DUNDEE REIT

2009 Second Quarter Report

Q2

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Letter to unitholders

Dundee REIT continued to produce impressive financial results in the second quarter of 2009, recording improvements in almost every financial metric. Funds from operations ("FFO") per unit were $0.82, an increase of 8% over the prior year second quarter, and our adjusted funds from operations ("AFFO") per unit increased by 20% over the same period, further highlighting the soundness of our business.

Dundee REIT has a very strong balance sheet with a significant amount of cash on hand and an operating line available, providing notable liquidity and flexibility. We decided last year to carry an increased amount of cash on a temporary basis until we were satisfied that the credit markets were improving. While overall credit availability may still be somewhat constrained, the lending environment is improving. Dundee REIT's operational cash flow continues to grow and more than covers our distributions to unitholders. We continue to maintain a conservative level of debt, monitor our debt maturity exposure very closely and maintain a strong interest coverage ratio. During the quarter we refinanced a number of mortgages, further decreasing our overall interest rate to 5.79%.

While our overall occupancy decreased to 94% at the end of the second quarter, our average in-place rents continue to rise and our property portfolio has once again produced outstanding results with year-over-year increases in net operating income ("NOI") in every market, led by double-digit gains in our British Columbia, Saskatchewan & Northwest Territories and Ontario portfolios. Our occupancy rate in our office portfolio remains well above the national average, while the decrease in occupancy in our industrial portfolio was mainly the result of a single lease expiry of one large tenant. Dundee REIT's tenant base is well-diversified, with a significant amount of space leased to government agencies and little exposure to high-risk tenants. And while the leasing environment continues to be challenging, in particular in the Calgary market, we have already renewed half of the leases expiring during the remainder of 2009, leaving only 4% to be renewed.

There are increasing signs that after three quarters of decline the Canadian economy is starting to grow once again. The Governor of the Bank of Canada stated in late July that he expects growth in Canada in the third quarter, and world economies as a whole are on track for a recovery. While unemployment continues to be a concern and its impact on occupancy levels remains to be seen, there is a sense that the worst is behind us.

With solid results and signs of an economic recovery, we are very optimistic about our business. Notwithstanding the challenges presented by the global recession, our portfolio has performed extremely well and second quarter results proved to be among our best ever. While many of the economic factors critical to our success remain outside of our control, in pursuit of our objective to create long-term value for our unitholders, we continue to focus on the aspects of our business where we can make a difference — our operations and balance sheet management. Our disciplined approach to managing our business puts us in a strong position to benefit from an improving economy.

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, 2008, and the interim financial statements for the three and six months ended June 30, 2009.

This management's discussion and analysis has been dated as at July 31, 2009, 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 Class B Units, Series 1
- "Units", meaning REIT Units, Series A; REIT Units, Series B; LP Class B Units, Series 1; and, Special Trust Units, collectively

Certain market information has been obtained from the CB Richard Ellis MarketView, Second Quarter 2009, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

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

All forward-looking information is as of July 31, 2009, 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 managing distributions over time; 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. At June 30, 2009, approximately 6% of our total units were enrolled in the DRIP, all consisting of REIT A Units. There were no LP B Units enrolled in the DRIP and there is no equivalent program for the REIT B Units (see a description of Our Equity on page 5).

	July/08	Aug/08	Sept/08	Oct/08	Nov/08	Dec/08	Jan/09	Feb/09	Mar/09	**Apr/09**	**May/09**	**Jun/09**
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	$32.70	$32.20	$29.82	$18.90	$12.25	$12.60	$11.89	$13.75	$12.75	**$13.40**	**$15.05**	**$15.15**

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. While our core strategy of investing in the office and industrial sectors remains unchanged, we continuously review components of our strategy including acquisitions and dispositions and our capital markets strategy, particularly in light of the current conditions of the financial markets and uncertainty in the economy as a whole.

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.

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 and portfolios with a view to maximizing performance and achieving the optimal value and growth potential. Given the volatility of the current business environment, we are being very selective in our growth plans.

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 anticipating and meeting 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 (sq. ft.)

				June 30, 2009	December 31, 2008	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**515,253**	**—**	**515,253**	**8**	514,864	8
Alberta	**2,873,621**	**1,847,971**	**4,721,592**	**69**	4,724,573	69
Saskatchewan & NWT	**848,222**	**—**	**848,222**	**12**	849,329	12
Ontario	**731,703**	**—**	**731,703**	**11**	728,874	11
Total(1)	**4,968,799**	**1,847,971**	**6,816,770**	**100**	6,817,640	100
Percentage	**73%**	**27%**	**100%**			
Total as at December 31, 2008(2)	4,969,858	1,847,782	6,817,640			
Percentage	73%	27%	100%			

(1) Excludes redevelopment properties.

(2) 7102 Barlow Trail has been restated as continuing operation.

Office rental properties

Dundee REIT owns interests in 43 office properties (47 buildings) comprising approximately 5.0 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. The June 30, 2009 occupancy rate across our office portfolio remains high at 96.0%, well ahead of the national industry average occupancy rate of 91.7% (CB Richard Ellis, Canadian Office MarketView, Second Quarter 2009). Our occupancy rates include lease commitments for space which is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial rental properties

Our industrial portfolio consists of 36 prime suburban industrial properties (42 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. The June 30, 2009 occupancy rate in our industrial portfolio decreased to 89.3%, mainly due to the lease expiry of a single tenant occupying approximately 116,000 square feet in an industrial property in Edmonton. Excluding the impact of this property, the occupancy rate would be 95.1%. At 94.3%, the Trust's occupancy rate in the Calgary market remains in line with the market. Overall occupancy rates in our two industrial markets, Calgary and Edmonton, were 95.6% and 96.6%, respectively (CB Richard Ellis, Calgary and Edmonton Industrial MarketView, Second Quarter 2009).

