DUNDEE REIT Q2

2008 Second Quarter Report

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Letter to unitholders

Dundee REIT is in very good shape in spite of the continued uncertainty in the economy. Our occupancy increased and we leased or renewed approximately 20% of our portfolio in the first half of the year. Funds from operations ("FFO") per unit remained stable and net operating income ("NOI") increased by 16% in total, and by 1% on a comparative property basis, compared to the second quarter of 2007. While the financial markets are tougher and more volatile than last year, we are very confident about our business. We will continue to focus on managing our properties well and will exercise discipline and patience until the right market opportunities arise.

We have been very successful in leasing and renewing space during the first half of the year and continue to capture a significant difference between in-place rents and market rents. We completed over 1.4 million square feet of renewals and new leasing during the first six months of 2008 and increased the average lease term of our portfolio from 3.9 years at the end of 2007 to 4.7 years at June 30, 2008. Much of this leasing activity has not yet had a significant impact on our second quarter results, but we expect substantial earnings growth during the third and fourth quarters of 2008.

During the second quarter, 88% of our net operating income was earned in Western Canada and 68% of it was earned in the province of Alberta alone. Alberta's economy has cooled somewhat and a more stabilized and sustainable level of growth is anticipated for the remainder of 2008. Strength in the energy sector and rising incomes, however, remain powerful engines of activity.

Our financial performance is in line with our expectations. While FFO remained stable compared to the second quarter last year and increased by 2 cents compared to the first quarter of 2008, adjusted funds from operations ("AFFO") remains below the levels achieved in 2007. We are still absorbing structural changes in connection with the sale of our Eastern Portfolio last August and have also delayed the deployment of a significant amount of cash until the right opportunities present themselves, which has resulted in a short-term reduction in our AFFO. More importantly, however, we enter the second half of 2008 with the fundamentals in place that will allow for significant AFFO growth.

On the finance side of our business, we are extremely pleased with the strength of our balance sheet. We acknowledged market uncertainty early and proactively refinanced a significant portion of our debt at the end of last year. During the second quarter of 2008, we secured approximately $96 million of new financing with an average interest rate of 5.2%, reducing our overall interest rate to 5.84%. While our net debt-to-enterprise value has risen slightly to 54%, our six-month interest coverage ratio remains strong and in line with our peers at 2.35 times. We have entered the second half of 2008 with almost $167 million of cash and available borrowing lines on hand, giving us an acquisition capacity of approximately $500 million, when the right opportunities present themselves.

During the quarter, we acquired a 33% interest in IBM Corporate Park in Calgary. The remaining 67% of this 356,000 square foot state-of-the-art property in Calgary's Beltline district was purchased on behalf of a European joint venture partner. A subsidiary of Dundee REIT manages the property, and the Trust therefore benefits from receiving property management fees on 100% of the property. Subsequent to quarter end, we acquired 4370 Dominion Street in Burnaby, British Columbia, for approximately $11.5 million. So far, our acquisition activity has been significantly lower this year than in previous years. Generally, we have not seen many transactions that appealed to us.

Given the current environment, our major focus is on our operations and improving the asset management of the REIT's properties, rather than on external acquisitions. We are spending more time analyzing our portfolio and measuring aspects of the performance of each asset. Through processes like this, we continually improve our operational performance. We are very pleased with the progress we are making.

During the second quarter, we have witnessed record volatility in trading prices of REIT units. Our units are currently trading at approximately $32.50 and hit a low of just under $30 at the beginning of July. While Dundee REIT is trading well against its peers, we are convinced that the current trading price does not reflect the true value and potential embedded in our portfolio. Given the current market volatility, and the lack of acquisition opportunities, as well as a significant amount of cash on hand, we started repurchasing our own stock. During the month of July, we purchased for cancellation a total of 171,000 units at an average price of $30.86.

Although the financial market is tougher and more skeptical than last year, we are confident that our business is in very good shape. We will continue to focus on growth in our current portfolio and are likely to outperform many of our competitors. We stated some time ago that we intended to exercise restraint and discipline this year. So far we have. We hope that by being diligent and patient, we will be able to find very attractive opportunities soon. In the meantime, we are in very good shape just the way we are.

Michael J. Cooper

Vice Chairman and Chief Executive Officer

Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands, except rental rates, unit and per unit amounts)

SECTION I — OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements of Dundee REIT for the year ended December 31, 2007, and the interim financial statements for the three and six months ended June 30, 2008.

This management's discussion and analysis has been dated as at July 31, 2008, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

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

Certain market information has been obtained from the CB Richard Ellis Market View, 2nd Quarter 2008, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

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

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

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

All forward-looking information speaks as of July 31, 2008, except where otherwise noted. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including the latest annual information form of Dundee REIT. These filings are also available on our web site at www.dundeereit.com.

OUR OBJECTIVES

We are committed to:

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

Distributions

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

	Jul/07	Aug/07	Sept/07	Oct/07	Nov/07	Dec/07	Jan/08	Feb/08	Mar/08	**Apr/08**	**May/08**	**Jun/08**
Distribution rate	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	**$0.183**	**$0.183**	**$0.183**
Month-end closing price	$43.35	$37.23	$38.73	$36.75	$36.43	$33.72	$31.90	$34.25	$32.48	**$33.25**	**$33.59**	**$31.22**

OUR STRATEGY

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

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

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

Effectively managing our business

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

We actively manage our debt levels and interest rates in order to minimize financing and interest rate risk while maximizing overall performance. Dundee REIT manages its debt maturities in order to mitigate interest rate exposure and to ensure that there are no significant maturities in any given year. Lease maturities are similarly managed to maintain continuity of income and to avoid significant lease turnovers and their associated leasing costs in any given year.

Pursuing growth

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

Meeting the needs of our tenants

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

OUR ASSETS

We provide high-quality, affordable business premises with a primary focus on mid-sized urban and suburban office properties as well as industrial and prestige industrial properties. The majority of our assets are concentrated in Western Canada, primarily in Calgary, as well as Vancouver, Edmonton, Saskatoon, Regina, Yellowknife and Toronto.

Owned gross leasable area (square feet)

	June 30, 2008				December 31, 2007	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**450,574**	**—**	**450,574**	**7**	449,939	7
Alberta	**2,872,415**	**1,847,661**	**4,720,076**	**70**	4,593,902	73
Saskatchewan & NWT	**849,060**	**—**	**849,060**	**12**	848,857	14
Ontario	**728,861**	**—**	**728,861**	**11**	406,304	6
Total as at June 30	**4,900,910**	**1,847,661**	**6,748,571**	**100**	6,299,002	100
Percentage	**73%**	**27%**	**100%**			
Total as at December 31, 2007	4,451,341	1,847,661	6,299,002			
Percentage	71%	29%	100%			

Excludes redevelopment properties.

Office rental properties

Dundee REIT owns 42 office properties (46 buildings) comprising approximately 4.9 million square feet, excluding redevelopment properties, located in Vancouver, Calgary, Edmonton, Regina, Saskatoon, Yellowknife and Toronto. These office properties can generally be categorized as high-quality, affordable, suburban and downtown buildings. At June 30, 2008, the occupancy rate across our office portfolio was 97.4%. Our occupancy rates include lease commitments for space which is currently being readied for occupancy but for which rent is not yet being recognized. The national industry average occupancy rate was 95.3% (CB Richard Ellis, Canadian Office Market View, 2nd Quarter 2008).

Industrial rental properties

Our industrial portfolio consists of 36 prime suburban industrial properties (40 buildings) comprising approximately 1.8 million square feet, concentrated in Calgary and Edmonton. Dundee REIT's strategy is to own clusters of properties, allowing it to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. At June 30, 2008, the occupancy rate across our industrial portfolio was 94.1%. The market availability rates in Calgary and Edmonton were 2.5% and 3.5%, respectively (CB Richard Ellis, Canadian Industrial Market View, 2nd Quarter 2008).

OUR EQUITY

			Unitholders' equity	
		June 30, 2008		December 31, 2007
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**17,192,393**	**$ 290,790**	17,072,154	$ 300,216
REIT Units, Series B	**476,316**	**13,967**	476,316	14,376
LP Class B Units, Series 1	**3,412,956**	**99,889**	3,315,349	99,791
Cumulative foreign currency translation adjustment	**—**	**(6,133)**	—	(6,243)
Total	**21,081,665**	**$ 398,513**	20,863,819	$ 408,140

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP B Units. The LP B Units are held by Dundee Corporation and Dundee Realty Corporation ("DRC"), related parties to Dundee REIT, and the REIT B Units are held by GE. Both the REIT Units and Special Trust Units entitle the holder to one vote for each unit at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT B Units, at the option of the holder, which can then be converted into REIT A Units. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT A Units. The REIT A Units and REIT B Units have economic and voting rights equivalent in all material respects to each other. At June 30, 2008, Dundee Corporation, directly and indirectly through its subsidiaries, held 320,851 REIT A Units and 3,412,956 LP B Units and GE held 2,997,317 REIT A Units and 476,316 REIT B Units.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	Three months ended June 30, 2008	Three months ended June 30, 2007	**Six months ended June 30, 2008**	Six months ended June 30, 2007
Operations				
Occupancy rate (period-end)[1]	**96.5%**	96.2%		
In-place rent per square foot (office and industrial)[1]	**$ 14.50**	$ 10.07		
Operating results				
Rental properties revenue[2]	**$ 45,441**	$ 38,334	**$ 89,636**	$ 71,776
Net operating income[3] ("NOI")	**28,747**	24,716	**55,752**	45,565
Funds from operations[4] ("FFO")	**16,143**	37,309	**31,839**	69,080
Adjusted funds from operations[5] ("AFFO")	**10,749**	29,182	**21,384**	54,351
Distributions				
Declared distributions	**$ 11,555**	$ 26,980	**$ 23,046**	$ 52,011
Distributions paid in cash	**8,751**	21,892	**17,177**	40,167
DRIP participation ratio	**24%**	19%	**25%**	23%
Financing				
Weighted average interest rate (period-end)	**5.84%**	5.82%		
Interest coverage ratio	**2.34 times**	2.51 times	**2.35 times**	2.45 times
Per unit amounts				
Basic:				
FFO	**$ 0.76**	$ 0.76	**$ 1.50**	$ 1.47
Distributable income	**0.59**	0.67	**1.17**	1.32
Distribution rate	**0.55**	0.55	**1.10**	1.10
Total distributions as a % of distributable income	**93.5%**	82.5%	**93.8%**	84.7%
AFFO	**0.51**	0.59	**1.01**	1.16
Diluted[6]:				
FFO	**$ 0.74**	$ 0.75	**$ 1.47**	$ 1.44
Distributable income	**0.59**	0.66	**1.19**	1.29

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

1 Excludes redevelopment properties.

2 Prior year comparatives have been restated for discontinued operations.

3 NOI — rental property revenues less operating expenses, excluding redevelopment and discontinued operations. Prior year comparatives have been restated as a result of discontinued operations. The reconciliation of NOI to net income can be found on page 25.

4 FFO — the reconciliation of FFO to net income can be found on page 16.

5 AFFO — the reconciliation of AFFO to distributable income can be found on page 19.

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

FINANCIAL OVERVIEW

Overall occupancy remains very strong at 96.5%, with lease rollover activity allowing us to take advantage of generally higher market rental rates, especially in our Calgary office portfolio. Our average office portfolio occupancy rate remains well above the national industry average. Details of our leasing profile are provided on page 9.

During the second quarter, we continued to grow our operations by effectively managing our portfolio and through strategic acquisitions, as evidenced by NOI growth of $4.0 million, or 16%, compared to the same period in 2007. The office portfolio now generates 89% of our NOI. Details of our NOI begin on page 25.

For the quarter, distributable income decreased 62% to $12.5 million, mainly as a result of the disposition of the Eastern Portfolio in the third quarter of 2007. The corresponding reduction of Units outstanding resulted in a substantial reduction of declared distributions to $11.6 million. As a result of the participation in our DRIP, our year-to-date cash payout ratio is 75% of declared distributions. Details of our distributions and distributable income begin on page 17.

For the quarter, AFFO decreased to $10.7 million, or $0.51 per unit, largely reflecting the impact of the Transaction and dilution arising from surplus cash on our balance sheet.

OUTLOOK

Dundee REIT continues to deliver consistent results. Our occupancy has increased, compared to the same quarter in 2007 as well as the first quarter of 2008, and remains ahead of the industry average. In addition, our leasing activity has gained significant momentum during the quarter, the results of which should improve our operating results in the second half of the year.

Our financial performance is in line with our expectations. While FFO per unit remained stable at $0.76 per unit, NOI increased 16% to $28.7 million in total, and by 1% on a comparative property basis. The decrease of our AFFO from $0.59 to $0.51 per unit largely reflects the impact of the sale of the Eastern Portfolio as well as dilution arising from surplus cash. We are confident, however, that we have the right fundamentals in place to allow for AFFO growth in the second half of the year.

During the quarter, we acquired a 33% interest in IBM Corporate Park in Calgary. The remaining 67% of this 356,000 square foot property in Calgary's Beltline district was purchased on behalf of a European joint venture partner, with the Trust managing 100% of the property. Subsequent to quarter end, we acquired 4370 Dominion Street in Burnaby, British Columbia, for approximately $11.5 million.

Overall, we are in a fortunate position. We have our assets in one of the best markets in the country, putting us in a position to grow cash flows rapidly as leases roll over. We also find ourselves with acquisition capacity of approximately $500 million, allowing us to grow as buying opportunities arise. And while the present market place is full of uncertainties, our balance sheet is strong enough to handle any shocks the economy may bring and gives us the ability to wait patiently for markets to stabilize.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

Rental properties

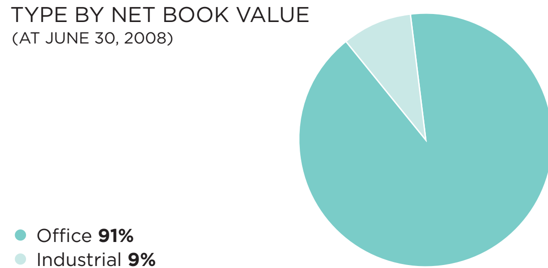
During the second quarter, we acquired a 33% interest in an office property in Calgary, comprising 118,800 square feet for approximately $57.3 million.

