calgary	office	100	822,000	98	218,257	23,339	June 15, 2006
Total			2,251,000	98	$ 416,927	$ 94,409	

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

For the six months ended June 30	**2007**	2006
Rental properties		
Land	**$ 156,087**	$ 44,027
Buildings	**378,375**	323,499
Equipment	**–**	403
Properties under development	**–**	4,461
	534,462	372,390
Land		
Under development	**–**	18,788
Held for development	**–**	704
Held for sale	**–**	8,353
Third-party management contracts	**–**	195
Tenant improvements acquired	**12,280**	6,596
Intangible assets		
Value of in-place leases	**26,959**	17,535
Lease origination costs	**4,401**	2,726
Value of above market rent leases	**1,410**	2,574
Value of tenant relationships	**22,441**	10,274
	601,953	440,135
Intangible liabilities		
Value of below market rent leases	**(27,534)**	(23,208)
Total purchase price	**$ 574,419**	$ 416,927
The consideration paid consists of:		
Cash		
Paid during the period	**$ 478,722**	$ 318,599
Deposit	**3,600**	710
	482,322	319,309
Assumed mortgages at fair value	**91,240**	94,409
Assumed accounts payable and accrued liabilities	**857**	3,209
Total consideration	**$ 574,419**	$ 416,927

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

4.
Rental properties

	June 30, 2007			December 31, 2006		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	**$ 456,276**	**$ –**	**$ 456,276**	$ 300,553	$ –	$ 300,553
Buildings and improvements	**2,007,539**	**(144,754)**	**1,862,785**	1,627,185	(119,580)	1,507,605
Fixed assets and equipment	**1,844**	**(581)**	**1,263**	2,040	(773)	1,267
Rental properties under development	**9,028**	**–**	**9,028**	7,386	–	7,386
Total	**$ 2,474,687**	**$ (145,335)**	**$ 2,329,352**	$ 1,937,164	$ (120,353)	$ 1,816,811

5.
Deferred costs

	June 30, 2007			December 31, 2006		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Deferred leasing costs	**$ 21,098**	**$ (7,347)**	**$ 13,751**	$ 20,903	$ (7,490)	$ 13,413
Tenant improvements	**83,389**	**(27,487)**	**55,902**	72,690	(26,733)	45,957
Deferred recoverable costs	**13,159**	**(7,037)**	**6,122**	13,816	(7,409)	6,407
Deferred financing costs	**–**	**–**	**–**	11,705	(4,739)	6,966
Other deferred costs	**1,842**	**(1,196)**	**646**	1,847	(1,135)	712
Total	**$ 119,488**	**$ (43,067)**	**$ 76,421**	$ 120,961	$ (47,506)	$ 73,455

Amortization of deferred recoverable costs included in operating expenses for the six months ended June 30, 2007, was $749 (June 30, 2006 – $799). Effective January 1, 2007, deferred financing costs are deducted from the specific debt carrying values to which they relate (see Notes 2 and 10).

6.
Land

	June 30, 2007	December 31, 2006
Land under development	**$ 32,618**	$ 31,991
Land held for development	**1,026**	1,021
Land held for sale	**7,588**	8,383
Total	**$ 41,232**	$ 41,395

7.
Amounts receivable

Amounts receivable include straight-line rents receivable of $14,657 (December 31, 2006 – $12,874) and are net of credit adjustments of $10,979 (December 31, 2006 – $6,659).

8.
Prepaid expenses and other assets

	June 30, 2007	December 31, 2006
Prepaid expenses	$ 10,097	$ 6,729
Mezzanine loans	4,487	3,893
Deposits	401	4,020
Restricted cash	5,295	5,598
Total	$ 20,280	$ 20,240

On May 26, 2006, the Trust entered into a joint venture agreement with a development partner to jointly own and develop prestige industrial and office properties in its target markets. The Trust has a 60% ownership interest in the joint venture. As part of the agreement, the Trust is required to provide mezzanine financing equal to 90% of any funding requirement, up to a maximum of $45,000, not otherwise provided by third-party lenders. The Trust is also required to guarantee, when necessary, 90% of financing obtained from third parties. As at June 30, 2007, the Trust had advanced $10,113 of the funding requirement for the purchase and development of approximately 60 acres of serviced land in suburban Toronto. The amount invested is accounted for and comprises a mezzanine loan of $4,487 and land under development of $14,690, net of term debt of $7,595 and accrued liabilities of $1,469. The Trust has also provided an $8,289 guarantee on the financing provided by a third-party lender of which $5,526 is included in term debt. The Trust has the right to purchase the completed properties, other than any build-to-suit properties that will be sold to third parties. The mezzanine loan to the joint venture bears interest at a rate of 11%, for which no payment has been received to date. As at June 30, 2007, the mezzanine loan comprises $4,045 of principal and $442 of interest, which is receivable by June 7, 2011, unless extended under the terms of the mezzanine loan agreement.