OUR EQUITY

				Unitholders' equity
		June 30, 2009		December 31, 2008
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**17,301,556**	**$ 253,269**	16,947,240	$ 271,087
REIT Units, Series B	**16,316**	**351**	16,316	371
LP Class B Units, Series 1	**3,454,188**	**94,321**	3,454,188	98,260
Cumulative foreign currency translation adjustment	**—**	**(5,577)**	—	(5,275)
Total	**20,772,060**	**$ 342,364**	20,417,744	$ 364,443

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 Real Estate ("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, 2009, Dundee Corporation, directly and indirectly through its subsidiaries, held 780,851 REIT A Units and 3,454,188 LP B Units and GE held 2,747,371 REIT A Units and 16,316 REIT B Units.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Operations				
Occupancy rate (period-end)(1)	**94.2%**	96.5%		
In-place rent per square foot (office and industrial)(1)	**$ 15.47**	$ 14.50		
Operating results				
Rental properties revenue(2)	**$ 47,378**	$ 44,479	**$ 96,354**	$ 87,671
Net operating income ("NOI")(3)	**30,674**	28,747	**61,180**	55,752
Funds from operations ("FFO")(4)	**17,138**	16,143	**34,062**	31,839
Adjusted funds from operations ("AFFO")(5)	**12,713**	10,749	**25,003**	21,384
Distributions				
Declared distributions	**$ 11,395**	$ 11,555	**$ 22,759**	$ 23,046
Distributions paid in cash	**10,714**	8,751	**21,361**	17,177
DRIP participation ratio	**6%**	24%	**6%**	25%
Financing				
Weighted average interest rate (period-end)	**5.79%**	5.84%		
Interest coverage ratio			**2.33 times**	2.35 times
Per unit amounts				
Basic:				
FFO	**$ 0.82**	$ 0.76	**$ 1.62**	$ 1.50
Distributable income	**0.69**	0.59	**1.36**	1.17
Distribution rate	**0.55**	0.55	**1.10**	1.10
Total distributions as a percentage of distributable income	**80%**	94%	**81%**	94%
AFFO	**0.61**	0.51	**1.19**	1.01
Diluted(6):				
FFO	**$ 0.80**	$ 0.74	**$ 1.58**	$ 1.47
Distributable income	**0.68**	0.59	**1.35**	1.19

NOI, FFO, distributable income and AFFO are key measures of performance used by real estate operating companies; however, they are not defined by 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 and discontinued property.

(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 30.

(4) FFO — the reconciliation of FFO to net income can be found on page 18.

(5) AFFO — the reconciliation of AFFO to distributable income can be found on page 21.

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

FINANCIAL OVERVIEW

Overall occupancy decreased to 94.2%, mainly due to the lease expiry of a single tenant occupying approximately 116,000 square feet in an industrial property. Excluding the impact of this property, the Trust's occupancy would remain at 95.0%. Our operations remained very strong, with continued growth in our NOI. Second quarter rental property revenue and NOI grew to $47.4 million and $30.7 million, respectively, reflecting our ability to effectively manage our business as well as accretive leasing activity coming on-line. Details of our NOI begin on page 30.

Lease rollover activity has allowed us to take advantage of generally higher market rental rates, especially in our Calgary office portfolio. Market rates have experienced some softening in 2009, therefore, there is no certainty that new leasing will be accretive compared to expiring rents. Our average office portfolio occupancy rate remains well above the national industry average. Details of our leasing profile are provided on page 8.

Distributable income increased 16% to $14.4 million in the quarter, reflecting market rate increases in renewals, contractual rent increases and strong overall occupancy. Our year-to-date cash payout ratio remained steady at 94% of declared distributions. Details of our distributions and distributable income begin on page 19.

For the quarter, AFFO increased to $12.7 million, or $0.61 per unit, largely reflecting strong NOI growth offset by the dilution arising from surplus cash on our consolidated balance sheet.

OUTLOOK

Relative to other world economies, Canada has performed reasonably well since the beginning of the financial crisis. According to the Governor of the Bank of Canada, there are increasing signs that after three quarters of decline our economy is starting to grow once again beginning in this quarter. While unemployment continues to be a concern and its impact on occupancy levels remains to be seen, there is a sense that the worst is behind us. We expect, however, that the economic recovery will be slow.

Notwithstanding the challenges presented by the global recession, our second quarter performance proved to be one of our best. Our operational cash flows continue to grow and more than cover our distributions. We are very pleased with our leasing for the quarter, again delivering stable occupancy and NOI growth.

Going forward, our objective continues to be the creation of long-term value, by providing stable and predictable distributions along with capital appreciation. While many of the economic factors critical to our success remain outside of our control, in pursuit of our objective, we continue to focus on the aspects of our business where we can make a difference — leasing, cost reduction and balance sheet management. By managing our business in a disciplined manner, we believe we will be well positioned as the economy recovers.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

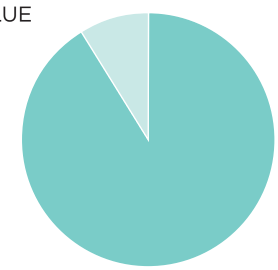
Rental properties

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

			June 30, 2009[1]		December 31, 2008[1]	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**$ 100,560**	**$ —**	**$ 100,560**	**9**	$ 101,485	9
Alberta	**652,177**	**101,430**	**753,607**	**68**	759,678	68
Saskatchewan & NWT	**108,641**	**—**	**108,641**	**10**	109,490	10
Ontario	**147,711**	**—**	**147,711**	**13**	149,611	13
Total	**$1,009,089**	**$ 101,430**	**$ 1,110,519**	**100**	$ 1,120,264	100
Percentage	**91%**	**9%**	**100%**			
Total as at December 31, 2008	$ 1,017,990	$ 102,274	$ 1,120,264			
Percentage	91%	9%	100%			

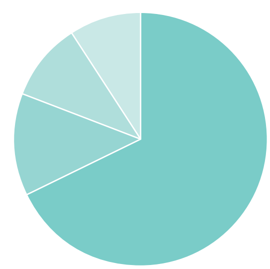
(1) Excludes $1.1 million related to redevelopment properties and $13.1 million related to a discontinued property (December 31, 2008 — excludes $22.8 million related to Greenbriar Mall and $1.0 million related to other redevelopment properties).