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

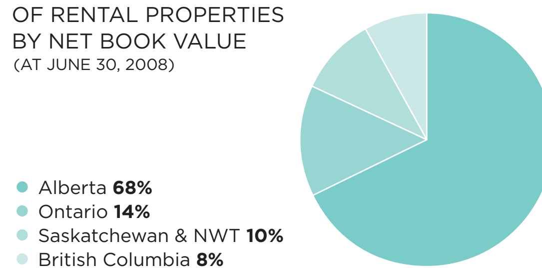
			June 30, 2008[1]		December 31, 2007[1]	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**$ 92,996**	**$ —**	**$ 92,996**	**8**	$ 94,072	10
Alberta	**661,848**	**103,746**	**765,594**	**68**	711,916	72
Saskatchewan & NWT	**110,469**	**—**	**110,469**	**10**	111,813	11
Ontario	**151,038**	**—**	**151,038**	**14**	66,551	7
Total as at June 30, 2008	**$ 1,016,351**	**$ 103,746**	**$ 1,120,097**	**100**	$ 984,352	100
Percentage	**91%**	**9%**	**100%**			
Total as at December 31, 2007	$ 879,218	$ 105,134	$ 984,352			
Percentage	89%	11%	100%			

[1] Excludes $19.3 million related to Greenbriar Mall and $0.9 million related to other redevelopment properties totalling $20.2 million (December 31, 2007 — $19.9 million).

PORTFOLIO ASSET TYPE BY NET BOOK VALUE (AT JUNE 30, 2008)



GEOGRAPHIC DISTRIBUTION OF RENTAL PROPERTIES BY NET BOOK VALUE (AT JUNE 30, 2008)



Leasing profile

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

Performance indicators	June 30, 2008	December 31, 2007
Operating activities (office and industrial average)		
Occupancy level	**96.5%**	96.7%
Tenant maturity profile — average term to maturity (years)	**4.7 years**	3.9 years
In-place rental rates	**$ 14.50**	$ 13.49

Excludes redevelopment properties.

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

(Percentage)	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Office	**97.4**	96.0	96.7	98.3	96.5	97.0	97.0	96.4	96.1
Industrial	**94.1**	92.3	96.7	94.0	95.8	97.0	95.6	95.9	95.7
Overall	**96.5**	95.0	96.7	97.0	96.2	97.0	96.4	96.2	95.9

Excludes redevelopment properties.

The overall percentage of occupied and committed space across our rental properties portfolio was 96.5% at quarter-end. Our average office portfolio occupancy rate increased to 97.4%, reflecting the leasing of two floors at State Street Financial Center in Toronto, and remains ahead of the national industry average of 95.3%. The average occupancy rate across our industrial portfolio increased to 94.1%. The market availability rates for industrial space in Calgary and Edmonton were 2.5% and 3.5%, respectively (CB Richard Ellis, Canadian Office and Industrial Market Views, 2nd Quarter 2008). The Trust's occupancy rates discussed in this report include occupied and committed space at June 30, 2008, and exclude space to which the rent supplement is applied.

			Total portfolio			Comparative properties
(Percentage)	**June 30, 2008**	December 31, 2007	June 30, 2007	**June 30, 2008**	December 31, 2007	June 30, 2007
Office						
British Columbia	**99.6**	96.8	94.2	**99.5**	98.4	94.2
Alberta	**97.1**	97.7	99.4	**96.6**	97.5	99.4
Saskatchewan & NWT	**97.6**	95.8	96.5	**97.6**	95.8	96.5
Ontario	**97.4**	91.6	97.0	**98.7**	91.6	97.0
Sold properties	**—**	—	95.6	**—**	—	—
Total office	**97.4**	96.7	96.5	**97.3**	96.6	98.1
Industrial						
Alberta	**94.1**	96.7	94.0	**94.1**	96.7	93.7
Sold properties	**—**	—	96.2	**—**	—	—
Total industrial	**94.1**	96.7	95.8	**94.1**	96.7	93.7
Overall	**96.5**	96.7	96.2	**96.3**	96.7	96.8

Excludes redevelopment properties.

The percentage of occupied and committed space across our portfolio remains strong. Rates across a large part of our western Canadian office portfolio represent virtually full economic occupancy.

During the second quarter, approximately 593,000 square feet of leases expired or were terminated, we acquired 25,000 square feet of vacant space and we completed approximately 712,000 square feet of renewals and new leasing, resulting in a 97,000 square foot decrease in vacant space.

Year-to-date, approximately 1,384,000 square feet of leases expired or were terminated, we acquired 54,000 square feet of vacant space and we completed approximately 1,408,000 square feet of renewals and new leasing, resulting in a 29,000 square foot increase in vacant space.

The following tables provide a summary of leasing activity in our continuing portfolio to June 30, 2008.

	For the three months ended June 30, 2008		
(in square feet)	Office	Industrial	Total
Vacant space available — April 1, 2008	190,492	141,768	332,260
Remeasurements	(3,383)	—	(3,383)
Acquisitions	25,374	—	25,374
Leases terminated/expiring	498,013	95,393	593,406
Total space available for lease	710,496	237,161	947,657
New tenants	162,670	80,489	243,159
Renewals	421,937	47,082	469,019
Total space leased	584,607	127,571	712,178
Total space available for lease — June 30, 2008	125,889	109,590	235,479
Net decrease in vacant space	64,603	32,178	96,781

	For the six months ended June 30, 2008		
(in square feet)	Office	Industrial	Total
Vacant space available — January 1, 2008	146,368	60,256	206,624
Remeasurements	(646)	—	(646)
Acquisitions	54,008	—	54,008
Leases terminated/expiring	1,130,696	253,200	1,383,896
Total space available for lease	1,330,426	313,456	1,643,882
New tenants	277,331	96,804	374,135
Renewals	927,206	107,062	1,034,268
Total space leased	1,204,537	203,866	1,408,403
Total space available for lease — June 30, 2008	125,889	109,590	235,479
Net decrease (increase) in vacant space	20,479	(49,334)	(28,855)

The vacant space available, shown in the previous two tables, includes space actually vacant as well as space committed for future occupancy. The table below breaks out these two components and provides a continuity schedule for the vacant space component.

	For the three months ended June 30, 2008		
(in square feet)	Office	Industrial	Total
Available for lease	190,492	141,768	332,260
Vacancy committed for future leases	60,514	—	60,514
Vacant space — April 1, 2008	251,006	141,768	392,774
Acquired vacancy	25,374	—	25,374
Remeasurements	(2,806)	—	(2,806)
Expiries	183,870	67,055	250,925
Bankruptcies	—	12,134	12,134
New leases	(74,429)	(60,272)	(134,701)
Renewals	(129,917)	(39,130)	(169,047)
Vacant space — June 30, 2008	253,098	121,555	374,653
Vacancy committed for future leases	(127,209)	(11,965)	(139,174)
Available for lease — June 30, 2008	125,889	109,590	235,479

	For the six months ended June 30, 2008		
(in square feet)	Office	Industrial	Total
Available for lease	146,368	60,256	206,624
Vacancy committed for future leases	4,093	83,558	87,651
Vacant space — January 1, 2008	150,461	143,814	294,275
Acquired vacancy	54,008	—	54,008
Remeasurements	(72)	—	(72)
Expiries	428,991	207,832	636,823
Bankruptcies	6,191	12,134	18,325
New leases	(124,630)	(152,780)	(277,410)
Renewals	(261,851)	(89,445)	(351,296)
Vacant space — June 30, 2008	253,098	121,555	374,653
Vacancy committed for future leases	(127,209)	(11,965)	(139,174)
Available for lease — June 30, 2008	125,889	109,590	235,479

Lease maturity profile as at June 30, 2008, by asset type and geographic segment:

(in square feet)	Current vacancy	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter	Total
Office — uncommitted	125,889	37,762	140,877	373,530	654,790	570,121	2,311,832	4,214,801
Office — committed	—	—	262,324	236,820	13,193	15,907	157,865	686,109
Total office	125,889	37,762	403,201	610,350	667,983	586,028	2,469,697	4,900,910
Industrial — uncommitted	109,590	45,376	129,994	270,449	220,247	306,206	691,500	1,773,362
Industrial — committed	—	—	42,571	11,152	14,977	—	5,599	74,299
Total industrial	109,590	45,376	172,564	281,601	235,224	306,206	697,099	1,847,661
Total — uncommitted	235,479	83,138	270,871	643,979	875,037	876,327	3,003,332	5,988,163
Total — committed	—	—	304,895	247,972	28,170	15,907	163,464	760,408
Grand total	235,479	83,138	575,766	891,951	903,207	892,234	3,166,796	6,748,571

(in square feet)	Current vacancy	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter	Total
British Columbia — uncommitted	1,906	5,758	27,653	51,052	28,403	74,331	177,074	366,177
British Columbia — committed	—	—	6,645	77,752	—	—	—	84,397
Total	1,906	5,758	34,298	128,804	28,403	74,331	177,074	450,574
Alberta — uncommitted	194,320	75,541	208,560	515,780	732,418	713,138	2,075,376	4,515,133
Alberta — committed	—	—	66,937	24,053	28,170	15,907	69,876	204,943
Total	194,320	75,541	275,497	539,833	760,588	729,045	2,145,252	4,720,076
Saskatchewan & NWT — uncommitted	20,212	1,100	8,250	75,373	94,768	62,208	365,711	627,622
Saskatchewan & NWT — committed	—	—	221,438	—	—	—	—	221,438
Total	20,212	1,100	229,688	75,373	94,768	62,208	365,711	849,060
Ontario — uncommitted	19,041	739	26,409	1,774	19,448	26,650	385,170	479,231
Ontario — committed	—	—	9,874	146,167	—	—	93,589	249,630
Total	19,041	739	36,283	147,941	19,448	26,650	478,759	728,861
Grand total	235,479	83,138	575,766	891,951	903,207	892,234	3,166,796	6,748,571

We have a long and successful track record in managing our lease rollovers. In the remainder of 2008, approximately 4.0% of our leases will be up for renewal. With average market rents well above expiring rents, particularly in Alberta where the majority of our properties are located, our lease maturity profile affords us the opportunity to take advantage of the market conditions. As a result, we anticipate generating substantially higher cash flow as space is re-leased.

The following table provides expiring rents across our portfolio as well as an estimate of average market rents as at June 30, 2008:

	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter
Expiring rents						
Office	$ 18.53	$ 13.06	$ 15.03	$ 15.73	$ 19.28	$ 19.78
Industrial	3.83	4.59	5.44	8.35	7.63	8.20
Portfolio average	10.50	8.68	11.02	13.92	15.12	17.49
Market rents[1]						
Office	$ 25.70	$ 24.44	$ 24.69	$ 25.68	$ 25.45	$ 24.72
Industrial	7.52	8.23	10.69	13.54	13.44	12.33
Market rent average	15.78	16.05	18.83	22.70	21.17	22.27

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

	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter
Expiring rents						
British Columbia	$ 18.00	$ 14.89	$ 14.50	$ 15.35	$ 14.19	$ 17.89
Alberta	9.46	7.11	9.45	13.23	14.54	17.03
Saskatchewan & NWT	27.71	14.66	19.57	18.22	21.82	17.45
Ontario	33.00	13.87	10.50	13.42	18.22	18.96
Portfolio average	10.50	8.68	11.02	13.92	15.12	17.49
Market rents[1]						
British Columbia	$ 16.00	$ 16.09	$ 22.58	$ 22.62	$ 17.86	$ 23.71
Alberta	15.52	16.28	17.94	23.30	21.36	23.81
Saskatchewan & NWT	28.00	21.84	22.66	20.40	23.14	17.07
Ontario	22.00	12.22	10.50	13.13	20.54	20.98
Market rent average	15.78	16.05	18.83	22.70	21.17	22.27

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

Our estimate of the average 2008 market rental rate is approximately 85% higher than our 2008 expiring rental rate. While this is a positive indicator, the marketplace remains competitive and any uplift in our overall average rent will depend on the specific market and our ability to re-lease the space quickly at the higher net rental rates.

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

	June 30, 2008			December 31, 2007		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**[1]	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)[1]
Office	**5.16**	**9,588**	**$ 17.26**	4.08	9,121	$ 16.30
Industrial	**3.33**	**7,900**	**6.93**	3.50	7,909	6.71
Portfolio average	**4.67**	**9,071**	**14.50**	3.91	8,728	13.49

Excludes redevelopment properties.

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

Our tenant base includes a wide range of high-quality tenants, including government, large international corporations and small entrepreneurial businesses across the country. With 718 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 9,600 and 7,900 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, 2008)

The stability and quality of our cash flow is further enhanced by government and government agencies contributing 17% 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 sets out our ten largest tenants and highlights the quality of these tenancies and outlines their contribution to our cash flow.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
TELUS Communications	311,253	4.6	6.1	2013—2016
Government of Canada	273,801	4.1	4.9	2008—2016
Loyalty Management Group	176,566	2.6	3.7	2017
Government of British Columbia	171,274	2.5	3.1	2008—2014
State Street Trust Company	122,344	1.8	3.0	2012—2022
Government of Northwest Territories	117,318	1.7	2.9	2008—2013
Government of Ontario	123,872	1.8	2.6	2014
Hatch Optima Ltd.	87,817	1.3	1.9	2011—2016
SNC Lavalin	87,382	1.3	1.9	2012
International Financial Data Services	67,262	1.0	1.6	2013
Total	1,538,889	22.7	31.7	

Liquidity and capital resources

Dundee REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, and equity and debt issues. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal and interest payments and property acquisitions. We expect to meet all 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, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Cash generated from operating activities	**$ 9,644**	$ 35,150	**$ 21,229**	$ 67,221
Cash utilized in investing activities	**(56,886)**	(217,622)	**(136,043)**	(487,294)
Cash generated from financing activities	**82,866**	133,538	**189,823**	359,702
Increase (decrease) in cash and cash equivalents	**$ 35,624**	$ (48,934)	**$ 75,009**	$ (60,371)

At June 30, 2008, cash and cash equivalents were $112.7 million, an increase of $35.6 million and $75.0 million, compared to the prior quarter and December 31, 2007, respectively. The increase primarily reflects the completion of new financing activity in the first and second quarters. We have a total of $55.0 million in revolving credit facilities, all of which is currently available to provide further funding for working capital or as a bridge facility to fund acquisitions.