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

9.
Intangible assets and liabilities

	June 30, 2007			December 31, 2006		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above market rent leases	$ 8,518	$ (2,810)	$ 5,708	$ 7,134	$ (2,190)	$ 4,944
Value of in-place leases	76,890	(21,949)	54,941	53,558	(16,343)	37,215
Lease origination costs	17,948	(4,768)	13,180	13,974	(3,768)	10,206
Value of tenant relationships	63,674	(10,541)	53,133	42,168	(8,117)	34,051
Total	$ 167,030	$ (40,068)	$ 126,962	$ 116,834	$ (30,418)	$ 86,416
Intangible liabilities						
Value of below market rent leases	$ 67,491	$ (12,504)	$ 54,987	$ 40,049	$ (6,698)	$ 33,351

10.
Debt

	June 30, 2007	December 31, 2006
Mortgages	**$ 1,343,780**	$ 1,056,311
Convertible debentures	**45,605**	89,719
Term debt	**7,768**	7,764
Demand revolving credit facility	**31,330**	–
Total	**$ 1,428,483**	$ 1,153,794

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

Convertible debentures comprise $30,716 of convertible unsecured subordinated debentures issued April 1, 2005 (the "5.7% Debentures"), and $14,889 of convertible unsecured subordinated debentures issued June 21, 2004 (the "6.5% Debentures").

A demand revolving credit facility is available up to a formula-based maximum not to exceed $80,000, bearing interest generally at the bank prime rate (6% as at June 30, 2007) plus 0.375% or bankers' acceptance rates. The facility expires on September 17, 2007, and is secured by a first ranking collateral mortgage on nine of the Trust's properties and a second ranking collateral mortgage on two properties. As at June 30, 2007, the formula-based amount available under this facility was $80,000, of which $31,330 was drawn and $840 was utilized in the form of letters of guarantee (December 31, 2006 – $733). As at June 30, 2007, the amount still available under this facility was $47,830.

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

	Weighted average interest rates			Debt amount	
	June 30, 2007	December 31, 2006	Maturity dates	June 30, 2007	December 31, 2006
Fixed rate					
Mortgages	**5.73%**	5.89%	2007–2019	**$ 1,326,202**	$ 1,036,909
Convertible debentures	**6.59%**	6.08%	2014–2015	**45,605**	89,719
Term debt	**7.28%**	7.17%	2008–2011	**2,242**	2,238
Total fixed rate debt	**5.77%**	5.90%		**1,374,049**	1,128,866
Variable rate					
Mortgages	**8.37%**	8.40%	2008	**17,578**	19,402
Term debt	**7.00%**	7.00%	2007	**5,526**	5,526
Demand revolving credit facility	**6.38%**	–	2007	**31,330**	
Total variable rate debt	**7.08%**	8.09%		**54,434**	24,928
Total debt	**5.82%**	5.95%		**$ 1,428,483**	$ 1,153,794

The variable rate mortgage debt outstanding at June 30, 2007, bears interest generally at the rate of LIBOR plus 3.05% up to a maximum of 8.75%. At June 30, 2007, the LIBOR rate was 5.32%. The variable rate term debt outstanding at June 30, 2007, bears interest at prime plus 1%. The demand revolving credit facility bears interest at prime plus 0.375%. At June 30, 2007, the prime rate was 6%.

The scheduled principal repayments and debt maturities are as follows:

For the years ending December 31	Mortgages	Term debt	Convertible debentures	Demand revolving credit facility	Total
Remainder of 2007	$ 20,804	$ 1,454	$ –	$ 31,330	$ 53,588
2008	147,597	113	–	–	147,710
2009	150,283	5,526	–	–	155,809
2010	76,282	–	–	–	76,282
2011	187,947	675	–	–	188,622
2012 and thereafter	753,140	–	47,947	–	801,087
	1,336,053	7,768	47,947	31,330	1,423,098
Deferred financing cost and fair value adjustments	7,727	–	(2,342)	–	5,385
	$ 1,343,780	$ 7,768	$ 45,605	$ 31,330	$ 1,428,483

Effective January 1, 2007, mortgages and convertible debentures have been reduced by $7,342 in deferred financing costs comprising $6,894 that was outstanding at December 31, 2006, plus an adjustment of $448 to restate the balance to that which would have resulted using the effective interest rate method. As of June 30, 2007, $5,853 of deferred financing costs are included in mortgages and convertible debentures. As a result of this accounting policy change, interest is now recognized using the effective interest rate.