PORTFOLIO ASSET TYPE BY NET BOOK VALUE
(AT JUNE 30, 2009)



- Office **91%**
- Industrial **9%**

GEOGRAPHIC DISTRIBUTION OF RENTAL PROPERTIES BY NET BOOK VALUE
(AT JUNE 30, 2009)



- Alberta **68%**
- Ontario **13%**
- Saskatchewan & NWT **10%**
- British Columbia **9%**

Leasing profile

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

Performance indicators	**June 30, 2009**	December 31, 2008[1]
Operating activities (office and industrial average)[2]		
Occupancy level	**94.2%**	94.0%[1]
Tenant maturity profile — average term to maturity (years)	**4.5**	4.5
In-place rental rates	**$ 15.47**	$ 15.30

(1) 7102 Barlow Trail has been restated as continuing operations.

(2) Excludes redevelopment properties.

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

(percentage)	**Q2 2009**	Q1 2009[1]	Q4 2008[1]	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Office	**96.0**	96.4	96.6	97.6	97.4	96.0	96.7	98.3	96.5
Industrial	**89.3**	91.1	87.0	90.9	94.1	92.3	96.7	94.0	95.8
Overall[2]	**94.2**	95.0	94.0	95.8	96.5	95.0	96.7	97.0	96.2

(1) 7102 Barlow Trail has been restated as continuing operations.

(2) Excludes redevelopment properties.

The overall percentage of occupied and committed space across our rental properties portfolio was 94.2% at quarter-end. The average occupancy rate across our office portfolio decreased slightly to 96.0%; however, it is ahead of the national industry average of 91.7%. The average occupancy rate across our industrial portfolio decreased to 89.3%, mainly reflecting the lease expiry of a single tenant occupying approximately 116,000 square feet of space in Edmonton. Excluding the impact of this property, the percentage of occupied and committed space would be 95.1%. Additionally, we have completed leasing space at a property in Calgary that was previously classified as held for sale and was 82.7% occupied and committed at June 30, 2009, but has been subsequently fully leased and committed with the tenant assuming all remaining space as it expires. The overall occupancy rates for industrial space in Calgary and Edmonton were 95.6% and 96.6%, respectively (CB Richard Ellis, Canadian Office and Calgary and Edmonton Industrial MarketViews, Second Quarter 2009). Our occupancy rates discussed in this report include occupied and committed space at June 30, 2009.

	Total portfolio			Comparative properties		
(percentage)	**June 30, 2009**	December 31, 2008[1]	June 30, 2008	**June 30, 2009**	December 31, 2008[1]	June 30, 2008
Office						
British Columbia	**96.2**	96.9	99.6	**95.6**	96.4	99.6
Alberta	**95.1**	96.4	97.1	**95.1**	96.4	97.1
Saskatchewan & NWT	**99.3**	98.2	97.6	**99.3**	98.2	97.6
Ontario	**95.7**	95.2	97.4	**95.7**	95.2	97.4
Total office	**96.0**	96.6	97.4	**95.9**	96.5	97.4
Industrial						
Alberta	**89.3**	87.0	94.1	**89.3**	87.0	94.1
Overall[2]	**94.2**	94.0	96.5	**94.1**	93.9	96.5

(1) 7102 Barlow Trail has been restated as continuing operations.

(2) Excludes redevelopment properties.

Vacancy schedule

The tables below distinguish between space that is currently vacant and space that is committed for future occupancy, and provide a continuity for the vacant space component.

During the second quarter, approximately 505,000 square feet of leases expired or were terminated, and we completed approximately 391,000 square feet of renewals and new leasing. Overall, we experienced a 114,000 square foot increase in vacant space, excluding 113,000 square feet of vacancy of a property previously classified as held for sale. On a year-to-date basis, approximately 666,000 square feet of leases expired or were terminated, and we completed 565,000 square feet of renewals and new leases.

Of the vacant space at period-end, approximately 131,000 square feet, or 25%, has been committed for future occupancy, an increase of 61,000 square feet compared to the prior quarter, leaving approximately 395,000 square feet available for lease.