Operating activities

The following table details the cash generated from operating activities:

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Net income (loss)	**$ 2,107**	$ (27,790)	**$ 4,769**	$ (19,372)
Non-cash items:				
Amortization of market rent adjustments on acquired leases	**(3,376)**	(3,337)	**(6,292)**	(5,249)
All other depreciation and amortization	**13,681**	26,176	**26,782**	48,201
Internalization of property manager	**—**	—	**—**	1,230
Loss (gain) on disposal of rental properties and land held for sale	**426**	(1,474)	**426**	(1,474)
Deferred unit compensation expense	**98**	431	**98**	884
Future income taxes	**76**	40,031	**144**	39,914
Straight-line rent adjustment	**(189)**	(850)	**(434)**	(1,783)
	12,823	33,187	**25,493**	62,351
Deferred leasing costs incurred	**(980)**	(1,554)	**(1,740)**	(2,912)
Change in non-cash working capital	**(2,199)**	3,517	**(2,524)**	7,782
Cash generated from operating activities	**$ 9,644**	$ 35,150	**$ 21,229**	$ 67,221

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

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

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

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

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

Leasing costs and tenant improvements

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

For the ongoing properties, leasing costs and tenant improvements for the six months ended June 30, 2008, decreased 5% to $2.9 million, while leasing activity increased 26% and resulted in 629,000 square feet of leased and occupied space. The average leasing costs for office properties during the six months was $5.80 per square foot, reflecting a high percentage of renewals as well as our ability to lease space without having to incur significant tenant improvement costs. Leasing costs for industrial space were $2.63 per square foot leased and occupied during the year, which is in line with our estimates.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)	4,900,910	1,847,661	6,748,571
Occupied and committed	97.4%	94.1%	96.5%
Square footage leased and occupied in 2008	386,481	242,225	628,706
Leasing costs	$ 1,220	$ 485	$ 1,705
Tenant improvements	$ 1,025	$ 152	$ 1,177

Excludes redevelopment properties.

The table below provides our annualized estimates of expected leasing activity and leasing costs over a two- to three-year time horizon. These estimates are based on our portfolio at December 31, 2007, and assume that market conditions remain consistent with our current experience.

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

Commitments and contingencies

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

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

Year ending December 31	Operating lease payments	Capital lease payments
Remainder of 2008	$ 534	$ 71
2009	852	142
2010	738	142
2011	723	106
2012	682	—
2013 and thereafter	615	—
Total	$ 4,144	$ 461

Funds from operations

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

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Net income (loss)	**$ 2,107**	$ (27,790)	**$ 4,769**	$ (19,372)
Add (deduct):				
Depreciation of rental properties	**6,763**	13,495	**13,123**	25,831
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,850**	12,988	**13,503**	22,831
Imputed amortization of leasing costs related to the rent supplement	**8**	88	**18**	167
Internalization of property manager	**—**	—	**—**	1,230
Loss (gain) on disposal of rental property and land held for sale	**426**	(1,474)	**426**	(1,474)
Future income tax	**76**	40,031	**144**	39,914
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(87)**	(29)	**(144)**	(47)
FFO	**$ 16,143**	$ 37,309	**$ 31,839**	$ 69,080
FFO per unit — basic	**$ 0.76**	$ 0.76	**$ 1.50**	$ 1.47
FFO per unit — diluted	**$ 0.74**	$ 0.75	**$ 1.47**	$ 1.44

The 57% decrease in FFO in the quarter reflects the impact of the sale of the Eastern Portfolio in 2007, offset by revenue generated by acquisitions as well as rising rental rates. Below-market rents, which result in a non-cash amortization to our operating results, positively impacted FFO by $3.5 million for the three-month period and $6.5 million year-to-date.

Diluted FFO per unit amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures. The weighted average number of Units outstanding for basic and diluted FFO calculations for the quarter are 21,300,089 and 24,719,316, respectively. Year-to-date, the weighted average number of units outstanding for basic and diluted FFO calculations are 21,240,014 and 24,459,964, respectively. Diluted FFO includes interest and amortization adjustments of $2.2 million and $4.2 million for the quarter and year-to-date, respectively. The basic and diluted weighted average number of units outstanding include 259,803 vested deferred trust units for the three-month period, and 259,676 for the six-month period.

Distributions and distributable income

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

For the six-month period ended June 30, 2008, distributable income per unit was $1.17 and declared distributions were $1.10, representing a 94% payout ratio on a per unit basis. In the prior year comparative period, distributable income per unit was $1.32 and declared distributions were $1.10, representing an 83% payout ratio on a per unit basis.

Distributable income

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Cash generated from operating activities	**$ 9,644**	$ 35,150	**$ 21,229**	$ 67,221
Add (deduct):				
Deferred leasing costs incurred	**980**	1,554	**1,740**	2,912
Amortization of deferred financing costs incurred prior to June 30, 2003	**17**	94	**28**	181
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**—**	13	**—**	29
Amortization of tenant inducements	**41**	33	**78**	59
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(86)**	(29)	**(142)**	(47)
Amortization of deferred financing costs	**(332)**	(316)	**(645)**	(622)
Change in non-cash working capital	**2,199**	(3,517)	**2,524**	(7,782)
Distributable income	**$ 12,463**	$ 32,982	**$ 24,812**	$ 61,951
Distributable income per unit — basic	**$ 0.59**	$ 0.67	**$ 1.17**	$ 1.32
Distributable income per unit — diluted	**$ 0.59**	$ 0.66	**$ 1.19**	$ 1.29
Distributions	**$ 0.55**	$ 0.55	**$ 1.10**	$ 1.10

Distributable income is not defined by GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust to facilitate the determination of distributions to our unitholders. In compliance with the Canadian Securities Administrators Staff Notice 52-306 (Revised) "Non-GAAP Financial Measures", our table reconciles distributable income to cash generated from operating activities.

Distributable income exceeds distributions paid and payable by $0.8 million for the quarter and $1.5 million year-to-date. 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 $18.9 million relating to REIT A Units, $0.5 million relating to REIT B Units and $3.8 million relating to LP B Units. Prior to June 28, 2007, cash distributions were only paid to holders of the REIT A Units as there were no REIT B Units outstanding, and all of the LP B Units were enrolled in the DRIP.

	Declared distributions	4% additional distributions	Total
2008 distributions			
Paid in cash or reinvested in units	$ 19,189	$ 197	$ 19,386
Payable at June 30, 2008	3,857	38	3,895
Total distributions	$ 23,046	$ 235	$ 23,281
2008 reinvestment			
Reinvested to June 30, 2008	$ 4,919	$ 197	$ 5,116
Reinvested on July 15, 2008	950	38	988
Total distributions reinvested	$ 5,869	$ 235	$ 6,104
Distributions paid in cash	$ 17,177		
Reinvestment to distribution ratio	25%		
Cash distribution payout ratio	75%		

Distributions declared in the period ended June 30, 2008, totalled $23.0 million, a decrease of $29.0 million over the comparative period, mainly due to the redemption of outstanding units in connection with the sale of the Eastern Portfolio. Of this amount, $5.9 million, or 25%, was reinvested in additional units and our cash payout ratio for our distributions was 75%.

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

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Net income (loss)	**$ 2,107**	$ (27,790)	**$ 4,769**	$ (19,372)
Cash flow from operating activities	**9,644**	35,150	**21,229**	67,221
Distributions paid and payable	**11,659**	27,203	**23,281**	52,485
Excess/(shortfall) of cash flow from operating activities over cash distributions	**(2,015)**	7,947	**(2,052)**	14,736

Distributions paid and payable exceed cash from operations as a result of changes in non-cash working capital balances and leasing costs incurred. We do not consider working capital fluctuations in establishing distribution policy. Also, we use normalized leasing costs in determining distributions payouts. We do not expect cash distributions to exceed cash flow from operating activities in the future, other than for changes in non-cash working capital balances. Distributions paid and payable exceeded net income by $9.6 million for the quarter. This excess was mainly a result of non-cash depreciation and amortization expense which are not considered in determining our cash distribution policy.

Adjusted funds from operations

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Distributable income	**$ 12,463**	$ 32,982	**$ 24,812**	$ 61,951
Adjusted for:				
Normalized leasing costs and tenant improvements	**(1,514)**	(3,450)	**(3,028)**	(6,900)
Normalized non-recoverable recurring capital expenditures	**(200)**	(350)	**(400)**	(700)
AFFO	**$ 10,749**	$ 29,182	**$ 21,384**	$ 54,351
AFFO per unit — basic	**$ 0.51**	$ 0.59	**$ 1.01**	$ 1.16

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 operating activities.

Our calculation of AFFO starts with our distributable income and then deducts an estimate of normalized non-recoverable maintenance capital expenditures, leasing costs and tenant improvements that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of normalized leasing costs and tenant improvements are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2007, adjusted for properties that have been sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and the growth in our business resulting from property acquisitions.

Investing activities

The following table details our cash utilized in investing activities.

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Investment in rental properties	**$ (619)**	$ (2,708)	**$ (982)**	$ (5,131)
Investment in tenant improvements	**(878)**	(2,176)	**(1,247)**	(3,661)
Investment in land development	**—**	(1,023)	**—**	(1,744)
Acquisition of rental properties	**(56,619)**	(214,889)	**(146,256)**	(478,722)
Acquisition deposit on rental properties	**700**	839	**(100)**	(261)
Investment in mezzanine loan	**—**	(143)	**—**	(365)
Repayment of promissory note	**—**	—	**12,116**	—
Net proceeds from disposal of rental properties and land held for sale	**—**	2,286	**—**	2,286
Change in restricted cash, net	**530**	192	**426**	304
Cash utilized in investing activities	**$ (56,886)**	$ (217,622)	**$ (136,043)**	$ (487,294)

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

Performance indicators	**For the three months ended June 30, 2008**	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Investing activities				
Acquisition of rental properties	**$ 57,300**	$ 276,904	**$ 149,288**	$ 574,419
Building improvements	**719**	3,133	**877**	4,720

Acquisitions

During the second quarter, we acquired a 33% interest in an office property in Calgary, comprising 118,800 square feet for approximately $57.3 million.

Building improvements

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	For the six months ended June 30, 2008	For the six months ended June 30, 2007
Building improvements:				
Recurring recoverable	$ 185	$ 1,424	$ 221	$ 1,964
Recurring non-recoverable	159	675	159	1,032
Non-recurring	375	1,034	497	1,724
Total	$ 719	$ 3,133	$ 877	$ 4,720

For the three-month period, capital expenditures or expenditures accrued for rental property building improvements and equipment were $0.7 million (June 30, 2007 — $3.1 million). Non-recurring expenditures were $0.4 million in the quarter. For the six-month period, capital expenditures or expenditures accrued for rental property building improvements and equipment were $0.9 million (June 30, 2007 — $4.7 million) and included non-recurring expenditures of $0.5 million. 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 current year acquisitions are expected to be approximately $0.7 million and will be incurred over the next two to three years. These expenditures were factored into the purchase price paid for our acquisitions.

Financing activities

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

The following table details our cash generated from financing activities.

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	For the six months ended June 30, 2008	For the six months ended June 30, 2007
Mortgages placed, net of costs	$ 95,499	$ 136,498	$ 95,371	$ 236,588
Mortgage principal repayments	(3,313)	(8,118)	(6,586)	(15,170)
Mortgage lump sum repayments	(508)	(6,726)	(508)	(19,462)
Term debt principal repayments	(27)	(29)	(61)	(57)
Term debt placed, net of costs	—	24	—	61
Convertible debentures issued, net of costs	—	—	119,200	—
Demand revolving credit facility, net	—	31,330	—	31,330
Distributions paid on Units	(8,707)	(19,235)	(18,088)	(37,138)
Redemption of Units	(94)	—	(94)	—
Units issued, net of costs	16	(206)	589	163,550
Cash generated from financing activities	$ 82,866	$ 133,538	$ 189,823	$ 359,702

Debt

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

	June 30, 2008	December 31, 2007
Financing activities		
Average interest rate	**5.84%**	5.76%
Level of debt (net debt-to-enterprise value)[1]	**54.0%**	47.7%
Interest coverage ratio[2]	**2.35 times**	2.51 times
Proportion of total debt due in 2008	**1.1%**	4.8%
Debt — average term to maturity (years)	**6.0**	6.1
Variable rate debt as percentage of total debt	**5.4%**	2.4%

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

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

Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. The interest coverage ratio replaces the limit on our overall debt-to-gross book value in our Declaration of Trust as a key metric in evaluating the management of our debt. The interest coverage ratio is 2.35 times as at June 30, 2008, and reflects our ability to cover interest expense requirements. The slight decline in the interest coverage ratio from December 31, 2007, reflects the 6.0% Debenture issuance in January 2008, three new financings in the second quarter, as well as having undeployed cash during the quarter. Our average interest rate as at June 30, 2008, was 5.84%, an increase over the start of year, again mainly reflecting the impact of the 6.0% Debenture issuance which had an effective rate of 7.08%.

Variable rate debt as a percentage of total debt increased during the quarter to 5.4% of total portfolio as a result of $31.3 million financing placed on the acquisition of IBM Corporate Park.

			June 30, 2008			December 31, 2007
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 708,964**	**$ 47,756**	**$ 756,720**	$ 651,844	$ 16,344	$ 668,188
Term debt	**390**	**—**	**390**	451	—	451
6.5% Debentures	**3,320**	**—**	**3,320**	3,857	—	3,857
5.7% Debentures	**7,680**	**—**	**7,680**	7,983	—	7,983
6.0% Debentures	**117,378**	**—**	**117,378**	—	—	—
Total	**$ 837,732**	**$ 47,756**	**$ 885,488**	$ 664,135	$ 16,344	$ 680,479
Percentage	**94.6%**	**5.4%**	**100%**	97.6%	2.4%	100%

Mortgages payable includes $4.3 million of fair value adjustments (December 31, 2007 — $4.8 million), mainly reflecting the fair value of mortgages assumed in connection with acquisitions. Amounts recorded as at June 30, 2008, for the 6.5%, 5.7% and 6.0% Debentures are net of $2.2 million of premiums allocated to their conversion features. The fair value adjustments and premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activity

During the current quarter, we secured approximately $95.7 million in new financing, with an average term to maturity of 8.3 years and an average interest rate of 5.2%.