Included in mortgages are $11,691 in fair value adjustments (December 31, 2006 – $9,567), which reflect the fair value of mortgages assumed as part of acquisitions. The convertible debentures are net of a $452 premium allocated to their conversion features and $1,890 of unamortized deferred financing costs. The fair value adjustment, discount and deferred financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

11.
Amounts payable and accrued liabilities

	June 30, 2007	December 31, 2006
Trade payables	**$ 4,343**	$ 1,664
Accrued liabilities and other payables	**22,745**	20,104
Accrued interest	**7,246**	6,072
Deposits	**13,197**	9,863
Rent received in advance	**2,302**	2,998
Total	**$ 49,833**	$ 40,701

12.
Distributions

The following table sets out distribution payments for the six months ended June 30, 2007:

	REIT Units, Series A	LP Class B Units, Series 1	Total
Paid in cash	$ 37,138	$ –	$ 37,138
Paid by way of reinvestment in REIT Units	5,185	8,577	13,762
Paid by way of reinvestment in LP B Units	–	542	542
Less: Payable at December 31, 2006	(6,393)	(1,620)	(8,013)
Plus: Payable at June 30, 2007	7,612	1,444	9,056
Total	$ 43,542	$ 8,943	$ 52,485

The amount payable at June 30, 2007, was satisfied on July 15, 2007, by way of $9,056 in cash. Included in the total distributions is $474 representing the 4% bonus distribution that forms part of the Distribution Reinvestment Plan. Prior to suspension of the Distribution Reinvestment Plan (Note 24), the holders of LP B Units elected to receive their distributions in the form of REIT Units, except for those units issued to DRC on the internalization of the property manager, which elected to receive its distributions in the form of LP B Units.

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

13.
Unitholders' equity

	June 30, 2007		December 31, 2006	
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**41,594,536**	**$ 915,925**	34,854,553	$ 745,348
LP Class B Units, Series 1	**7,893,688**	**126,365**	8,565,095	147,879
Cumulative foreign currency translation adjustment	**–**	**(5,888)**	–	(5,116)
Total	**49,488,224**	**$ 1,036,402**	43,419,648	$ 888,111

On May 12, 2006, the terms of the LP B Units were amended to restrict the transfer of such units except to a subsidiary of the holder. As a result, if an existing holder of LP B Units wants to transfer the LP B Units to a third party, they must first be converted into REIT Units, Series B. This amendment permits the Trust to classify the outstanding LP B Units as equity for financial statement purposes in accordance with GAAP. As a result, effective May 1, 2006, the LP B Units are presented as unitholders' equity. Prior to this date, the LP B Units were presented as non-controlling interest. For the six months ending June 30, 2006, $1,840 was attributable to the non-controlling interest in the consolidated statement of net loss.

During the six months ended June 30, 2007, 729,341 LP B Units were exchanged indirectly by Dundee Corporation for 729,341 REIT Units, Series B, which were then exchanged for 729,341 REIT Units, Series A. The exchanges were valued at a pro rata carrying amount of the LP B Units.

	REIT Units, Series A		LP Class B Units, Series 1		Accumulated other comprehensive income (loss)	Total	
	Number of units	Amount	Number of units	Amount		Number of units	Amount
Unitholders' equity, January 1, 2007	34,854,553	$ 745,348	8,565,095	$ 147,879	$ (5,116)	43,419,648	$ 888,111
Adjustment to opening unitholders' equity to comply with new accounting standard (Note 2)	–	360	–	88	–	–	448
Unitholders' equity, January 1, 2007 (restated)	34,854,553	$ 745,708	8,565,095	$ 147,967	$ (5,116)	43,419,648	$ 888,559
Net loss	–	(16,477)	–	(2,895)	–	–	(19,372)
Distributions paid	–	(35,930)	–	(7,499)	–	–	(43,429)
Distributions payable	–	(7,612)	–	(1,444)	–	–	(9,056)
Public offering of REIT Units	4,195,000	170,946	–	–	–	4,195,000	170,946
Distribution Reinvestment Plan	335,159	13,763	13,260	542	–	348,419	14,305
Unit Purchase Plan	1,170	51	–	–	–	1,170	51
Deferred Unit Incentive Plan	1,287	884	–	–	–	1,287	884
Conversion of 6.5% Debentures	355,560	8,889	–	–	–	355,560	8,889
Conversion of 5.7% Debentures	1,122,566	33,677	–	–	–	1,122,566	33,677
Units issued on internalization of property manager (Note 22)	–	–	44,674	1,230	–	44,674	1,230
Issue costs	–	(9,506)	–	–	–	–	(9,506)
Exchange of LP B Units	729,341	11,536	(729,341)	(11,536)	–	–	–
Unit redemptions	(100)	(4)	–	–	–	(100)	(4)
Change in foreign currency translation adjustment	–	–	–	–	(772)	–	(772)
Unitholders' equity, June 30, 2007	41,594,536	$ 915,925	7,893,688	$ 126,365	$ (5,888)	49,488,224	$1,036,402