	For the three months ended June 30, 2009		
(in square feet)	Office	Industrial	Total
Available for lease	178,220	50,837	229,057
Vacancy committed for future leases	51,784	18,432	70,216
Vacant space — April 1, 2009	230,004	69,269	299,273
Vacancy on held for sale property — add back	—	113,120	113,120
Vacant space — April 1, 2009 restated	230,004	182,389	412,393
Remeasurements	(123)	253	130
Expiries	325,493	151,724	477,217
Early terminations and bankruptcies	26,044	1,440	27,484
New leases	(51,373)	(51,232)	(102,605)
Renewals	(273,625)	(14,360)	(287,985)
Vacant space — June 30, 2009	256,420	270,214	526,634
Vacancy committed for future leases	58,425	72,967	131,392
Available for lease — June 30, 2009	197,995	197,247	395,242

	For the six months ended June 30, 2009		
(in square feet)	Office	Industrial	Total
Available for lease	169,479	48,079	217,558
Vacancy committed for future leases	85,138	10,440	95,578
Vacant space — January 1, 2009	254,617	58,519	313,136
Vacancy on held for sale property — add back	—	113,120	113,120
Vacant space — January 1, 2009 restated	254,617	171,639	426,256
Remeasurements	(1,692)	253	(1,439)
Expiries	420,448	185,628	606,076
Early terminations and bankruptcies	39,008	21,280	60,288
New leases	(134,895)	(69,712)	(204,607)
Renewals	(321,066)	(38,874)	(359,940)
Vacant space — June 30, 2009	256,420	270,214	526,634
Vacancy committed for future leases	58,425	72,967	131,392
Available for lease — June 30, 2009	197,995	197,247	395,242

The following two tables detail our lease maturity profile by asset type and geographic segment as at June 30, 2009. The tables distinguish between those lease maturities that have yet to be renewed or re-leased and those maturities for which we have a leasing commitment. The uncommitted line should be referenced when considering future leasing risks or opportunities and the committed line should be referenced when considering the impact of leasing activity.

We have a long and successful track record in managing our lease rollovers. During the second half of 2009, approximately 8% of our leases expire, of which 4% have already been renewed by June 30, 2009, leaving only 4% to be renewed in the remainder of 2009. In Alberta, the estimated average market rent for our office and industrial space expiring in 2009 is $18.20 and $7.08 per square foot, respectively, significantly higher than our 2009 expiring rents of $13.25 and $5.66, respectively.

(in square feet)	Current vacancy	Current monthly tenancies	2009	2010	2011	2012	2013 to 2022	Total
Office — uncommitted	197,995	6,037	163,259	616,172	573,602	552,026	2,497,964	4,607,055
Office — committed	—	—	173,219	72,943	16,558	1,450	97,574	361,744
Total office	197,995	6,037	336,478	689,115	590,160	553,476	2,595,538	4,968,799
Industrial — uncommitted	197,247	22,200	103,795	212,087	293,933	391,819	503,321	1,724,402
Industrial — committed	—	—	87,292	22,177	14,100	—	—	123,569
Total industrial	197,247	22,200	191,087	234,264	308,033	391,819	503,321	1,847,971
Total — uncommitted	395,242	28,237	267,054	828,259	867,535	943,845	3,001,285	6,331,457
Total — committed	—	—	260,511	95,120	30,658	1,450	97,574	485,313
Grand total	395,242	28,237	527,565	923,379	898,193	945,295	3,098,859	6,816,770

(in square feet)	Current vacancy	Current monthly tenancies	2009	2010	2011	2012	2013 to 2022	Total
British Columbia — uncommitted	19,710	—	32,902	33,694	71,864	29,900	215,927	403,997
British Columbia — committed	—	—	101,750	9,506	—	—	—	111,256
Total British Columbia	19,710	—	134,652	43,200	71,864	29,900	215,927	515,253
Alberta — uncommitted	338,717	28,237	219,574	669,719	691,111	699,715	1,819,249	4,466,322
Alberta — committed	—	—	143,302	81,961	26,022	—	3,985	255,270
Total Alberta	338,717	28,237	362,876	751,680	717,133	699,715	1,823,234	4,721,592
Saskatchewan & NWT — uncommitted	5,715	—	11,539	105,398	70,263	196,851	434,708	824,474
Saskatchewan & NWT — committed	—	—	15,459	3,653	4,636	—	—	23,748
Total Saskatchewan & NWT	5,715	—	26,998	109,051	74,899	196,851	434,708	848,222
Ontario — uncommitted	31,100	—	3,039	19,448	34,297	17,379	531,401	636,664
Ontario — committed	—	—	—	—	—	1,450	93,589	95,039
Total Ontario	31,100	—	3,039	19,448	34,297	18,829	624,990	731,703
Grand total	395,242	28,237	527,565	923,379	898,193	945,295	3,098,859	6,816,770

The following tables provide expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties as at June 30, 2009. There has been some softening in leasing rates; however, our estimated market rents across our portfolio continue to remain above expiring rents through to 2011.

	Current monthly tenancies	2009	2010	2011	2012	2013 to 2022
Expiring rents						
Office	$ 23.73	$ 13.88	$ 16.80	$ 18.49	$ 21.11	$ 19.88
Industrial	2.67	5.66	8.32	8.20	6.35	9.38
Portfolio average	8.16	10.66	14.30	15.58	14.62	18.03
Market rents(1)						
Office	$ 20.04	$ 18.72	$ 18.89	$ 18.79	$ 19.28	$ 18.91
Industrial	4.75	7.08	9.21	10.61	7.21	8.29
Market rent average	8.74	14.17	16.03	16.48	13.98	17.03

(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	2009	2010	2011	2012	2013 to 2022
Expiring rents						
British Columbia	$ —	$ 13.59	$ 13.02	$ 14.47	$ 15.40	$ 18.76
Alberta office	22.59	13.25	16.85	19.32	21.79	21.37
Saskatchewan & NWT	—	19.14	18.28	18.24	21.04	17.27
Ontario	33.00	12.12	13.84	18.94	19.12	18.93
Alberta industrial	2.67	5.66	8.32	8.20	6.35	9.38
Portfolio average	8.16	10.66	14.30	15.58	14.62	18.03
Market rents(1)						
British Columbia	$ —	$ 19.83	$ 17.71	$ 17.55	$ 21.59	$ 19.98
Alberta office	20.04	18.20	18.84	18.20	18.86	19.21
Saskatchewan & NWT	—	20.53	20.66	23.34	19.71	16.95
Ontario	20.00	10.50	12.67	20.00	17.65	19.11
Alberta industrial	4.75	7.08	9.21	10.61	7.21	8.29
Market rent average	8.74	14.17	16.03	16.48	13.98	17.03

(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 2009 average market rental rates is approximately 33% higher than our expiring rental rates. 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 rates. The current economic uncertainty has led to some softening in market rates, and we may experience further softening of rates throughout 2009.