Effective January 14, 2008, the Trust completed a public offering of $125.0 million principal amount of convertible unsecured subordinated debentures with a coupon rate of 6.0% per annum payable semi-annually on June 30 and December 31, commencing on June 30, 2008, and due on December 31, 2014 (the "6.0% Debentures"). The principal relating to the conversion feature of $2.2 million was classified as a component of unitholders' equity. In addition, there were $5.9 million of financing costs, which along with the equity component, are deferred and amortized over the term of the debt resulting in an effective interest rate of 7.08%.

As a result of these financing activities, our overall average interest rate increased to 5.84% while our average term to maturity remained stable at 6.0 years.

We renewed our demand revolving credit facility on June 30, 2008. The facility is available up to a formula-based maximum of $55.0 million, bearing interest generally at the bank prime rate (4.75% as at June 30, 2008) plus 0.5%, or bankers' acceptance rates plus 1.875%. The facility is secured by a first ranking collateral mortgage on four of the Trust's properties and a second ranking collateral mortgage on one property. As at June 30, 2008, the facility was undrawn.

Changes in debt levels are as follows:

	For the three months ended June 30, 2008			
	Mortgages	Term debt	Convertible debentures	Total
Debt as at March 31, 2008	$ 665,328	$ 417	$ 128,701	$ 794,446
New debt placed	95,733	—	—	95,733
Scheduled repayments	(3,312)	(27)	—	(3,339)
Lump sum repayments	(508)	—	—	(508)
Conversion to unit equity	—	—	(523)	(523)
Amortization and other adjustments	(521)	—	200	(321)
Debt as at June 30, 2008	**$ 756,720**	**$ 390**	**$ 128,378**	**$ 885,488**

	For the six months ended June 30, 2008			
	Mortgages	Term debt	Convertible debentures	Total
Debt as at December 31, 2007	$ 668,188	$ 451	$ 11,840	$ 680,479
New debt placed	95,733	—	125,000	220,733
Scheduled repayments	(6,586)	(61)	—	(6,647)
Lump sum repayments	(508)	—	—	(508)
Conversion to unit equity	—	—	(908)	(908)
Amortization and other adjustments	(107)	—	(7,554)	(7,661)
Debt as at June 30, 2008	**$ 756,720**	**$ 390**	**$ 128,378**	**$ 885,488**

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average interest rate on balance due at maturity %	Weighted average face rate on balance due at maturity
Remainder of 2008	$ 2,852	$ 7,306	$ 10,158	1.1	5.84	5.84
2009	68,215	14,919	83,134	9.3	6.05	6.11
2010	5,867	15,688	21,555	2.4	5.24	5.24
2011	70,348	15,636	85,984	9.7	6.03	6.83
2012	99,994	13,568	113,562	12.7	5.57	5.46
2013 and thereafter	538,476	38,901	577,377	64.8	5.89	5.70
Total	$ 785,752	$ 106,018	$ 891,770	100.0		5.80
Fair value adjustments			2,074			
Deferred financing costs			(8,356)			
Total			$ 885,488			

Convertible debentures

In the six-month period, we issued 34,067 REIT A Units upon the conversion of $0.9 million of the principal amount of 6.5% and 5.7% Debentures.

With respect to the 6.5% Debentures, we issued 22,840 REIT A Units upon the conversion of $0.6 million of the principal amount. Subsequent to quarter-end, we issued an additional 1,480 REIT A Units upon the conversion of $0.04 million of the principal amount. The total principal amount outstanding at July 31, 2008, was $3.5 million, and is convertible into 140,120 REIT A Units.

With respect to the 5.7% Debentures, we issued 11,227 REIT Units upon the conversion of $0.3 million of the principal amount. Subsequent to quarter-end, we issued an additional 1,333 REIT A Units upon the conversion of $0.04 million of the principal amount. The total principal amount outstanding at July 31, 2008, was $7.9 million, and is convertible into approximately 264,033 REIT A Units.

Equity

The following table summarizes the changes in our outstanding equity:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Units issued and outstanding on December 31, 2007	17,072,154	476,316	3,315,349	20,863,819
Units issued pursuant to DRIP	59,024	—	97,607	156,631
Unit Purchase Plan	19,656	—	—	19,656
Units issued pursuant to Deferred Unit Incentive Plan	10,492	—	—	10,492
Conversion of 6.5% Debentures	22,840	—	—	22,840
Conversion of 5.7% Debentures	11,227	—	—	11,227
Purchase of Units under normal course issuer bid	(3,000)	—	—	(3,000)
Total units outstanding on June 30, 2008	17,192,393	476,316	3,412,956	21,081,665
Percentage of all units	81.6%	2.3%	16.1%	100.0%
Units issued pursuant to DRIP on July 15, 2008	11,937	—	21,172	33,109
Conversion of 6.5% Debentures	1,480	—	—	1,480
Conversion of 5.7% Debentures	1,333	—	—	1,333
Purchase of Units under normal course issuer bid	(171,000)	—	—	(171,000)
Total units outstanding on July 31, 2008	17,036,143	476,316	3,434,128	20,946,587
Percentage of all units	81.3%	2.3%	16.4%	100.0%

Normal course issuer bid

On August 30, 2007, we filed with the Toronto Stock Exchange ("TSX") a Notice of Intention to make a normal course issuer bid. Under the bid, Dundee REIT has the ability to purchase for cancellation up to a maximum of 1,359,844 of its REIT A Units (representing 10% of the REIT's public float of 13,598,446 REIT A Units on August 30, 2007) through the facilities of the TSX. The bid commenced on September 5, 2007, and will remain in effect until the earlier of September 4, 2008, or the date on which the REIT has purchased the maximum number of units permitted under the bid. As of June 30, 2008, the number of issued and outstanding REIT A Units is 17,192,393. Based on the June 30, 2008 closing price of the REIT A Units, the Trust may purchase up to $42.4 million worth of REIT A Units. During the quarter, 3,000 units were purchased pursuant to this bid. Subsequent to the period ending June 30, 2008, the Trust purchased another 171,000 units.

OUR RESULTS OF OPERATIONS

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Revenues				
Rental properties revenue	**$ 45,441**	$ 38,334	**$ 89,636**	$ 71,776
Interest and fee income	**771**	680	**1,941**	1,344
	46,212	39,014	**91,577**	73,120
Expenses				
Rental properties operating expenses	**16,229**	13,139	**32,904**	25,189
Interest	**12,072**	9,168	**23,653**	17,874
Depreciation of rental properties	**6,763**	5,823	**13,123**	11,046
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,850**	6,004	**13,503**	10,202
General and administrative	**1,693**	1,977	**3,114**	4,179
	43,607	36,111	**86,297**	68,490
Income before the undernoted items	**2,605**	2,903	**5,280**	4,630
Internalization of property manager	**—**	—	**—**	(1,230)
Gain on disposal of rental property	**—**	1,474	**—**	1,474
Income before income taxes	**2,605**	4,377	**5,280**	4,874
Income taxes				
Current income taxes (recovery)	**(4)**	10	**(59)**	15
Future income taxes	**76**	40,031	**144**	39,914
	72	40,041	**85**	39,929
Income (loss) before discontinued operations	**2,533**	(35,664)	**5,195**	(35,055)
Discontinued operations	**(426)**	7,874	**(426)**	15,683
Net income (loss)	**$ 2,107**	$ (27,790)	**$ 4,769**	$ (19,372)

Rental properties revenue

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs and property taxes from tenants. The $7.1 million, or 19%, increase in rental property revenue is primarily a result of additional revenues generated by acquisitions completed in 2007 and 2008.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management including management, construction and leasing fees, and interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary from quarter to quarter. The $0.1 million increase in the quarter is mainly a result of higher interest income on undeployed cash.

Rental properties operating expenses

Operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, repairs and maintenance. Expenses for the quarter increased $3.1 million, or 24%, mainly reflecting the additional costs associated with acquired properties.

Interest expense

Interest expense for the quarter increased $2.9 million over the comparative year, reflecting new mortgage debt placed in the second quarter and the 6% Debentures issued during the first quarter. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, is 2.4 times as at June 30, 2008.

Depreciation of rental properties

Depreciation increased by $0.9 million, or 16%, compared with the same period in 2007 mainly as a result of acquisitions.

Amortization of deferred leasing costs, tenant improvements and intangibles

Amortization for the quarter was $6.9 million, an increase of $0.8 million, or 14%, over the comparative year. The increase is largely due to the allocation of a portion of the purchase price to intangibles on new acquisitions.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations. Expenses for the quarter were $1.7 million, a decrease of $0.3 million, or 14%, over the comparative year resulting from decreased management expenses, partially offset by the asset management fee.

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 consolidated balance sheet and statement of net income.

During the quarter ended December 31, 2007, the Trust modified its organizational structure in order to qualify as a "real estate investment trust" and meet the REIT Exception, pursuant to the June 12, 2007, amendments to the *Income Tax Act* which modified the tax treatment of certain publicly traded trusts, specified investment flow-through trusts or partnerships. As a result, the Trust met the REIT Exception as at December 31, 2007, and accordingly, all the future tax liability previously recorded was reversed as a recovery through the consolidated statement of net income and comprehensive income.

For the period ended June 30, 2007, the Trust did not meet the technical REIT Exception. Consequently, a future income tax liability in the amount of $40.0 million was recorded as at June 30, 2007, based on the temporary differences that were expected to reverse on or after January 1, 2011. The future income tax liability was recorded as a charge to the consolidated statement of net income and comprehensive income for the period ended June 30, 2007.

Discontinued operations

Discontinued operations include assets that have been categorized as held for sale or sold and meet specific criteria as discontinued assets in accordance with GAAP. These operations are disclosed separately on the statement of net income. Discontinued operations for the quarter primarily refer to the final settlement of the sale of the Eastern Portfolio.

Related-party transactions

From time to time Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Effective August 24, 2007, Dundee REIT entered into an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries as disclosed in Note 17 to the consolidated financial statements. Dundee Management Limited Partnership ("DMLP") and DRC have extended the term of the DRC Services Agreement until June 30, 2013. During the quarter, we received $0.5 million related to the DRC Services Agreement and paid $1.6 million related to the Asset Management Agreement.

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

Net operating income

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

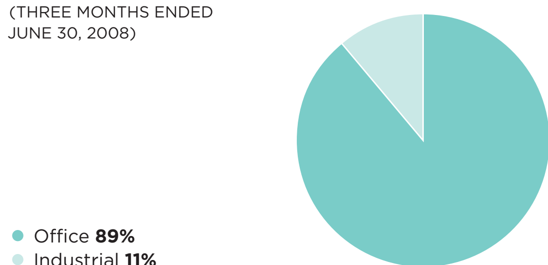
	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Net income (loss)	**$ 2,107**	$ (27,790)	**$ 4,769**	$ (19,372)
Add (deduct):				
Interest expense	**12,072**	9,168	**23,653**	17,874
Depreciation of rental properties	**6,763**	5,823	**13,123**	11,046
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,850**	6,004	**13,503**	10,202
General and administrative expenses	**1,693**	1,977	**3,114**	4,179
Gain on disposal of rental property and land held for sale	**—**	(1,474)	**—**	(1,474)
Internalization of property manager	**—**	—	**—**	1,230
Interest and fee income	**(771)**	(680)	**(1,941)**	(1,344)
Income taxes	**72**	40,041	**85**	39,929
Depreciation, amortization, interest and loss of disposal, included in discontinued operations	**426**	24,912	**426**	46,215
NOI including redevelopment and discontinued operations	**$ 29,212**	$ 57,981	**$ 56,732**	$ 108,485

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 16% over the comparative period, primarily due to income generated by properties acquired in 2007 and 2008. NOI generated by our comparative portfolio increased $0.1 million, or 1%, for the quarter, largely driven by higher rental rates achieved on renewals and new leasing in our industrial portfolio. Discontinued operations mainly reflects the results of the Eastern Portfolio.

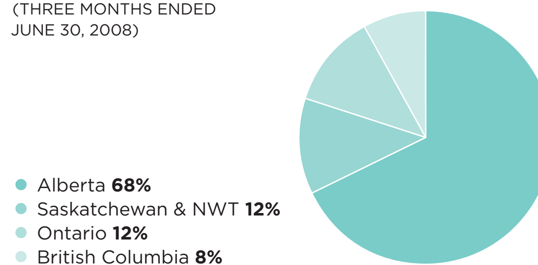
	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
Office	**$ 25,667**	$ 21,625	$ 4,042	19	**$ 49,665**	$ 39,558	$ 10,107	26
Industrial	**3,080**	3,091	(11)	—	**6,087**	6,007	80	1
NOI	**28,747**	24,716	4,031	16	**55,752**	45,565	10,187	22
Redevelopment	**465**	479	(14)		**980**	1,022	(42)	
Discontinued operations	**—**	32,786	(32,786)		**—**	61,898	(61,898)	
NOI including redevelopment and discontinued operations	**$ 29,212**	$ 57,981	$ (28,769)	(50)	**$ 56,732**	$ 108,485	$ (51,753)	(48)

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
British Columbia	**$ 2,160**	$ 1,329	$ 831	63	**$ 4,331**	$ 2,936	$ 1,395	48
Alberta	**19,669**	17,736	1,933	11	**38,137**	31,594	6,543	21
Saskatchewan & NWT	**3,557**	3,643	(86)	(2)	**7,193**	7,010	183	3
Ontario	**3,361**	2,008	1,353	67	**6,091**	4,025	2,066	51
NOI	**28,747**	24,716	4,031	16	**55,752**	45,565	10,187	22
Redevelopment	**465**	479	(14)		**980**	1,022	(42)	
Discontinued operations	**—**	32,786	(32,786)		**—**	61,898	(61,898)	
NOI including redevelopment and discontinued operations	**$ 29,212**	$ 57,981	$ (28,769)	(50)	**$ 56,732**	$ 108,485	$ (51,753)	(48)

NOI BY SEGMENT
(THREE MONTHS ENDED JUNE 30, 2008)



NOI BY REGION
(THREE MONTHS ENDED JUNE 30, 2008)



NOI comparative portfolio

NOI shown below highlights comparative and non-comparative items to assist in understanding the impact each component has on NOI. The Eastern Portfolio is classified as discontinued operations. Discontinued operations contributing to NOI are shown separately to conform to the required income statement presentation. Comparative NOI and acquisitions exclude GAAP adjustments that relate to straight-line rents and amortization of market rent adjustments on acquired leases.