Public offering of REIT Units

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

On April 7, 2006, the Trust completed a public offering of 2,200,000 REIT Units for gross cash proceeds of $61,050 at a price of $27.75 per unit. On April 28, 2006, the Trust issued an additional 320,000 REIT Units for gross proceeds of approximately $8,880 pursuant to the exercise of the over-allotment option granted to the underwriters. The exercise of the over-allotment option increased the total gross proceeds of the offering to approximately $69,930. Costs relating to the offering of $3,247 were charged directly to unitholders' equity. Prior to May 1, 2006, the Trust used the purchase method to account for the investment of the net proceeds in Dundee Properties Limited Partnership ("DPLP") and recorded a purchase adjustment relating to the fair value increment of rental properties acquired of $5,898.

On June 8, 2006, the Trust completed a public offering of 3,560,000 REIT Units for gross cash proceeds of $100,036 at a price of $28.10 per unit. Costs relating to the offering of $4,426 were charged directly to unitholders' equity. As a result of classifying the LP B Units as equity effective May 1, 2006, no further purchase price adjustments resulted from investing the net proceeds in DPLP.

Distribution Reinvestment and Unit Purchase Plan

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

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

For the six months ended June 30, 2007, 335,159 REIT Units and 13,260 LP B Units were issued under the DRIP for $14,305 (June 30, 2006 – 443,826 REIT Units and 3,072 LP B Units for $12,274).

Unit Purchase Plan

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

For the six months ended June 30, 2007, there were 1,170 REIT Units issued under the Unit Purchase Plan for $51 (June 30, 2006 – 12,585 REIT Units for $342).

Conversion of debentures

During the six months ended June 30, 2007, the Trust issued 355,560 REIT Units upon conversion of $8,889 principal amount of the 6.5% Debentures (June 30, 2006 – issued 148,960 REIT Units upon conversion of $3,724 principal amount) and 1,122,566 REIT Units upon conversion of $33,677 principal amount of the 5.7% Debentures (June 30, 2006 – issued 1,633 REIT Units upon conversion of $49 principal amount).

Deferred Unit Incentive Plan

During the three months ended June 30, 2007, $884 of compensation expense was recorded (June 30, 2006 – $540) and is included in general and administrative expenses. Income Deferred Trust Units are accounted for as a distribution and an issuance of REIT Units when the related Deferred Trust Units vest. No amount in relation to Income Deferred Trust Units is recognized in net income.

	Weighted average grant date value	Deferred Trust Units	Income Deferred Trust Units	Total units
Outstanding at January 1, 2007	$ 27.87	266,200	38,076	304,276
Granted during the period	**40.34**	**2,200**	**6,797**	**8,997**
Issuance of REIT Units on vesting	**30.78**	**(1,200)**	**(87)**	**(1,287)**
Fractional units paid in cash	**–**	**–**	**(2)**	**(2)**
Outstanding and payable at June 30, 2007	**$ 27.96**	**267,200**	**44,784**	**311,984**
Vested but not issued at June 30, 2007	**$ 22.76**	**72,267**	**19,695**	**91,962**

14.
Interest

Interest incurred and charged to earnings is recorded as follows:

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Interest expense incurred, at stated rate of debt	**$ 20,294**	$ 16,129	**$ 38,258**	$ 31,190
Amortization of deferred financing costs	**316**	425	**622**	858
Fair value rate adjustment	**(623)**	(431)	**(1,083)**	(862)
Interest capitalized	**(561)**	(290)	**(1,122)**	(375)
Interest expense	**$ 19,426**	$ 15,833	**$ 36,675**	$ 30,811

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

15.
Income taxes

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust is required by its Declaration of Trust to distribute all of its taxable income to its unitholders, which currently enables the Trust to deduct such distributions for income tax purposes. Canadian and U.S. based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. Accordingly, prior to June 12, 2007, the only provision for income taxes recorded in the consolidated financial statements was to reflect the future tax obligations of these incorporated subsidiaries and comprise the amounts resulting from the differences in tax and book values relating to the underlying rental properties.

On June 12, 2007, amendments to the *Income Tax Act* (Canada) were substantively enacted, which modify the tax treatment of certain publicly traded trusts and partnerships that are specified investment flow-through trusts or partnerships ("SIFTs"). Under the SIFT rules, certain distributions by a SIFT entity relating to income from a business carried on in Canada by the SIFT and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes and will accordingly will be taxed in the SIFT entity at a rate that is generally comparable to the combined provincial/federal corporate income tax rate for ordinary business income. Allocations or distributions of income and capital gains that are subject to the SIFT rules will be treated as a taxable dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT. For Canadian resident beneficiaries or partners, such dividend will be taxed as an eligible dividend and will be subject to the applicable gross-up and dividend tax credit rules. Pursuant to the normal growth guidelines issued in a press release by the Department of Finance (Canada) on December 15, 2006 (the "Normal Growth Guidelines"), the SIFT rules will not apply until the 2011 taxation year to trusts or partnerships that would have been SIFTs on October 31, 2006, if the "SIFT trust" and "SIFT partnership" definitions in the *Income Tax Act* had been in force as of that date.