The average remaining lease term and other portfolio information is detailed below:

	June 30, 2009[1]			December 31, 2008[1]		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**[2]	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)[2]
Office	**4.85**	**9,599**	**$ 18.21**	4.89	9,544	$ 17.94
Industrial	**3.45**	**7,714**	**7.57**	3.39	7,404	7.35
Portfolio average	**4.52**	**9,032**	**15.47**	4.52	8,907	15.30

(1) Excludes redevelopment properties.

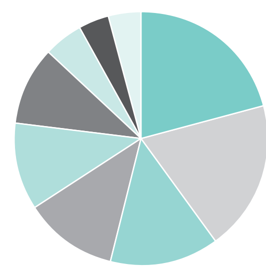
(2) Average in-place rents include straight-line rent adjustments.

Our tenant base includes a wide range of high-quality tenants, such as the government, large international corporations and small entrepreneurial businesses across the country. With 711 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 7,700 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 maintain consistently high occupancy levels and continually capitalize on rental rate uplifts.

The following chart 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, 2009)

- Other **21%**
- Professional, scientific and technical services **19%**
- Public administration **14%**
- Mining and oil and gas extraction **12%**
- Information and cultural industries **11%**
- Finance and insurance **10%**
- Administrative support, waste management and remedial services **5%**
- Transportation and warehousing **4%**
- Manufacturing **4%**



The diversity of our tenant base helps to ensure segments that undergo greater than average stress do not unduly impact us. Much of the Alberta economy is influenced by the oil and gas sector. Since the largest concentration of our portfolio is in Alberta, our greatest area of vulnerability is not necessarily with respect to a specific industry sector as much as it is to the impact of the oil and gas sector on the general economy of Alberta. As discussed elsewhere in this report, even with recent declines in rental rates, our rental rates are sufficiently below market, potentially allowing us to capture some gains if the market does not continue to soften. In addition, we are being very proactive in analyzing our portfolio and tenancies, and are focused on tenant retention and leasing. The manufacturing sector will likely feel the greatest impact of the current economic conditions and fluctuations in the Canadian dollar. As indicated by the chart above, manufacturing comprises only a minor component of our portfolio.

The stability and quality of our cash flow is enhanced by the fact that government and government agencies contribute 16% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable and high-quality businesses. The table below sets out our ten largest tenants and outlines their contributions to our rental revenues.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
TELUS Communications	311,253	4.7	6.0	2013—2016
Government of Canada	275,366	4.2	4.6	2009—2016
Loyalty Management Group	183,014	2.8	3.5	2017
Government of British Columbia	141,278	2.1	2.6	2009—2014
State Street Trust Company	122,344	1.9	3.0	2022
Government of Northwest Territories	119,837	1.8	2.9	2009—2013
Government of Ontario	123,872	1.9	2.4	2014
Hatch Optima Ltd.	94,388	1.4	2.0	2016
Government of Saskatchewan	139,529	2.1	2.0	2018
Government of Alberta	106,781	1.6	1.8	2009—2014
Total	1,617,662	24.5	30.8	

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 and when appropriate, new equity or debt issues, although current market conditions may preclude access to the capital markets at favourable rates.

Effective June 30, 2009, we classified our 50% interest in Greenbriar Mall located in Atlanta, Georgia, as a discontinued asset as discussed in Note 18 of the consolidated financial statements. As a result, we have excluded $18.7 million of mortgage debt from our analysis due to its non-recourse nature.

The current tightening in the credit markets requires us to be cautious towards how we approach our debt maturities. We expect that mortgage financing on certain properties may not be as readily available as it has been in the past and may only be available at higher interest rates and lower loan-to-value ratios. We have $30.3 million of mortgage debt that is maturing during the remainder of 2009, as well as an additional $20.6 million which we will assume upon acquisition of the remaining 50% of a property in the third quarter. We currently have over $79.3 million of cash and a further $40.0 million available to us through our revolving credit facility. Based on this, we are confident that we have adequate capital resources for 2009. Further discussion and information is provided on page 23 under Financing Activities.

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

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Cash generated from operating activities	**$ 14,807**	$ 9,644	**$ 32,192**	$ 21,229
Cash utilized in investing activities	**(2,344)**	(56,886)	**(5,215)**	(136,043)
Cash generated from (utilized in) financing activities	**(2,472)**	82,866	**(16,920)**	189,823
Increase in cash and cash equivalents	**$ 9,991**	$ 35,624	**$ 10,057**	$ 75,009

At June 30, 2009, cash and cash equivalents were $79.3 million, an increase of $10.1 million compared to December 31, 2008. This increase is mainly due to proceeds received from mortgage refinancings completed in the quarter. Funds utilized during the quarter included $3.0 million in capital investments in our properties. We have an undrawn $40.0 million revolving credit facility, which is currently available to provide further funding for working capital or as a bridge facility to fund acquisitions. Retaining cash is somewhat dilutive to our earnings in the short term; however, we believe that it provides us with flexibility during a time of uncertainty in the lending and capital markets, and gives us the ability to act quickly, should we find compelling investment opportunities.