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
Office	**$ 15,668**	$ 15,617	$ 51	—	**$ 31,210**	$ 31,116	$ 94	0
Industrial	**3,052**	2,998	54	2	**6,007**	5,843	164	3
Comparative properties	**18,720**	18,615	105	1	**37,217**	36,959	258	1
Acquisitions	**6,499**	2,702	3,797		**11,862**	3,350	8,512	
Rent supplement	**13**	24	(11)		**34**	47	(13)	
GAAP adjustments	**3,515**	3,375	140		**6,639**	5,209	1,430	
NOI	**28,747**	24,716	4,031	16	**55,752**	45,565	10,187	22
Redevelopment	**465**	479	(14)		**980**	1,022	(42)	
Discontinued operations	**—**	32,786	(32,786)		**—**	61,898	(61,898)	
NOI including redevelopment and discontinued operations	**$ 29,212**	$ 57,981	$ (28,769)	(50)	**$ 56,732**	$ 108,485	$ (51,753)	(48)

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
British Columbia	**$ 1,249**	$ 1,064	$ 185	17	**$ 2,489**	$ 2,487	$ 2	—
Alberta	**12,203**	11,974	229	2	**24,093**	23,560	533	2
Saskatchewan & NWT	**3,496**	3,564	(68)	(2)	**7,071**	6,873	198	3
Ontario	**1,772**	2,013	(241)	(12)	**3,564**	4,039	(475)	(12)
Comparative properties	**18,720**	18,615	105	1	**37,217**	36,959	258	1
Acquisitions	**6,499**	2,702	3,797		**11,862**	3,350	8,512	
Rent supplement	**13**	24	(11)		**34**	47	(13)	
GAAP adjustments	**3,515**	3,375	140		**6,639**	5,209	1,430	
NOI	**28,747**	24,716	4,031	16	**55,752**	45,565	10,187	22
Redevelopment	**465**	479	(14)		**980**	1,022	(42)	
Discontinued operations	**—**	32,786	(32,786)		**—**	61,898	(61,898)	
NOI including redevelopment and discontinued operations	**$ 29,212**	$ 57,981	$ (28,769)	(50)	**$ 56,732**	$ 108,485	$ (51,753)	(48)

Comparative NOI increased 1% compared to 2007, reflecting increases in rental rates on renewals in Western Canada, offset by a vacancy at one of our Toronto buildings that has been re-leased subsequent to June 30, 2008, with occupancy scheduled for the fourth quarter. Our comparative industrial portfolio NOI increased 2% as rental rate increases on renewals and new leases offset a slight decrease in occupancy.

Comparative office portfolio

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
British Columbia	**$ 1,249**	$ 1,064	$ 185	17	**$ 2,489**	$ 2,487	$ 2	—
Alberta	**9,151**	8,976	175	2	**18,086**	17,717	369	2
Saskatchewan & NWT	**3,496**	3,564	(68)	(2)	**7,071**	6,873	198	3
Ontario	**1,772**	2,013	(241)	(12)	**3,564**	4,039	(475)	(12)
Comparative properties	**15,668**	15,617	51	—	**31,210**	31,116	94	—
Acquisitions	**6,499**	2,702	3,797		**11,862**	3,350	8,512	
Rent supplement	**13**	24	(11)		**34**	47	(13)	
GAAP adjustments	**3,487**	3,282	205		**6,559**	5,045	1,514	
Office NOI	**$ 25,667**	$ 21,625	$ 4,042	19	**$ 49,665**	$ 39,558	$ 10,107	26

Our comparative office portfolio remains well occupied with most Western markets being virtually fully occupied. Overall NOI is consistent with that of the prior year, reflecting higher rental rates on renewals and new leasing, offset by slightly lower in-place occupancy compared to the prior year. The Alberta office portfolio experienced modest growth, reflecting higher rental rates on renewals in downtown Calgary and higher occupancy. Occupancy in the comparative Alberta office portfolio was 99.5% at period-end compared to 94.2% in the prior year comparative period. The British Columbia portfolio produced NOI growth of 17%, reflecting higher in-place occupancy compared to the prior year.

Comparative industrial portfolio

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
Alberta	**$ 3,052**	$ 2,998	$ 54	2	**$ 6,007**	$ 5,843	$ 164	3
Comparative properties	**3,052**	2,998	54	2	**6,007**	5,843	164	3
GAAP adjustments	**28**	93	(65)		**80**	164	(84)	
Industrial NOI	**$ 3,080**	$ 3,091	$ (11)	0	**$ 6,087**	$ 6,007	$ 80	1

The increase in comparative NOI growth in our industrial portfolio was mainly due to the impact of higher rental rates and higher occupancy compared to the prior year.

NOI prior quarter comparison

The comparative properties disclosed in the following table are based on properties that were acquired prior to October 1, 2007. Overall, comparative properties are maintaining a high level of occupancy with the Western Canada office portfolio, reporting occupancy in excess of 97%. Comparative property NOI improved slightly compared to the prior quarter with rental rate increases on new leasing. During the prior quarter, we intentionally took back a significant amount of office space when presented with the opportunity, which we were able to re-lease at current market rental rates. The impact of these activities is reflected in the growth in the current quarter with additional upside anticipated for the third quarter as the spaces are occupied. We have also leased a significant vacancy in the Ontario portfolio that will be occupied by the fourth quarter of 2008.

	For the three months ended			
			Growth	
	June 30, 2008	March 31, 2008	Amount	%
Office	**$ 20,358**	$ 20,109	$ 249	1
Industrial	**3,052**	2,956	96	3
Comparative properties	**23,410**	23,065	345	1
Acquisitions	**1,809**	795	1,014	
Rent supplement	**13**	21	(8)	
GAAP adjustments	**3,515**	3,124	391	
NOI	**28,747**	27,005	1,742	6
Redevelopment	**465**	515	(50)	
NOI including redevelopment and discontinued operations	**$ 29,212**	$ 27,520	$ 1,692	6

	For the three months ended			
			Growth	
	June 30, 2008	March 31, 2008	Amount	%
British Columbia	**$ 2,098**	$ 2,083	$ 15	1
Alberta	**16,044**	15,615	429	3
Saskatchewan & NWT	**3,496**	3,575	(79)	(2)
Ontario	**1,772**	1,792	(20)	(1)
Comparative properties	**23,410**	23,065	345	1
Acquisitions	**1,809**	795	1,014	
Rent supplement	**13**	21	(8)	
GAAP adjustments	**3,515**	3,124	391	
NOI	**28,747**	27,005	1,742	6
Redevelopment	**465**	515	(50)	
NOI including redevelopment and discontinued operations	**$ 29,212**	$ 27,520	$ 1,692	6

QUARTERLY INFORMATION

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

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Revenues								
Rental properties revenue	**$ 45,441**	$ 44,195	$ 42,921	$ 40,464	$ 38,334	$ 33,442	$ 32,242	$ 30,431
Interest and fee income	**771**	1,170	1,023	574	680	664	1,252	1,032
	46,212	45,365	43,944	41,038	39,014	34,106	33,494	31,463
Expenses								
Rental properties operating expenses	**16,229**	16,675	16,035	14,379	13,139	12,050	12,364	11,174
Interest	**12,072**	11,581	10,154	9,794	9,168	8,706	9,295	9,968
Depreciation of rental properties	**6,763**	6,360	6,180	6,135	5,823	5,223	5,087	4,996
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,850**	6,653	7,282	5,862	6,004	4,198	3,650	4,507
General and administrative	**1,693**	1,421	1,534	1,887	1,977	2,202	1,861	1,687
	43,607	42,690	41,185	38,057	36,111	32,379	32,257	32,332
Income (loss) before the undernoted items	**2,605**	2,675	2,759	2,981	2,903	1,727	1,237	(869)
Internalization of property manager	**—**	—	—	—	—	(1,230)	(615)	27
Gain (loss) on disposal of rental property and land held for sale	**—**	—	—	854	1,474	—	9	(445)
Reversal of (provision for) impairment of rental property previously held for sale	**—**	—	6,298	(7,650)	—	—	—	—
Income (loss) before income and large corporations taxes	**2,605**	2,675	9,057	(3,815)	4,377	497	631	(1,287)
Income taxes (recovery)								
Current income and large corporations taxes	**(4)**	(55)	8	7	10	5	22	(82)
Future income taxes	**76**	68	(15,539)	(25,198)	40,031	(117)	(111)	(202)
Income tax expense (recovery)	**72**	13	(15,531)	(25,191)	40,041	(112)	(89)	(284)
Income (loss) before discontinued operations	**2,533**	2,662	24,588	21,376	(35,664)	609	720	(1,003)
Discontinued operations	**(426)**	—	4,636	731,074	7,874	7,809	7,232	7,826
Net income (loss)	**$ 2,107**	$ 2,662	$ 29,224	$ 752,450	$ (27,790)	$ 8,418	$ 7,952	$ 6,823
Net income (loss) per unit								
Basic	**$ 0.10**	$ 0.13	$ 1.38	$ 19.82	$ (0.57)	$ 0.19	$ 0.24	$ 0.19
Diluted[1]	**$ 0.10**	$ 0.13	$ 1.38	$ 19.81	$ (0.57)	$ 0.19	$ 0.24	$ 0.19

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

Calculation of funds from operations and distributable income

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net income (loss)	**$ 2,107**	$ 2,662	$ 29,224	$ 752,450	$ (27,790)	$ 8,418	$ 7,952	$ 6,823
Add (deduct):								
Depreciation of rental properties	**6,763**	6,360	6,193	10,960	13,495	12,336	11,259	10,824
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,850**	6,653	7,286	10,825	12,988	9,843	9,384	9,007
Future income tax	**76**	68	(15,539)	(25,198)	40,031	(117)	(111)	(202)
Imputed amortization of leasing costs related to the rent supplement	**8**	10	6	61	88	79	81	68
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(87)**	(56)	(77)	(42)	(29)	(18)	(17)	(18)
(Gain) loss on disposal of rental properties and land held for sale	**426**	—	(4,968)	(727,374)	(1,474)	—	4	415
Provision for (reversal of) impairment in value of rental property	**—**	—	(6,298)	7,650	—	—	—	—
Internalization of property manager	**—**	—	—	—	—	1,230	615	(27)
Income tax expense incurred as a result of the Transaction	**—**	—	300	—	—	—	—	—
Funds from operations	**$ 16,143**	$ 15,697	$ 16,127	$ 29,332	$ 37,309	$ 31,771	$ 29,167	$ 26,890
Funds from operations per unit								
Basic[1]	**$ 0.76**	$ 0.74	$ 0.76	$ 0.77	$ 0.76	$ 0.71	$ 0.74	$ 0.74
Diluted	**$ 0.74**	$ 0.72	$ 0.76	$ 0.76	$ 0.75	$ 0.69	$ 0.71	$ 0.70
Cash generated from operating activities	**$ 9,644**	$ 11,585	$ 9,952	$ 6,794	$ 35,150	$ 32,071	$ 24,003	$ 22,058
Add (deduct):								
Deferred leasing costs incurred	**980**	760	690	2,026	1,554	1,358	2,352	972
Amortization of deferred financing costs incurred prior to June 30, 2003	**17**	11	20	67	94	87	65	81
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**—**	—	(4)	5	13	16	16	17
Amortization of tenant inducements	**41**	37	25	31	33	26	20	—
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(86)**	(56)	(77)	(42)	(29)	(18)	(17)	(18)
Amortization of deferred financing costs	**(332)**	(313)	(57)	(259)	(316)	(306)	(445)	(619)
Income tax expense incurred as a result of the Transaction	**—**	—	300	—	—	—	—	—
Change in non-cash working capital	**2,199**	325	1,471	16,412	(3,517)	(4,265)	660	1,378
Distributable income ("DI")	**$ 12,463**	$ 12,349	$ 12,320	$ 25,034	$ 32,982	$ 28,969	$ 26,654	$ 23,869
Distributable income per unit								
Basic[1]	**$ 0.59**	$ 0.58	$ 0.58	$ 0.66	$ 0.67	$ 0.64	$ 0.67	$ 0.66
Diluted	**$ 0.59**	$ 0.58	$ 0.58	$ 0.65	$ 0.66	$ 0.63	$ 0.65	$ 0.63
Weighted average units outstanding for FFO and DI								
Basic	**21,300,089**	21,179,939	21,107,542	37,961,439	49,115,213	44,954,392	39,588,295	36,350,417
Diluted	**24,719,316**	24,609,778	21,566,798	39,020,277	51,306,940	47,732,198	43,447,393	42,292,776

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

SECTION III — DISCLOSURE CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

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

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

SECTION IV — RISKS AND OUR STRATEGY TO MANAGE

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

SECTION V — CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

Management of Dundee REIT believes that certain policies may be subject to estimation and management's judgment. For a list and explanation of these policies, please refer to Note 2 of the Interim Financial Statements and to our 2007 Annual Report.

CHANGES IN ACCOUNTING POLICIES

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

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

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

Amendments to CICA Handbook Section 1000, "Financial Statement Concepts" and new CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replace CICA Handbook Section 3062, "Goodwill and Other Intangible Assets", have been issued and apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The impact of these changes has not yet been determined.