Certain real estate investment trusts that satisfy certain specified conditions (the "REIT Exception") are excluded from the SIFT definition and therefore will not be subject to the SIFT rules. In order to qualify for the REIT Exception in respect of a taxation year, the REIT (i) must not, at any time in that taxation year, hold non-portfolio property other than "qualified REIT properties" (as defined in the *Income Tax Act*); (ii) must derive at least 95% of the REIT's revenues for that taxation year from rent generated by real or immovable properties, interest, capital gains from dispositions of real or immovable properties, dividends and royalties; (iii) must derive at least 75% of the REIT's revenues for that taxation year from rent, interest, mortgages or hypothecs on, and capital gains from the disposition of, real or immovable properties situated in Canada; and (iv) must, throughout the taxation year, hold real or immovable properties situated in Canada, cash and certain government-guaranteed debt with a total fair market value that is not less than 75% of the REIT's equity value.

As the Trust did not meet the technical REIT Exception as at June 12, 2007, or as at June 30, 2007, a future income tax liability in the amount of $40,000 has been recorded as at June 30, 2007, based on the temporary differences that are expected to reverse on or after January 1, 2011. The future income tax liability has been recorded as a charge to the consolidated statement of net loss and comprehensive loss for the quarter ended June 30, 2007. Should the Trust meet the REIT Exception in the future, the future income tax liability will be reversed and recorded as a recovery through the consolidated statement of net loss and comprehensive loss at that time.

As the Trust has not exceeded the Normal Growth Guidelines, and the Trust is not currently taxable, no current income taxes, other than those related to Canadian and U.S. subsidiaries, have been recorded for the period ended June 30, 2007.

A reconciliation of income tax expense for the period:

	For the three months ended June 30	For the six months ended June 30
	2007	**2007**
Income before income tax, including discontinued operations	**$ 12,251**	**$ 20,557**
Less: Income allocable to unitholders	**(11,886)**	**(19,877)**
Income subject to Canadian tax in consolidated entity	**365**	**680**
Tax thereon at 32.12% current statutory rate	**117**	**218**
Foreign current and future tax in respect of foreign entities	**(75)**	**(155)**
Initial future income tax liability recorded as a result of substantive enactment of SIFT rules	**40,000**	**40,000**
Other	**(1)**	**(134)**
Total income tax provision	**$ 40,041**	**$ 39,929**

16.

Income (loss) per unit

The weighted average number of units outstanding was as follows:

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
REIT Units	**41,119,249**	24,092,488	**38,926,395**	22,349,830
LP B Units	**7,912,427**	5,751,357	**8,036,364**	2,891,566
Vested Deferred Trust Units	**83,537**	43,045	**83,537**	43,045
Total weighted average number of units outstanding for basic income per unit amounts	**49,115,213**	29,886,890	**47,046,296**	25,284,441
Add incremental units:				
Unvested Deferred Trust Units	**–**	60,210	**–**	58,970
Income Deferred Trust Units	**–**	26,490	**–**	24,175
Total weighted average number of units outstanding for diluted income per unit amounts	**49,115,213**	29,973,590	**47,046,296**	25,367,586

The 86,977 incremental unvested Deferred Trust Units and 31,967 Income Deferred Trust Units for the six months ended June 30, 2007 (33,956 and 90,182, respectively, for the three months ended June 30, 2007), have been excluded from the calculation of diluted net loss per unit as they were anti-dilutive.

The 5,573,598 incremental LP B Units for the six months ended June 30, 2006, have been excluded from the calculation of diluted net loss per unit as they were anti-dilutive.

The 2,370,849 incremental units to be issued upon an assumed conversion of both debenture issues at June 30, 2007 (June 30, 2006 – 6,151,652 incremental units), have been excluded from the calculation of diluted net loss per unit as they are anti-dilutive.