Operating activities

The following table details the cash generated from operating activities:

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Net income (loss)	**$ (4,772)**	$ 2,107	**$ (913)**	$ 4,769
Non-cash items:				
Amortization of market rent adjustments on acquired leases	**(2,616)**	(3,376)	**(5,393)**	(6,292)
All other depreciation and amortization	**13,004**	13,681	**25,923**	26,782
Provisions for impairment and loss on disposal of rental properties	**9,004**	426	**9,004**	426
Deferred unit compensation expense	**221**	98	**418**	98
Future income taxes	**67**	76	**357**	144
Straight-line rent adjustment	**(187)**	(189)	**(400)**	(434)
	14,721	12,823	**28,996**	25,493
Deferred leasing costs incurred	**(1,012)**	(980)	**(1,857)**	(1,740)
Change in non-cash working capital	**1,098**	(2,199)	**5,053**	(2,524)
Cash generated from operating activities	**$ 14,807**	$ 9,644	**$ 32,192**	$ 21,229

Cash generated from operations for the quarter increased relative to the comparative period, mainly reflecting strong growth in NOI and fluctuations in non-cash working capital.

The amortization of market rent adjustments on acquired leases mainly represents the impact of leases with below-market rents, largely 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 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 sheets and consolidated statements 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 first six months of this year, 0.6 million square feet of space was leased and occupied, resulting in $4.8 million of leasing costs and tenant improvements. This leasing activity is 10% lower compared to the prior year period, while costs are 16.5% higher, and resulted in an average per square foot leasing cost of $9.20 for office and $5.18 for industrial space. These costs are higher than normal due to several long-term leasing deals, including costs incurred in our Calgary portfolio of $1.0 million at IBM Corporate Park, $0.5 million at Life Plaza, $0.2 million at 3510 29th Street NE and $0.2 million at McFarland Tower. In addition, we incurred $0.6 million at 4400 Dominion Street in Burnaby, B.C., $0.3 million at Air Miles Tower and $0.2 million at State Street Financial Centre, both located in Toronto. The leasing costs related to IBM Corporate Park were received as a credit to the purchase price when the property was acquired in 2008.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)	4,968,799	1,847,971	6,816,770
Occupied and committed	96.0%	89.3%	94.2%
Square footage leased and occupied in 2009	455,961	108,586	564,547
Leasing costs	$ 1,629	$ 62	$ 1,691
Tenant improvements	$ 2,565	$ 501	$ 3,066

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, 2008, and assume that market conditions remain consistent with our current experience.

	Office	Industrial
Estimated average annual leasing activity (sq. ft.)	670,000	280,000
Average leasing costs (per sq. ft.)	$ 8.00	$ 3.00
Expected average annual leasing costs	$ 5,360	$ 840

Commitments and contingencies

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

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

For the year ending December 31	Operating lease payments	Capital lease payments
2009	$ 527	$ 71
2010	1,038	142
2011	911	106
2012	774	—
2013	654	—
Total	$ 3,904	$ 319

Subsequent to quarter-end, we agreed to sell two industrial properties comprising 118,000 square feet, located in Edmonton, Alberta. The sale is expected to close August 31, 2009, for total proceeds of approximately $15.1 million.

Funds from operations

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

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Net income (loss)	**$ (4,772)**	$ 2,107	**$ (913)**	$ 4,769
Add (deduct):				
Depreciation of rental properties	**7,095**	6,763	**14,187**	13,123
Amortization of deferred leasing costs, tenant improvements and intangibles	**5,779**	6,850	**11,523**	13,503
Imputed amortization of leasing costs related to the rent supplement	**—**	8	**—**	18
Provision for impairment and loss on disposal of rental properties	**9,004**	426	**9,004**	426
Future income taxes	**67**	76	**357**	144
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(35)**	(87)	**(96)**	(144)
FFO	**$ 17,138**	$ 16,143	**$ 34,062**	$ 31,839
FFO per unit — basic	**$ 0.82**	$ 0.76	**$ 1.62**	$ 1.50
FFO per unit — diluted	**$ 0.80**	$ 0.74	**$ 1.58**	$ 1.47

FFO per unit was $0.82 for the quarter, representing an increase of 8% compared to the same period in 2008. The 6% increase in FFO to $17.1 million in the quarter is due to NOI growth from comparative properties and growth from acquisitions. Below-market rents, which result in a non-cash amortization to our operating results, contributed $2.7 million to FFO in the quarter and $5.6 million in the first half of 2009. Growth from acquisitions and one-time items amounted to $0.4 million.

Diluted FFO, distributable income and AFFO 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 21,018,003 and 24,456,839, respectively. Year-to-date, the weighted average number of units outstanding for basic and diluted FFO calculations are 20,987,343 and 24,426,028, respectively. Diluted FFO includes interest and amortization adjustments related to the convertible debentures of $2.3 million and $4.6 million for the three- and six-month periods, respectively. The basic and diluted weighted average number of units outstanding include 19,727 vested deferred trust units for the quarter and 19,574 for the six-month period.

Distributions and distributable income

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of distributable income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining distributable income. We also exclude the impact of 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.

Distributable income

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Cash generated from operating activities	**$ 14,807**	$ 9,644	**$ 32,192**	$ 21,229
Add (deduct):				
Deferred leasing costs incurred	**1,012**	980	**1,857**	1,740
Amortization of deferred financing costs incurred prior to June 30, 2003	**21**	17	**44**	28
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**(12)**	—	**(21)**	—
Amortization of tenant inducements	**58**	41	**139**	78
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(35)**	(86)	**(96)**	(142)
Amortization of deferred financing costs	**(326)**	(332)	**(631)**	(645)
Change in non-cash working capital	**(1,098)**	2,199	**(5,053)**	2,524
Distributable income	**$ 14,427**	$ 12,463	**$ 28,431**	$ 24,812
Distributable income per unit — basic	**$ 0.69**	$ 0.59	**$ 1.36**	$ 1.17
Distributable income per unit — diluted	**$ 0.68**	$ 0.59	**$ 1.35**	$ 1.19
Distributions per unit	**$ 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.