In January 2006, the CICA Accounting Standards Board ("ASB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

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, 2008**	December 31, 2007
Assets			
Rental properties	4	**$ 1,140,319**	$ 1,004,198
Deferred costs	5	**34,476**	31,433
Amounts receivable	6	**9,197**	9,761
Prepaid expenses and other assets	7	**6,209**	20,928
Cash and cash equivalents		**112,736**	37,727
Intangible assets	8	**56,907**	52,394
		$ 1,359,844	$ 1,156,441
Liabilities			
Debt	9	**$ 885,488**	$ 680,479
Amounts payable and accrued liabilities	10	**21,193**	24,389
Distributions payable	11	**3,895**	3,818
Future income tax liability	14	**2,930**	2,746
Intangible liabilities	8	**47,825**	36,869
		961,331	748,301
Unitholders' equity	12	**398,513**	408,140
		$ 1,359,844	$ 1,156,441

See accompanying notes to the consolidated financial statements

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of net income (loss) and comprehensive income (loss)

(unaudited) (in thousands of dollars, except per unit amounts)	Note	**For the three months ended June 30, 2008**	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Revenues					
Rental properties revenue		**$ 45,441**	$ 38,334	**$ 89,636**	$ 71,776
Interest and fee income		**771**	680	**1,941**	1,344
		46,212	39,014	**91,577**	73,120
Expenses					
Rental properties operating expenses		**16,229**	13,139	**32,904**	25,189
Interest	13	**12,072**	9,168	**23,653**	17,874
Depreciation of rental properties		**6,763**	5,823	**13,123**	11,046
Amortization of deferred leasing costs, tenant improvements and intangibles		**6,850**	6,004	**13,503**	10,202
General and administrative		**1,693**	1,977	**3,114**	4,179
		43,607	36,111	**86,297**	68,490
Income before the undernoted items		**2,605**	2,903	**5,280**	4,630
Internalization of property manager	21	**—**	—	**—**	(1,230)
Gain on disposal of rental property		**—**	1,474	**—**	1,474
Income before income taxes		**2,605**	4,377	**5,280**	4,874
Provision for (recovery of) income taxes	14				
Current income taxes		**(4)**	10	**(59)**	15
Future income taxes		**76**	40,031	**144**	39,914
		72	40,041	**85**	39,929
Income (loss) before discontinued operations		**2,533**	(35,664)	**5,195**	(35,055)
Discontinued operations	18	**(426)**	7,874	**(426)**	15,683
Net income (loss)		**$ 2,107**	$ (27,790)	**$ 4,769**	$ (19,372)
Basic and diluted income (loss) per unit	15				
Continuing operations		**$ 0.12**	$ (0.73)	**$ 0.25**	$ (0.74)
Discontinued operations		**(0.02)**	0.16	**(0.02)**	0.33
Net income (loss)		**$ 0.10**	$ (0.57)	**$ 0.23**	$ (0.41)
Net income (loss)		**$ 2,107**	$ (27,790)	**$ 4,769**	$ (19,372)
Other comprehensive income (loss)					
Change in foreign currency translation adjustment		**(39)**	(713)	**110**	(772)
Comprehensive income (loss)		**$ 2,068**	$ (28,503)	**$ 4,879**	$ (20,144)

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity

(unaudited) (in thousands of dollars, except number of units)	Note	Number of Units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive loss	Total
Unitholders' equity, January 1, 2008		**20,863,819**	**$ 544,850**	**$ 796,138**	**$ (926,605)**	**$ (6,243)**	**$ 408,140**
Net income		**—**	**—**	**4,769**	**—**	**—**	**4,769**
Distributions paid	**11**	**—**	**—**	**—**	**(19,386)**	**—**	**(19,386)**
Distributions payable	**11**	**—**	**—**	**—**	**(3,895)**	**—**	**(3,895)**
Distribution Reinvestment Plan	**12**	**156,631**	**5,115**	**—**	**—**	**—**	**5,115**
Unit Purchase Plan	**12**	**19,656**	**639**	**—**	**—**	**—**	**639**
Deferred Unit Incentive Plan	**12**	**10,492**	**98**	**—**	**—**	**—**	**98**
Purchase of units under normal course issuer bid	**12**	**(3,000)**	**(94)**	**—**	**—**	**—**	**(94)**
Conversion of 6.5% Debentures	**12**	**22,840**	**571**	**—**	**—**	**—**	**571**
Conversion of 5.7% Debentures	**12**	**11,227**	**337**	**—**	**—**	**—**	**337**
Issue costs		**—**	**(51)**	**—**	**—**	**—**	**(51)**
Equity portion of 6.0% Debentures	**9**	**—**	**2,160**	**—**	**—**	**—**	**2,160**
Change in foreign currency translation adjustment		**—**	**—**	**—**	**—**	**110**	**110**
Unitholders' equity, June 30, 2008		**21,081,665**	**$ 553,625**	**$ 800,907**	**$ (949,886)**	**$ (6,133)**	**$ 398,513**

(unaudited) (in thousands of dollars, except number of units)	Note	Number of Units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive loss	Total
Unitholders' equity, January 1, 2007		43,419,648	$ 1,067,125	$ 33,836	$ (207,286)	$ (5,116)	$ 888,559
Net loss		—	—	(19,372)	—	—	(19,372)
Distributions paid	12	—	—	—	(43,429)	—	(43,429)
Distributions payable	12	—	—	—	(9,056)	—	(9,056)
Public offering of REIT A Units	12	4,195,000	170,946	—	—	—	170,946
Distribution Reinvestment Plan	12	348,419	14,305	—	—	—	14,305
Unit Purchase Plan	12	1,170	51	—	—	—	51
Deferred Unit Incentive Plan	12	1,287	884	—	—	—	884
Conversion of 6.5% Debentures	12	355,560	8,889	—	—	—	8,889
Conversion of 5.7% Debentures	12	1,122,566	33,677	—	—	—	33,677
Units issued on internalization of property manager	21	44,674	1,230	—	—	—	1,230
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

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, 2008**	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Generated from (utilized in) operating activities					
Net income (loss)		**$ 2,107**	$ (27,790)	**$ 4,769**	$ (19,372)
Non-cash items:					
Depreciation of rental properties		**6,763**	13,495	**13,123**	25,831
Amortization of deferred leasing costs, tenant improvements and intangibles		**6,850**	12,988	**13,503**	22,831
Amortization of deferred financing costs		**332**	316	**645**	622
Amortization of fair value adjustment on acquired debt		**(264)**	(623)	**(489)**	(1,083)
Internalization of property manager		**—**	—	**—**	1,230
Loss on disposal of rental properties		**426**	—	**426**	—
Gain on disposal of land inventory		**—**	(1,474)	**—**	(1,474)
Deferred unit compensation expense		**98**	431	**98**	884
Future income taxes		**76**	40,031	**144**	39,914
Amortization of market rent adjustments on acquired leases		**(3,376)**	(3,337)	**(6,292)**	(5,249)
Straight-line rent adjustment		**(189)**	(850)	**(434)**	(1,783)
		12,823	33,187	**25,493**	62,351
Deferred leasing costs incurred		**(980)**	(1,554)	**(1,740)**	(2,912)
Change in non-cash working capital	20	**(2,199)**	3,517	**(2,524)**	7,782
		9,644	35,150	**21,229**	67,221
Generated from (utilized in) investing activities					
Investment in rental properties		**(619)**	(2,708)	**(982)**	(5,131)
Investment in tenant improvements		**(878)**	(2,176)	**(1,247)**	(3,661)
Investment in land development		**—**	(1,023)	**—**	(1,744)
Acquisition of rental properties and land	3	**(56,619)**	(214,889)	**(146,256)**	(478,722)
Acquisition deposit on rental properties		**700**	839	**(100)**	(261)
Investment in mezzanine loan		**—**	(143)	**—**	(365)
Repayment of promissory note		**—**	—	**12,116**	—
Net proceeds from disposal of land held for sale		**—**	2,286	**—**	2,286
Change in restricted cash, net		**530**	192	**426**	304
		(56,886)	(217,622)	**(136,043)**	(487,294)
Generated from (utilized in) financing activities					
Mortgages placed, net of costs		**95,499**	136,498	**95,371**	236,588
Mortgage principal repayments		**(3,313)**	(8,118)	**(6,586)**	(15,170)
Mortgage lump sum repayments		**(508)**	(6,726)	**(508)**	(19,462)
Term debt principal repayments		**(27)**	(29)	**(61)**	(57)
Term debt placed, net of costs		**—**	24	**—**	61
Convertible debentures issued, net of costs		**—**	—	**119,200**	—
Demand revolving credit facility, net		**—**	31,330	**—**	31,330
Distributions paid on Units	11	**(8,707)**	(19,235)	**(18,088)**	(37,138)
Redemption of Units		**(94)**	—	**(94)**	—
Units issued for cash, net of costs		**16**	(206)	**589**	163,550
		82,866	133,538	**189,823**	359,702
Increase (decrease) in cash and cash equivalents		**35,624**	(48,934)	**75,009**	(60,371)
Cash and cash equivalents, beginning of period		**77,112**	59,560	**37,727**	70,997
Cash and cash equivalents, end of period		**$ 112,736**	$ 10,626	**$ 112,736**	$ 10,626

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

Note 1

ORGANIZATION

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

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

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

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

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

On August 24, 2007, the Trust completed the sale of its portfolio of real estate assets located principally in Ontario, Québec and Newfoundland (the "Eastern Portfolio") to GE Real Estate ("GE"), including the assumption of liabilities by GE relating to the Eastern Portfolio (the "Transaction"). Dundee REIT's portfolio now comprises office and industrial properties located primarily in Western Canada, and a subsidiary of Dundee REIT continues to perform the property management function.

Pursuant to the Transaction, the Trust made certain amendments to its Declaration of Trust and to other governing documents of the Trust and its subsidiaries. In general, the Trust and its subsidiaries cannot take any action that would prevent it from qualifying as a "real estate investment trust" and the Trust could not take any action that at any time prior to January 1, 2008, would cause it to exceed "normal growth" as determined by the normal growth guidelines pertaining to SIFTs, or to be subject to tax under paragraph 122(1) (b) of the *Income Tax Act*, which specifies taxes payable by a SIFT entity.

At June 30, 2008, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 320,851 REIT A Units and 3,412,956 LP B Units (December 31, 2007 — 333,520 and 3,315,349 Units, respectively). At June 30, 2008, GE held 2,997,371 REIT A Units and 476,316 REIT B Units (December 31, 2007 — 2,997,371 and 476,316, respectively).

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are in conformity with the requirements of Canadian generally accepted accounting principles ("GAAP") for interim financial statements as recommended by the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, "Interim Financial Statements". The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of GAAP for annual financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements of Dundee REIT as at, and for the year ended, December 31, 2007.

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

These consolidated financial statements follow the same accounting policies and methods of application as used in the December 31, 2007 financial statements. Newly adopted policies of the Trust, effective January 1, 2008, are as follows:

Capital Disclosures

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

Financial Instruments — Disclosures and Presentation

CICA Handbook Section 3862, "Financial Instruments — Disclosures" and Section 3863, "Financial Instruments — Presentation" replace Section 3861, "Financial Instruments — Disclosure and Presentation", revises and enhances its disclosure requirements and carries forward its presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks. These standards impact the Trust's disclosure but do not affect its consolidated financial position, results of operations or cash flows. Details of the required capital and financial instruments disclosures can be found in Note 22.

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board ("ASB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis. In February 2008, the CICA ASB confirmed the effective date of the initial adoption of IFRS. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

Note 3

PROPERTY ACQUISITIONS

The Trust completed the following acquisitions during the six months ended June 30, 2008 and June 30, 2007, which have contributed to the operating results from the date of acquisition:

For the period ended June 30, 2008	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Air Miles Tower, Toronto	office	100	322,557	92	$ 91,988	$ —	January 31, 2008
IBM Corporate Park, Calgary	office	33	118,804	100	57,300	—	May 14, 2008
Total			441,361	94	$ 149,288	$ —	

For the period 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[1]	office	100	426,000	96	$ 110,798	$ —	January 9, 2007
625 Agnes Street, New Westminster	office	100	83,000	88	14,587	—	January 24, 2007
Aspen Portfolio, Calgary	office	100	543,000	99	172,130	29,225	March 13, 2007
HCI Portfolio, Vaughan, Burlington and Mississauga, Ontario[1]	industrial	100	2,100,000	98	237,696	56,528	May 1, 2007
501 Applewood Crescent, Vaughan, Ontario[1]	industrial	100	76,000	100	6,787	—	May 1, 2007
154 University Avenue, Toronto[1]	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	

[1] Disposed of in 2007.

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

For the six months ended June 30	2008	2007
Rental properties		
Land	$ 28,130	$ 156,087
Buildings	119,745	378,375
	147,875	534,462
Tenant improvements acquired	5,371	12,280
Intangible assets		
Value of in-place leases	6,745	26,959
Lease origination costs	1,910	4,401
Value of above-market rent leases	35	1,410
Value of tenant relationships	4,819	22,441
	166,755	601,953
Intangible liabilities		
Value of below-market rent leases	(17,467)	(27,534)
Total purchase price	**$ 149,288**	$ 574,419
The consideration paid consists of:		
Cash		
Paid during the period	$ 146,256	$ 478,722
Deposit	2,350	3,600
	148,606	482,322
Assumed mortgages at fair value	—	91,240
Assumed accounts payable and accrued liabilities	682	857
Total consideration	**$ 149,288**	$ 574,419

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

Note 4
RENTAL PROPERTIES

		June 30, 2008			December 31, 2007	
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Land	**$ 220,183**	**$ —**	**$ 220,183**	$ 191,935	$ —	$ 191,935
Buildings and improvements	**994,504**	**(76,664)**	**917,840**	875,619	(65,690)	809,929
Fixed assets and equipment	**1,975**	**(637)**	**1,338**	1,985	(502)	1,483
Rental properties under development	**958**	**—**	**958**	851	—	851
Total	**$ 1,217,620**	**$ (77,301)**	**$ 1,140,319**	$ 1,070,390	$ (66,192)	$ 1,004,198

Note 5
DEFERRED COSTS

		June 30, 2008			December 31, 2007	
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Deferred leasing costs	**$ 9,290**	**$ (3,381)**	**$ 5,909**	$ 7,639	$ (4,710)	$ 2,929
Tenant improvements	**41,879**	**(15,871)**	**26,008**	36,115	(10,352)	25,763
Deferred recoverable costs	**5,005**	**(2,446)**	**2,559**	4,746	(2,007)	2,739
Other deferred costs	**—**	**—**	**—**	507	(505)	2
Total	**$ 56,174**	**$ (21,698)**	**$ 34,476**	$ 49,007	$ (17,574)	$ 31,433

Amortization of deferred recoverable costs included in operating expenses for the six months ended June 30, 2008, was $427 (June 30, 2007 — $749).