17.
Segmented information

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

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

For the three months ended June 30, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 74,741	$ 20,109	$ 94,850	$ 1,033	$ 95,883
Operating expenses	30,946	6,401	37,347	553	37,900
Net operating income	43,795	13,708	57,503	480	57,983
Depreciation of rental properties	10,284	3,036	13,320	175	13,495
Amortization of deferred leasing costs, tenant improvements and intangibles	10,485	2,451	12,936	52	12,988
Segment income	$ 23,026	$ 8,221	$ 31,247	$ 253	31,500
Interest expense					(19,426)
General and administrative expenses					(1,975)
Gain on disposition of land held for sale					1,474
Interest and fee income					680
Income taxes					(40,041)
Discontinued operations					(2)
Net loss					$ (27,790)
Segment rental properties	$ 1,675,451	$ 622,804	$ 2,298,255	$ 31,097	$ 2,329,352
Capital expenditures					
Investment in rental properties	$ (1,584)	$ (509)	$ (2,093)	$ (615)	$ (2,708)
Investment in tenant improvements	(673)	(1,478)	(2,151)	(25)	(2,176)
Investment in land development	–	–	–	(1,023)	(1,023)
Acquisition of rental properties and land	(32,627)	(182,262)	(214,889)	–	(214,889)
Deferred leasing costs	(943)	(387)	(1,330)	(224)	(1,554)
Total capital expenditures	$ (35,827)	$ (184,636)	$ (220,463)	$ (1,887)	$ (222,350)

For the three months ended June 30, 2006	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 48,381	$ 15,855	$ 64,236	$ 1,815	$ 66,051
Operating expenses	21,130	5,742	26,872	872	27,744
Net operating income	27,251	10,113	37,364	943	38,307
Depreciation of rental properties	6,546	2,399	8,945	282	9,227
Amortization of deferred leasing costs, tenant improvements and intangibles	5,304	1,144	6,448	65	6,513
Segment income	$ 15,401	$ 6,570	$ 21,971	$ 596	22,567
Interest expense					(15,833)
General and administrative expenses					(1,755)
Internalization of property manager					(13,090)
Gain on disposal of rental property					216
Interest and fee income					852
Income taxes					(2,529)
Income attributable to non-controlling interest					(517)
Discontinued operations					3,343
Net loss					$ (6,746)
Segment rental properties	$ 1,249,678	$ 395,719	$ 1,645,397	$ 30,472	$ 1,675,869
Capital expenditures					
Investment in rental properties	$ (807)	$ (922)	$ (1,729)	$ 67	$ (1,662)
Investment in tenant improvements	(1,184)	(264)	(1,448)	(126)	(1,574)
Investment in land development	–	–	–	(292)	(292)
Acquisition of rental properties and land	(256,528)	(12,736)	(269,264)	(27,845)	(297,109)
Deferred leasing costs	(1,519)	(275)	(1,794)	55	(1,739)
Total capital expenditures	$ (260,038)	$ (14,197)	$ (274,235)	$ (28,141)	$ (302,376)

For the six months ended June 30, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 144,321	$ 36,600	$ 180,921	$ 2,139	$ 183,060
Operating expenses	61,075	12,382	73,457	1,115	74,572
Net operating income	83,246	24,218	107,464	1,024	108,488
Depreciation of rental properties	19,888	5,583	25,471	360	25,831
Amortization of deferred leasing costs, tenant improvements and intangibles	18,804	3,915	22,719	112	22,831
Segment income	$ 44,554	$ 14,720	$ 59,274	$ 552	59,826
Interest expense					(36,675)
General and administrative expenses					(4,179)
Internalization of property manager					(1,230)
Gain on disposition of land held for sale					1,474
Interest and fee income					1,344
Income taxes					(39,929)
Discontinued operations					(3)
Net loss					$ (19,372)
Segment rental properties	$ 1,675,451	$ 622,804	$ 2,298,255	$ 31,097	$ 2,329,352
Capital expenditures					
Investment in rental properties	$ (3,096)	$ (1,389)	$ (4,485)	$ (646)	$ (5,131)
Investment in tenant improvements	(1,878)	(1,758)	(3,636)	(25)	(3,661)
Investment in land development	–	–	–	(1,744)	(1,744)
Acquisition of rental properties and land	(296,460)	(182,262)	(478,722)	–	(478,722)
Deferred leasing costs	(1,919)	(759)	(2,678)	(234)	(2,912)
Total capital expenditures	$ (303,353)	$ (186,168)	$ (489,521)	$ (2,649)	$ (492,170)