For the quarter ended June 30, 2009, distributable income per unit was $0.69 and declared distributions per unit were $0.55, representing an 80% payout ratio. In the prior year comparative period, distributable income per unit was $0.59 and declared distributions per unit were $0.55, representing a 93% payout ratio. Distributable income exceeds distributions paid and payable by $3.0 million for the quarter. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

Distributions

The distributions presented in the table below comprise $19.0 million relating to REIT Units and $3.8 million relating to LP B Units.

	Declared distributions	4% additional distributions	Total
2009 distributions			
Paid in cash or reinvested in units	$ 18,958	$ 46	$ 19,004
Payable at June 30, 2009	3,801	9	3,810
Total distributions	$ 22,759	$ 55	$ 22,814
2009 reinvestment			
Reinvested to June 30, 2009	$ 1,169	$ 46	$ 1,215
Reinvested on July 15, 2009	229	9	238
Total distributions reinvested	$ 1,398	$ 55	$ 1,453
Distributions paid in cash	$ 21,361		
Reinvestment to distribution ratio	6.1%		
Cash distribution payout ratio	93.9%		

Distributions declared in the period ended June 30, 2009 totalled $22.8 million, down $0.3 million over the comparative period mainly as a result of the purchase of units under the normal course issuer bid in the second half of 2008, net of distributions reinvested and vested deferred units exchanged for REIT Units, Series A. Of this amount, $1.4 million, or 6%, was reinvested in additional units resulting in a cash payout ratio of 94%.

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

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Net income (loss)	**$ (4,772)**	$ 2,107	**$ (913)**	$ 4,769
Cash flow from operating activities	**14,807**	9,644	**32,192**	21,229
Distributions paid and payable	**11,421**	11,659	**22,814**	23,281
Excess (shortfall) of cash flow from operating activities over cash distributions	**3,386**	(2,015)	**9,378**	(2,052)

For the quarter, cash flow from operations exceeds distributions paid and payable as a result of strong NOI growth and changes in non-cash working capital balances. In establishing distribution payments, we do not take fluctuations in working capital into consideration and use a normalized amount as a proxy for leasing costs.

Distributions paid and payable exceeded net loss by $16.2 million for the quarter. This excess was mainly a result of a provision for impairment on a discontinued property and 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, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Distributable income	**$ 14,427**	$ 12,463	**$ 28,431**	$ 24,812
Adjusted for:				
Normalized leasing costs and tenant improvements	**(1,514)**	(1,514)	**(3,028)**	(3,028)
Normalized non-recoverable recurring capital expenditures	**(200)**	(200)	**(400)**	(400)
AFFO	**$ 12,713**	$ 10,749	**$ 25,003**	$ 21,384
AFFO per unit — basic	**$ 0.61**	$ 0.51	**$ 1.19**	$ 1.01

Management believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-GAAP measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs. Please see our description of distributable income on page 19, 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 2008, 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 any growth in our business resulting from property acquisitions.

AFFO per unit was $0.61 for the quarter, representing an increase of 20% compared to the same period in 2008, due to strong performance from our properties as well as our property management function, which includes approximately $0.4 million of one-time items.

Investing activities

The following table details our cash utilized in investing activities.

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Investment in rental properties	**$ (1,351)**	$ (619)	**$ (2,031)**	$ (982)
Investment in tenant improvements	**(1,644)**	(878)	**(3,452)**	(1,247)
Acquisition of rental properties	**—**	(56,619)	**—**	(146,256)
Acquisition deposit on rental properties	**—**	700	**—**	(100)
Issue of promissory note	**—**	—	**—**	12,116
Change in restricted cash, net	**651**	530	**268**	426
Cash utilized in investing activities	**$ (2,344)**	$ (56,886)	**$ (5,215)**	$ (136,043)

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

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Investing activities				
Acquisition of rental properties	**$ —**	$ 57,300	**$ —**	$ 574,419
Building improvements	**1,292**	719	**2,329**	877

Building improvements

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Building improvements:				
Recurring recoverable	**$ 1,183**	$ 185	**$ 2,132**	$ 221
Recurring non-recoverable	**—**	159	**31**	159
Non-recurring	**109**	375	**166**	497
Total	**$ 1,292**	$ 719	**$ 2,329**	$ 877

Building improvements represent investments in our rental properties and ensure our buildings are operating at an optimal level. For the three-month period, capital expenditures or expenditures accrued for rental property building improvements and equipment were $1.3 million (June 30, 2008 — $0.7 million). Recurring and recoverable expenditures were all incurred in our office portfolio and include $0.2 million in elevator modernization, $0.2 million in chiller upgrades, $0.3 million in fire panel upgrades and $0.3 million in common area improvements. Non-recurring expenditures were $0.1 million in the quarter.

Purchase obligations

The Trust is party to a co-ownership agreement that includes a one-time put option exercisable by its co-owner. The put required us to purchase the remaining 50% of 720 Bay Street, located in Toronto, effective April 1, 2009, at the price paid by the Trust for its initial 50% interest in the property. On January 23, 2009, the put was exercised and the Trust will purchase its partner's interest in the building for $25.4 million and assume debt of approximately $20.6 million. The Trust has agreed with the co-owner of the property that the transaction will close on September 1, 2009, and has assumed management of the property effective April 1, 2009.

The Trust has an agreement to purchase, from a former joint venture partner, a fully leased office building, currently under construction, at a future date for $20.8 million with maximum adjustments to the closing price of $0.5 million. The closing is expected to take place in the first half of 2010.