Note 6
AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments of $3,979 (December 31, 2007 — $2,871).

	June 30, 2008	December 31, 2007
Trade receivables	**$ 1,990**	$ 1,867
Straight-line rent receivables	**6,146**	5,857
Other accounts receivables	**1,061**	2,037
	$ 9,197	$ 9,761

	June 30, 2008	December 31, 2007
Trade receivables	**$ 2,209**	$ 2,280
Less: provision for impairment of trade receivables	**(219)**	(413)
Trade receivables, net	**$ 1,990**	$ 1,867

The movement in the provision for impairment of trade receivables during the period ended June 30, 2008, is as follows:

	June 30, 2008
As at January 1, 2008	**$ 413**
Provision for impairment of trade receivables	**87**
Receivables written off during the period as uncollectible	**(65)**
Reduction of other receivables written off during the period	**(217)**
Translation adjustment	**1**
As at June 30, 2008	**$ 219**

Trade receivables are recognized initially at fair value. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the income statement within operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. As at June 30, 2008, trade receivables of approximately $260 were past due but not considered impaired. These relate to tenants with which we have a strong, ongoing relationship and default is not expected.

Note 7
PREPAID EXPENSES AND OTHER ASSETS

	June 30, 2008	December 31, 2007
Prepaid expenses	$ 2,075	$ 2,170
Promissory notes	—	11,963
Deposits	374	2,609
Restricted cash	3,760	4,186
Total	$ 6,209	$ 20,928

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

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

Note 8
INTANGIBLE ASSETS AND LIABILITIES

	June 30, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	$ 2,458	$ (897)	$ 1,561	$ 2,481	$ (735)	$ 1,746
Value of in-place leases	41,007	(16,929)	24,078	36,469	(13,947)	22,522
Lease origination costs	8,427	(2,803)	5,624	6,680	(2,129)	4,551
Value of tenant relationships	33,136	(7,492)	25,644	29,818	(6,243)	23,575
Total	$ 85,028	$ (28,121)	$ 56,907	$ 75,448	$ (23,054)	$ 52,394
Intangible liabilities						
Value of below-market rent leases	$ 70,006	$ (22,181)	$ 47,825	$ 53,786	$ (16,917)	$ 36,869

Note 9
DEBT

	June 30, 2008	December 31, 2007
Mortgages	**$ 756,720**	$ 668,188
Convertible debentures	**128,378**	11,840
Term debt	**390**	451
Total	**$ 885,488**	$ 680,479

Mortgages are secured by charges on specific rental properties.

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

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

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

Convertible debentures comprise $117,378 of the 6.0% Debentures, $7,680 of the 5.7% Debentures, and $3,320 of the 6.5% Debentures.

A demand revolving credit facility was renewed on June 30, 2008. The facility is available up to a formula-based maximum not to exceed $55,000, bearing interest generally at the bank prime rate (4.75% as at June 30, 2008) plus 0.5% or bankers' acceptance rates plus 1.875%. The facility expires on April 30, 2009, and is secured by a first ranking collateral mortgage on four of the Trust's properties and a second ranking collateral mortgage on one property. As at June 30, 2008, the formula-based amount available under this facility was $55,000, of which $nil was drawn and $nil was utilized in the form of letters of guarantee (December 31, 2007 — $nil and $nil, respectively).

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

	Weighted average interest rates			Debt amount	
	June 30, 2008	December 31, 2007	Maturity dates	**June 30, 2008**	December 31, 2007
Fixed rate					
Mortgages	**5.70%**	5.70%	2008—2019	**$ 708,964**	$ 651,844
Convertible debentures	**7.03%**	6.59%	2014—2015	**128,378**	11,840
Term debt	**9.03%**	9.03%	2008—2011	**390**	451
Total fixed rate debt	**5.90%**	5.71%		**837,732**	664,135
Variable rate					
Mortgages	**4.69%**	7.70%	2009—2018	**47,756**	16,344
Total variable rate debt	**4.69%**	7.70%		**47,756**	16,344
Total debt	**5.84%**	5.76%		**$ 885,488**	$ 680,479

The scheduled principal repayments and debt maturities are as follows:

For the year ending December 31	Mortgages	Term debt	Convertible debentures	Total
For the remainder of 2008	$ 10,113	$ 45	$ —	$ 10,158
2009	83,018	116	—	83,134
2010	21,428	127	—	21,555
2011	85,882	102	—	85,984
2012	113,562	—	—	113,562
2013 and thereafter	440,876	—	136,501	577,377
	754,879	390	136,501	891,770
Deferred financing cost and fair value adjustments	1,841	—	(8,123)	(6,282)
	$ 756,720	$ 390	$ 128,378	$ 885,488

Included in mortgages are $4,295 in fair value adjustments (December 31, 2007 — $4,827), which reflect the fair value adjustments for mortgages assumed as part of acquisitions, net of $2,454 (December 31, 2007 — $2,374) of unamortized deferred financing costs. The convertible debentures are reduced by a $2,222 premium (December 31, 2007 — $111) allocated to their conversion features and $5,901 of unamortized deferred financing costs (December 31, 2007 — $458). 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.

The estimated fair value of debt is as follows:

	June 30, 2008	December 31, 2007
Mortgages	**$ 761,686**	$ 681,896
Convertible debentures	**162,716**	15,365
Term debt	**390**	443
Total	**$ 924,792**	$ 697,704

Note 10

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2008	December 31, 2007
Trade payables	**$ 1,147**	$ 270
Accrued liabilities and other payables	**10,405**	14,762
Accrued interest	**3,267**	3,068
Deposits	**4,758**	4,422
Rent received in advance	**1,616**	1,867
Total	**$ 21,193**	$ 24,389

Note 11

DISTRIBUTIONS

The following table sets out distribution payments for the period ended June 30, 2008:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 16,959	$ 523	$ 606	$ 18,088
Paid by way of reinvestment in REIT A Units	1,923	—	—	1,923
Paid by way of reinvestment in LP B Units	—	—	3,193	3,193
Less: payable at December 31, 2007	(3,124)	(87)	(607)	(3,818)
Plus: payable at June 30, 2008	3,159	87	649	3,895
Total	$ 18,917	$ 523	$ 3,841	$ 23,281

The amount payable at June 30, 2008, was satisfied on July 15, 2008, by way of $2,945 in cash, $325 by way of 10,594 REIT Units, and $625 by way of 20,357 LP B Units. Included in the total distributions is $235, representing the 4% bonus distribution that forms part of the Distribution Reinvestment Plan ("DRIP").

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

Note 12

UNITHOLDERS' EQUITY

	June 30, 2008		December 31, 2007	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**17,192,393**	**$ 290,790**	17,072,154	$ 300,216
REIT Units, Series B	**476,316**	**13,967**	476,316	14,376
LP Class B Units, Series 1	**3,412,956**	**99,889**	3,315,349	99,791
Cumulative foreign currency translation adjustment	**—**	**(6,133)**	—	(6,243)
Total	**21,081,665**	**$ 398,513**	20,863,819	$ 408,140

Dundee REIT Units

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

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

The terms of the LP B Units restrict the transfer of such units except to a subsidiary of the holder. As a result, if an existing holder of LP B Units wants to transfer the LP B Units to a third party, they must first be converted into REIT B Units. The Trust classifies the outstanding LP B Units as unitholders' equity for financial statement purposes in accordance with GAAP.

During the six months ended June 30, 2008, there were no exchanges made by Dundee Corporation. During the six months ended June 30, 2007, 729,341 LP B Units were exchanged indirectly by Dundee Corporation for 729,341 REIT B Units, which were then exchanged for 729,341 REIT A Units. The exchanges were valued at a pro rata carrying amount of the LP B Units.

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

Special Trust Units are issued in connection with LP B Units. The Special Trust Units are not transferable separately from the LP B Units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP B Units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained upon the surrender or exchange of the LP B Units to which they relate. At June 30, 2008, 3,412,956 Special Trust Units were issued and outstanding (December 31, 2007 — 3,315,349).

	REIT Units, Series A		REIT Units, Series B		LP Class B Units, Series 1		Accumulated other comprehensive loss	Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount		Number of Units	Amount
Unitholders' equity, January 1, 2008	17,072,154	$ 300,216	476,316	$ 14,376	3,315,349	$ 99,791	$ (6,243)	20,863,819	$ 408,140
Net income	—	3,908	—	114	—	747	—	—	4,769
Distributions paid	—	(15,758)	—	(436)	—	(3,192)	—	—	(19,386)
Distributions payable	—	(3,159)	—	(87)	—	(649)	—	—	(3,895)
Distribution Reinvestment Plan	59,024	1,923	—	—	97,607	3,192	—	156,631	5,115
Unit Purchase Plan	19,656	639	—	—	—	—	—	19,656	639
Deferred Unit Incentive Plan	10,492	98	—	—	—	—	—	10,492	98
Purchase of units under normal course issuer bid	(3,000)	(94)	—	—	—	—	—	(3,000)	(94)
Conversion of 6.5% Debentures	22,840	571	—	—	—	—	—	22,840	571
Conversion of 5.7% Debentures	11,227	337	—	—	—	—	—	11,227	337
Issue costs	—	(51)	—	—	—	—	—	—	(51)
Equity portion of 6.0% Debentures	—	2,160	—	—	—	—	—	—	2,160
Change in foreign currency translation adjustment	—	—	—	—	—	—	110	—	110
Unitholders' equity, June 30, 2008	17,192,393	$ 290,790	476,316	$ 13,967	3,412,956	$ 99,889	$ (6,133)	21,081,665	$ 398,513

Public offering of REIT A Units

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

Distribution Reinvestment and Unit Purchase Plan

In August 2003, Dundee REIT established a Distribution Reinvestment and Unit Purchase Plan for holders of REIT A Units and LP B Units.

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

For the six months ended June 30, 2008, 59,024 REIT A Units and 97,607 LP B Units were issued under the DRIP for $5,115 (June 30, 2007 — 335,159 REIT A Units and 13,260 LP B Units for $14,305).

Unit Purchase Plan

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

For the six months ended June 30, 2008, 19,656 REIT A Units were issued under the Unit Purchase Plan for $639 (June 30, 2007 — 1,170 REIT A Units issued under the Unit Purchase Plan for $51).

Conversion of debentures

During the six months ended June 30, 2008, the Trust issued 22,840 REIT A Units upon conversion of $571 principal amount of the 6.5% Debentures (June 30, 2007 — issued 355,560 REIT A Units upon conversion of $8,889 principal amount) and 11,227 REIT A Units upon conversion of $337 principal amount of the 5.7% Debentures (June 30, 2007 — issued 1,122,566 REIT A Units upon conversion of $33,677 principal amount).

Deferred Unit Incentive Plan

During the six months ended June 30, 2008, $98 of compensation expense was recorded (June 30, 2007 — $884) and is included in general and administrative expenses. Income deferred trust units are accounted for as a distribution and an issuance of REIT A Units when the related deferred trust units vest. No amount in relation to income deferred trust units is recognized in net income.

	Weighted average grant date value	Deferred trust units	Income deferred trust units	Total units
Outstanding at December 31, 2007	$ 32.66	233,511	35,086	268,597
Granted during the period	33.45	84,846	9,833	94,679
REIT A Units issued	30.61	(8,681)	(1,811)	(10,492)
Fractional units paid in cash	—	—	(47)	(47)
Outstanding and payable at June 30, 2008	**$ 32.93**	**309,676**	**43,061**	**352,737**
Vested but not issued at June 30, 2008	**$ 32.74**	**224,830**	**42,117**	**266,947**

Normal course issuer bid

On August 30, 2007, the Trust filed with the TSX a Notice of Intention to make a normal course issuer bid. Under the bid, Dundee REIT will have the ability to purchase for cancellation up to a maximum of 1,359,844 REIT A Units (representing 10% of the REIT's public float of 13,598,446 REIT A Units on August 30, 2007) through the facilities of the TSX. The bid commenced on September 5, 2007, and will remain in effect until the earlier of September 4, 2008, or the date on which the Trust has purchased the maximum number of units permitted under the bid. As of June 30, 2008, the number of issued and outstanding REIT A Units is 17,192,393. Based on the closing price of the REIT A Units on June 30, 2008, the Trust may purchase up to $42,454 worth of REIT A Units. As of June 30, 2008, the Trust purchased 3,000 REIT A Units pursuant to this bid. Subsequent to the period ending June 30, 2008, the Trust purchased another 171,000 units.

Note 13
INTEREST

Interest incurred and charged to earnings is recorded as follows:

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Interest expense incurred, at stated rate of debt	**$ 12,011**	$ 9,224	**$ 23,524**	$ 17,981
Amortization of deferred financing costs	**332**	188	**645**	378
Amortization of fair value adjustments on acquired debt	**(264)**	(238)	**(489)**	(474)
Interest capitalized	**(7)**	(6)	**(27)**	(11)
Interest expense	**$ 12,072**	$ 9,168	**$ 23,653**	$ 17,874

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

Note 14
INCOME TAXES

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

Canadian and U.S.-based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. A future income tax liability as at June 30, 2008, of $2,930 (December 31, 2007 — $2,746) has been recorded to reflect the future tax obligations of these subsidiaries and comprises amounts resulting from the differences in tax and book values relating to the underlying rental properties.

For the period ended June 30, 2007, the Trust did not meet the technical REIT Exception pursuant to the June 12, 2007 amendments to the *Income Tax Act* which modified the tax treatment of certain publicly traded trusts, specified investment flow-through trusts or partnerships ("SIFTs"). Consequently, a future income tax liability in the amount of $40,000 was recorded as at June 30, 2007, based on the temporary differences that were expected to reverse on or after January 1, 2011. The future income tax liability was recorded as a charge to the consolidated statement of net income and comprehensive income for the period ended June 30, 2007.