For the six months ended June 30, 2006	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 93,976	$ 31,033	$ 125,009	$ 4,012	$ 129,021
Operating expenses	42,374	11,413	53,787	2,024	55,811
Net operating income	51,602	19,620	71,222	1,988	73,210
Depreciation of rental properties	12,348	4,746	17,094	673	17,767
Amortization of deferred leasing costs, tenant improvements and intangibles	9,310	2,755	12,065	158	12,223
Segment income	$ 29,944	$ 12,119	$ 42,063	$ 1,157	43,220
Interest expense					(30,811)
General and administrative expenses					(3,263)
Internalization of property manager					(13,090)
Gain on disposal of rental property					216
Interest and fee income					1,351
Income taxes					(2,748)
Income attributable to non-controlling interest					(1,840)
Discontinued operations					3,408
Net loss					$ (3,557)
Segment rental properties	$ 1,249,678	$ 395,719	$ 1,645,397	$ 30,472	$ 1,675,869
Capital expenditures					
Investment in rental properties	$ (1,595)	$ (2,173)	$ (3,768)	$ (1)	$ (3,769)
Investment in tenant improvements	(2,387)	(895)	(3,282)	(229)	(3,511)
Investment in land development	–	–	–	(292)	(292)
Acquisition of rental properties and land	(265,884)	(24,870)	(290,754)	(27,845)	(318,599)
Deferred leasing costs	(2,022)	(741)	(2,763)	(10)	(2,773)
Total capital expenditures	$ (271,888)	$ (28,679)	$ (300,567)	$ (28,377)	$ (328,944)

18.
Related-party transactions and arrangements

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Prior to May 1, 2006, Dundee REIT, DPLP (an indirect subsidiary of Dundee REIT), DMLP (an indirect subsidiary of Dundee REIT) and DRC were parties to a property management agreement and an administrative services agreement (the "Management Agreement" and the "Services Agreement"). In addition, DMLP and DRC are parties to a separate administrative services agreement. Effective May 1, 2006, the Trust acquired DRC's 50% interest in DMLP (see Note 22). As a result, DRC is no longer party to the Management Agreement, other than its rent supplement obligation, and the Services Agreement.

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

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Fees received				
Rent supplement received by Dundee REIT under the Management Agreement (included in rental properties revenue)	**$ 161**	$ 398	**$ 308**	$ 863
Fees, cost recovery and rental income received by Dundee REIT under the DRC Services Agreement (included as a reduction of operating expenses)	**500**	231	**1,000**	386
Fees paid				
Fees paid by Dundee REIT under the Management Agreement prior to May 1, 2006				
Management fees, included in rental properties' operating expenses	**–**	348	**–**	1,346
Construction fees, capitalized to the related assets	**–**	39	**–**	98
Lease administration fees, included in deferred leasing costs	**–**	65	**–**	251
Fees paid by Dundee REIT under the Services Agreement prior to May 1, 2006				
Acquisition and financing fees, capitalized to the related assets	**–**	80	**–**	217

Included in amounts receivable at June 30, 2007, is $159 related to the DRC Services Agreement (December 31, 2006 – $231). Accrued liabilities and other payables at June 30, 2007, also include NIL for amounts collected on behalf of DRC (December 31, 2006 – $316).

19.
Discontinued operations

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

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

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Revenues				
Rental properties revenue	**$ –**	$ 255	**$ –**	$ 186
Expenses				
Rental properties operating expenses	**2**	96	**3**	(133)
Depreciation of rental properties	**–**	28	**–**	58
Amortization of deferred leasing costs	**–**	14	**–**	29
	2	138	**3**	(46)
Income (loss) before the undernoted item	**(2)**	117	**(3)**	232
Gain on sale of rental properties, net	**–**	3,236	**–**	3,212
Income (loss) from discontinued operations before non-controlling interest	**(2)**	3,353	**(3)**	3,444
Income attributable to non-controlling interest	**–**	(10)	**–**	(36)
Income (loss) from discontinued operations	**$ (2)**	$ 3,343	**$ (3)**	$ 3,408

20.
Commitments and contingencies

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

Dundee REIT has five ground leases on four properties. The terms of the first three leases extend to 2083, 2076 and 2081; the last two extend to 2060, including renewals. The leases are at fixed rates for the entire term with respect to the first and third lease, until September 30, 2007, for the second lease and until June 30, 2010, for the fourth lease. The fifth lease has both a fixed and variable component until October 31, 2081. The renewal terms beyond these dates for the second and fourth leases are defined as variable percentages of the market value of these properties at the date of the renewal.

Purchase and other obligations

As part of an acquisition in 2004, the Trust acquired leases relating to three buildings in Montréal that allow the tenants, subject to various conditions, to purchase the building they occupy from the Trust. Proceeds from these sales will be at amounts that approximate fair market value. In addition, through acquisitions completed in 2004 and 2005, the Trust has acquired leases that provide, in certain circumstances, for some tenants to require the Trust to expand their existing premises through building construction on certain existing and certain adjacent lands. The terms of these leases include various provisions including renewal obligations on the tenants' existing premises and agreement on the terms of the new space. Furthermore, certain of these leases include provisions that would allow the Trust to charge rates to recover a reasonable return on its investment.

The Trust has entered into lease agreements that require tenant improvement costs of $5,711.

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

The Trust has entered into conditional contracts to acquire an additional $36,654 of rental properties and land.