During the quarter ended September 30, 2007, a future income tax liability in the amount of $25,000 relating to assets sold during the quarter was reversed and recorded as a component of discontinued operations. During the quarter ended December 31, 2007, the Trust modified its organizational structure in order to qualify as a "real estate investment trust" and meet the REIT Exception. As a result, the Trust met the REIT Exception as at December 31, 2007, and accordingly, the remaining $15,000 of future tax liability was reversed and recorded as a recovery through the consolidated statement of net income and comprehensive income.

Note 15
INCOME PER UNIT

The weighted average number of units outstanding was as follows:

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	For the six months ended June 30, 2008	For the six months ended June 30, 2007
REIT A Units and REIT B Units	**17,655,781**	41,119,249	**17,623,632**	38,926,395
LP B Units	**3,384,505**	7,912,427	**3,356,706**	8,036,364
Vested deferred trust units	**259,803**	83,537	**259,676**	83,537
Total weighted average number of units outstanding for basic income per unit amounts	**21,300,089**	49,115,213	**21,240,014**	47,046,296
Add incremental units:				
Unvested deferred trust units	**2,444**	—	**5,574**	—
Income deferred trust units	**314**	—	**158**	—
Total weighted average number of units outstanding for diluted income per unit amounts	**21,302,847**	49,115,213	**21,245,746**	47,046,296

The 3,214,218 incremental REIT A Units to be issued upon an assumed conversion of all debenture issues at June 30, 2008 (June 30, 2007 — 2,370,849 incremental REIT A Units) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

The 86,977 incremental unvested deferred trust units and 31,967 income deferred trust units for the six months ended June 30, 2007, have been excluded from the calculation of diluted net loss per unit as they were anti-dilutive.

Note 16
SEGMENTED INFORMATION

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

For the three months ended June 30, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 40,045	$ 4,435	$ 44,480	$ 961	$ 45,441
Operating expenses	14,378	1,355	15,733	496	16,229
Net operating income	25,667	3,080	28,747	465	29,212
Depreciation of rental properties	5,832	766	6,598	165	6,763
Amortization of deferred leasing costs, tenant improvements and intangibles	6,275	520	6,795	55	6,850
Segment income	$ 13,560	$ 1,794	$ 15,354	$ 245	15,599
Interest expense					(12,072)
General and administrative expenses					(1,693)
Interest and fee income					771
Income taxes					(72)
Discontinued operations					(426)
Net income					$ 2,107
Capital expenditures					
Investment in rental properties	$ (463)	$ (107)	$ (570)	$ (49)	$ (619)
Investment in tenant improvements	(790)	(32)	(822)	(56)	(878)
Acquisition of rental properties and land	(56,619)	—	(56,619)	—	(56,619)
Deferred leasing costs	(652)	(296)	(948)	(32)	(980)
Total capital expenditures	$ (58,524)	$ (435)	$ (58,959)	$ (137)	$ (59,096)

For the three months ended June 30, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 33,125	$ 4,175	$ 37,300	$ 1,034	$ 38,334
Operating expenses	11,500	1,084	12,584	555	13,139
Net operating income	21,625	3,091	24,716	479	25,195
Depreciation of rental properties	4,909	739	5,648	175	5,823
Amortization of deferred leasing costs, tenant improvements and intangibles	5,502	451	5,953	51	6,004
Segment income	$ 11,214	$ 1,901	$ 13,115	$ 253	13,368
Interest expense					(9,168)
General and administrative expenses					(1,977)
Gain on disposal of rental property					1,474
Interest and fee income					680
Income taxes					(40,041)
Discontinued operations					7,874
Net loss					$ (27,790)
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 six months ended June 30, 2008	**Office**	**Industrial**	**Segment total**	**Other**	**Total**
Operations					
Revenues	**$ 78,855**	**$ 8,817**	**$ 87,672**	**$ 1,964**	**$ 89,636**
Operating expenses	**29,190**	**2,730**	**31,920**	**984**	**32,904**
Net operating income	**49,665**	**6,087**	**55,752**	**980**	**56,732**
Depreciation of rental properties	**11,292**	**1,503**	**12,795**	**328**	**13,123**
Amortization of deferred leasing costs, tenant improvements and intangibles	**12,407**	**996**	**13,403**	**100**	**13,503**
Segment income	**$ 25,966**	**$ 3,588**	**$ 29,554**	**$ 552**	**30,106**
Interest expense					**(23,653)**
General and administrative expenses					**(3,114)**
Interest and fee income					**1,941**
Income taxes					**(85)**
Discontinued operations					**(426)**
Net income					**$ 4,769**
Segment rental properties	**$ 1,016,708**	**$ 103,746**	**$ 1,120,454**	**$ 19,865**	**$ 1,140,319**
Capital expenditures					
Investment in rental properties	**$ (752)**	**$ (116)**	**$ (868)**	**$ (114)**	**$ (982)**
Investment in tenant improvements	**(1,025)**	**(152)**	**(1,177)**	**(70)**	**(1,247)**
Acquisition of rental properties and land	**(146,256)**	**—**	**(146,256)**	**—**	**(146,256)**
Deferred leasing costs	**(1,220)**	**(485)**	**(1,705)**	**(35)**	**(1,740)**
Total capital expenditures	**$ (149,253)**	**$ (753)**	**$ (150,006)**	**$ (219)**	**$ (150,225)**

For the six months ended June 30, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 61,172	$ 8,465	$ 69,637	$ 2,139	$ 71,776
Operating expenses	21,614	2,458	24,072	1,117	25,189
Net operating income	39,558	6,007	45,565	1,022	46,587
Depreciation of rental properties	9,190	1,496	10,686	360	11,046
Amortization of deferred leasing costs, tenant improvements and intangibles	9,199	891	10,090	112	10,202
Segment income	$ 21,169	$ 3,620	$ 24,789	$ 550	25,339
Interest expense					(17,874)
General and administrative expenses					(4,179)
Internalization of property manager					(1,230)
Gain on disposal of rental property					1,474
Interest and fee income					1,344
Income taxes					(39,929)
Discontinued operations					15,683
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)

Note 17

RELATED-PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Prior to May 1, 2006, Dundee REIT, DPLP, Dundee Management Limited Partnership ("DMLP") and DRC were parties to a property management agreement and an administrative services agreement (the "Management Agreement" and the "Services Agreement"). In addition, DMLP and DRC are parties to a separate administrative services agreement. Effective May 1, 2006, the Trust acquired DRC's 50% interest in DMLP (see Note 21). As a result, DRC is no longer party to the Management Agreement, other than its rent supplement obligation and the Services Agreement.

Asset Management Agreement

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

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

The Trust received total fees from DRC of $455 and $824 for the three and six months ended June 30, 2008. These fees relate to the rent supplement received under the Management Agreement and cost recoveries under the Services Agreement. In the prior year, the Trust received total fees from DRC of $661. These fees relate to the rent supplement received under the Management Agreement and fees under the Services Agreement. Other costs recovered from DRC include $831 and $1,436, for the three and six months ended June 30, 2008, for operating and administration costs of regional offices.

The Trust paid total fees to DRC of $1,593 and $3,771 for the three and six months ended June 30, 2008, under the Asset Management Agreement.

Included in amounts receivable at June 30, 2008, is $(26) related to the DRC Services Agreement (December 31, 2007 — $15), $155 related to the Asset Management Agreement and $109 related to other amounts owed by DRC. Accrued liabilities and other payables at June 30, 2008, include $nil for amounts related to the Asset Management Agreement (December 31, 2007 — $363) and $nil for other amounts collected on behalf of DRC (December 31, 2007 — $751).

Note 18

DISCONTINUED OPERATIONS

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

On August 24, 2007, the Trust completed the sale of the Eastern Portfolio to GE for gross proceeds of $2,256,700 less estimated working capital adjustments net of capital expenditure adjustments of $3,288. Net proceeds include cash consideration of $1,483,622, which includes $9,468 of adjustments relating to the sale, and the assumption of liabilities of $771,116 by GE relating to this portfolio. The total disposition includes $1,550,017 of assets and $808,070 of liabilities. The Trust recognized a gain on sale of $721,867, which includes transaction costs of $18,481.

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

For the six months ended June 30, 2008, the Trust recognized a further $426 of costs associated with the GE transaction and the sale of 3901 rue Jarry.

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

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

The following table summarizes the income (loss) from discontinued operations:

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	**For the six months ended June 30, 2008**	For the six months ended June 30, 2007
Revenues				
Rental properties revenue	**$ —**	$ 57,551	**$ —**	$ 111,285
	—	57,551	**—**	111,285
Expenses				
Rental properties operating expenses	**—**	24,764	**—**	49,388
Interest	**—**	10,257	**—**	18,800
Depreciation of rental properties	**—**	7,672	**—**	14,785
Amortization of deferred leasing costs, tenant improvements and intangibles	**—**	6,984	**—**	12,629
	—	49,677	**—**	95,602
Income before the undernoted item	**—**	7,874	**—**	15,683
Loss on disposal of rental property	**(426)**	—	**(426)**	—
Income (loss) from discontinued operations	**$ (426)**	$ 7,874	**$ (426)**	$ 15,683

Note 19

COMMITMENTS AND CONTINGENCIES

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

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

Year ending December 31	Operating lease payments	Capital lease payments
For the remainder of 2008	$ 534	$ 71
2009	852	142
2010	738	142
2011	723	106
2012	682	—
2013 and thereafter	615	—
Total	$ 4,144	$ 461

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of $1,251.

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

The Trust has entered into a fixed price utility contract with respect to four office properties in Calgary. The contract is for a period of two years and locks the Trust in for total minimum payments of $1,226.

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

Note 20
SUPPLEMENTARY CASH FLOW INFORMATION

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	For the six months ended June 30, 2008	For the six months ended June 30, 2007
Decrease in accounts receivable	**$ 783**	$ 2,657	**$ 1,348**	$ 2,647
Decrease in deferred costs (other than leasing costs)	**95**	159	**229**	457
Decrease (increase) in prepaid expenses and other assets (excluding restricted cash and mezzanine loans)	**561**	(1,966)	**(158)**	(3,289)
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)	**(3,852)**	2,810	**(4,268)**	7,660
Increase (decrease) in accounts payable relating to leasing costs	**214**	(143)	**325**	307
Change in non-cash working capital	**$ (2,199)**	$ 3,517	**$ (2,524)**	$ 7,782

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

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	For the six months ended June 30, 2008	For the six months ended June 30, 2007
Interest	**$ 13,189**	$ 19,061	**$ 22,969**	$ 37,062
Income taxes	**1**	—	**(30)**	3

Note 21
INTERNALIZATION OF PROPERTY MANAGER

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

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

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

Note 22

CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

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

Various debt, equity and earnings distribution ratios are used to monitor capital adequacy and requirements. For debt management, interest coverage ratio and net debt to enterprise value are the primary ratios used in capital management. Other significant indicators include weighted average interest rate, debt average term to maturity and variable debt as a portion to total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions, capital expenditures and for evaluating the need to raise funds for further expansion.

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

The Trust's Declaration of Trust limits its interest coverage ratio to no less than 1.4 times. The interest coverage ratio is calculated as net operating income from continuing operations plus interest and fee income less general and administrative expenses, divided by interest expense from continuing operations. At June 30, 2008, the Trust's interest coverage ratio was 2.3 times, reflecting its ability to cover interest expense requirements.

For the six months ended June 30	**2008**	2007
Rental properties revenue	**$ 89,636**	$ 71,776
Rental properties operating expense	**32,904**	25,189
Net operating income	**56,732**	46,587
Add: interest and fee income	**1,941**	1,344
Less: general and administrative expenses	**3,114**	4,179
	$ 55,559	$ 43,752
Interest expense	**$ 23,653**	$ 17,874
Interest coverage ratio	**2.3**	2.4

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

For the period ended	**June 30, 2008**	December 31, 2007
Outstanding Units	**21,081,665**	20,863,819
Period-end Unit price	**$ 31.22**	$ 33.72
Market capitalization	**$ 658,170**	$ 703,528
Total debt	**885,488**	680,479
Cash and cash equivalents	**(112,736)**	(37,727)
Enterprise value	**$ 1,430,922**	$ 1,346,280
Net debt to enterprise value	**54.0%**	47.7%

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

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

The Trust has some exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt at June 30, 2008, was 5.4% of the Trust's total debt (December 31, 2007 — 2.4%). In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The following interest sensitivity table outlines the impact for the three months ended June 30, 2008, of a 1% change in the interest rate on variable rate assets and liabilities for a quarter. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

	Carrying amount				Interest rate risk
			–1%		+1%
		Income	Equity	Income	Equity
Financial asset					
Cash and cash equivalents[1]	$ 112,736	$ (282)	$ (282)	$ 282	$ 282
Financial liabilities					
Variable rate mortgages[2]	$ 47,756	$ 119	$ 119	$ (119)	$ (119)

[1] Cash and cash equivalents are short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. These balances generally receive bank prime less 1.5%. Sensitivity to a -1% change in rates: ([$112,736 x 2.25%] – [$112,736 x 3.25%])/4 = $(282). Similarly, for a +1% movement in interest rates, impact = $282. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

[2] Variable rate mortgages include a floating rate mortgage at a rate of LIBOR plus 0.355%, to a maximum of 8.75% and a floating rate mortgage at a rate of LIBOR plus 0.62%. Sensitivity to a -1% change in rates: ([$47,756 x 4.69%] – [$47,756 x 3.69%])/4 = $119. Similarly, for a +1% movement in interest rates, impact = $(119).

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

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

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

Note 23

SUBSEQUENT EVENT

Effective July 10, 2008, the Trust completed the purchase of 4370 Dominion Street, a 63,900 square foot office building located in Burnaby, British Columbia, for a purchase price of approximately $ 11,500.

Corporate information

Head office

DUNDEE REAL ESTATE INVESTMENT TRUST

State Street Financial Centre
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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

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Toronto, Ontario M5K 1G8

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Toronto, Ontario M5X 1B8

Investor relations

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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% Convertible Debentures: D.DB
5.7% Convertible Debentures: D.DB.A
6.0% Convertible Debentures: D.DB.B

Distribution Reinvestment and Unit Purchase Plan

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

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

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

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

To enrol, contact:

COMPUTERSHARE TRUST COMPANY OF CANADA

100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Services

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

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

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DUNDEE REAL ESTATE INVESTMENT TRUST

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