21.
Supplementary cash flow information

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Decrease in accounts receivable	**$ 2,657**	$ 993	**$ 2,647**	$ 200
Decrease in deferred costs (other than leasing costs)	**159**	135	**457**	399
Increase in prepaid expenses and other assets (excluding restricted cash and mezzanine loans)	**(1,966)**	(1,832)	**(3,289)**	(2,671)
Increase in accounts payable and accrued liabilities (excluding leasing costs)	**2,810**	5,901	**7,660**	7,250
Increase (decrease) in accounts payable relating to leasing costs	**(143)**	327	**307**	268
Change in non-cash working capital	**$ 3,517**	$ 5,524	**$ 7,782**	$ 5,446

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

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	**2007**	2006
Interest	**$ 19,061**	$ 15,515	**$ 37,062**	$ 30,891
Income taxes	**–**	1	**3**	6

22.

Internalization of property manager

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

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

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

23.

Subsequent events

Effective July 6, 2007, the Trust completed the purchase of Airport Corporate Centre, a 148,000 square foot office building located in Calgary, Alberta, for a purchase price of approximately $38,201.

24.
Proposed sale of the Eastern Portfolio to GE Real Estate

On June 4, 2007, the Trust announced that it had entered into a definitive agreement to sell its portfolio of real estate assets located principally in Ontario, Québec and Newfoundland (the “Eastern Portfolio”) to GE Real Estate (“GE”). The sale will be for a total purchase price of approximately $2.4 billion, including the assumption of liabilities by GE relating to this portfolio (the “Transaction”). If the Transaction is completed, Dundee REIT will continue to own real estate assets located in Western Canada (the “Western Portfolio”) valued at approximately $1.5 billion. Following closing, property management for the Western Portfolio will continue to be provided by a subsidiary of Dundee REIT.

Dundee REIT will receive cash proceeds on closing of approximately $1.5 billion but this amount may be reduced by the aggregate value ascribed to certain holdback properties that, due to the purchase rights of our co-owners or certain tenants, cannot be transferred to GE by the closing date or sold to the co-owner or tenant. The potential reduction in such cash consideration is not expected to exceed $90.0 million. The proceeds received on closing of the sale of the Eastern Portfolio will be used to redeem approximately 32 million outstanding units for $47.50 per unit (the “Redemption”). In addition, GE has agreed to purchase $165 million worth of outstanding units of the Trust, at a purchase price of $47.50 per unit, which will give GE an approximate 18% equity interest in the Trust. Dundee REIT will incur transaction costs of approximately $9.0 million in relation to the Transaction. Dundee REIT has also agreed to pay a termination payment in the amount of $55.0 million to GE under certain circumstances, pursuant to the terms outlined in the Purchase Agreement.

The Transaction contemplates that all of the Trust’s senior management will be transferred to DRC and continue to work as a team. On closing, DRC and GE will enter into an asset management agreement pursuant to which DRC will provide asset management services to GE with respect to the Eastern Portfolio. Also on closing, Dundee REIT will enter into an asset management agreement with DRC pursuant to which DRC will provide asset management services with respect to the Western Portfolio. The asset management agreement is for an initial term of five years and is renewable for further five-year terms in accordance with the Termination and Term provisions of the agreement.

On closing, GE will also enter into an administrative services agreement with the Trust pursuant to which DMLP will, for a two-year term, provide general office support services, including information systems support, human resources and payroll services, regulatory compliance services, accounting services and such other services as GE may reasonably request from time to time.

The proposed Transaction requires the approval of 66 2/3% of the votes cast by unitholders and a simple majority of the votes cast by minority unitholders at a special unitholder meeting to be held on August 15, 2007. In addition to authorizing the Transaction, unitholders are being asked to approve various amendments to the governing documents of Dundee REIT and its subsidiaries in respect of the governance and operation of the Trust, including the modification of Dundee Corporation’s existing board appointment rights and significant changes to the investment guidelines and operating policies of Dundee REIT’s operating subsidiary, DPLP. It is anticipated that this Transaction will be completed by August 24, 2007.

In connection with this Transaction, effective June 28, 2007, the DRIP was temporarily suspended. The Trust will continue to distribute $2.20 per unit on an annualized basis and it is anticipated that the DRIP will be reinstated in January 2008.

Corporate information

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

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

Auditors
PricewaterhouseCoopers LLP
Royal Trust Tower, Suite 3000
Toronto-Dominion Centre
77 King Street West
Toronto, Ontario M5K 1G8

Corporate counsel
Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario M5X 1B8

Investor relations
Phone: (416) 365-3536
Toll free: 1 877 365-3535
E-mail: info@dundeereit.com
Web site: www.dundeereit.com

Stock exchange listing
The Toronto Stock Exchange

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

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

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

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

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

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

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

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

Printed in Canada

Dundee Real Estate Investment Trust
State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario M5C 3H1

www.dundeereit.com