Construction obligation

We have agreed to construct an office building in Yellowknife, Northwest Territories. The building is fully leased to the Government of Canada for a ten-year term and construction costs are estimated to be $20 million.

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. During the second quarter of 2009, we completed the refinancing of three mortgages that matured during the quarter and received total proceeds of $36.8 million, representing incremental liquidity of $12.6 million. Additionally, mortgages of $6.0 million and $3.7 million that matured during the quarter have been extended to the third quarter.

The following table details our cash generated from financing activities.

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Mortgages placed, net of costs	**$ 36,346**	$ 95,499	**$ 36,269**	$ 95,371
Mortgage principal repayments	**(3,843)**	(3,313)	**(7,669)**	(6,586)
Mortgage lump sum repayments	**(24,233)**	(508)	**(24,233)**	(508)
Term debt principal repayments	**(28)**	(27)	**(66)**	(61)
Convertible debentures issued, net of costs	**—**	—	**—**	119,200
Distributions paid on Units	**(10,718)**	(8,707)	**(21,220)**	(18,088)
Purchase of REIT A Units under normal course issuer bid	**—**	(94)	**—**	(94)
Units issued, net of costs	**4**	16	**(1)**	589
Cash generated from (utilized in) financing activities	**$ (2,472)**	$ 82,866	**$ (16,920)**	$ 189,823

Debt

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

	June 30, 2009	December 31, 2008
Financing activities		
Average interest rate	**5.79%**	5.83%
Interest coverage ratio[1]	**2.3 times**	2.3 times
Proportion of total debt due in current year	**4.4%**	10.2%
Debt — average term to maturity (years)	**5.3**	5.5
Variable rate debt as percentage of total debt	**3.6%**	5.8%

(1) 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.

We currently use cash flow performance indicators including the interest coverage ratio to assess our ability to meet our financing obligations. Previously, we also evaluated our level of debt as a percentage of enterprise value but no longer believe this indicator to be meaningful as the market value of our units is currently not reflective of the underlying value of our properties.

Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. Our current interest coverage ratio is 2.3 times, and reflects our ability to cover interest expense requirements. Our average interest rate as at June 30, 2009, was 5.8%, a slight decrease over the start of the year, mainly reflecting a decrease in interest rates on variable rate mortgages.

Variable rate debt as a percentage of total debt decreased to 3.6% as a result of the reclassification of Greenbriar Mall as a discontinued asset.

			June 30, 2009			December 31, 2008
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 707,551**	**$ 31,287**	**$ 738,838**	$ 703,409	$ 51,039	$ 754,448
Term debt	**279**	**—**	**279**	345	—	345
6.5% Debentures	**3,285**	**—**	**3,285**	3,277	—	3,277
5.7% Debentures	**7,722**	**—**	**7,722**	7,703	—	7,703
6.0% Debentures	**118,398**	**—**	**118,398**	117,922	—	117,922
Total	**$ 837,235**	**$ 31,287**	**$ 868,522**	$ 832,656	$ 51,039	$ 883,695
Percentage	**96.4%**	**3.6%**	**100%**	94.2%	5.8%	100%

Mortgages payable include $3.2 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2008 — $3.8 million). Amounts recorded as at June 30, 2009, for the 6.5%, 5.7% and 6.0% Debentures are net of $1.9 million of premiums allocated to their conversion features (December 31, 2008 — $2.0 million). The fair value adjustments and premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activity

During the quarter, we made scheduled repayments of $3.9 million on mortgages and term debt.

A demand revolving credit facility is available up to a formula-based maximum of $40.0 million, bearing interest generally at the bank prime rate (2.25% as at June 30, 2009) plus 1.5%, or bankers' acceptance rates plus 3.0%. The facility is secured by a first-ranking collateral mortgage on three properties and a second-ranking collateral mortgage on one property. As at June 30, 2009, $1.2 million was drawn in the form of a letter of guarantee. The facility matures on April 30, 2010. As a result of the sale of two properties expected to close on August 31, 2009, which provide security on the credit facility, the amount available will be reduced to $32.6 million.

For the remainder of 2009, we anticipate the current uncertainty in the credit markets will have an impact on interest rates and the level of debt that can be placed on a property. The risk remains that we may be unable to refinance our mortgage debt at the same amounts and interest rates as were in place at maturity; however, we currently have over $79 million of cash and a revolving credit facility that, along with cash generated from operations, gives us the flexibility to deal with any unforeseen situations related to mortgage refinancing.

Changes in debt levels are as follows:

	For the three months ended June 30, 2009			
	Mortgages	Term debt	Convertible debentures	Total
Debt as at March 31, 2009	$ 750,967	$ 307	$ 129,134	$ 880,408
New debt placed	36,779	—	—	36,779
Scheduled repayments	(3,839)	(28)	—	(3,867)
Lump sum repayments	(24,233)	—	—	(24,233)
Discontinued liability	(18,689)	—	—	(18,689)
Amortization and other adjustments	(2,147)	—	271	(1,876)
Debt as at June 30, 2009	$ 738,838	$ 279	$ 129,405	$ 868,522

	For the six months ended June 30, 2009			
	Mortgages	Term debt	Convertible debentures	Total
Debt as at December 31, 2008	$ 754,448	$ 345	$ 128,902	$ 883,695
New debt placed	36,779	—	—	36,779
Scheduled repayments	(7,669)	(66)	—	(7,735)
Lump sum repayments	(24,233)	—	—	(24,233)
Discontinued liability	(18,689)	—	—	(18,689)
Amortization and other adjustments	(1,798)	—	503	(1,295)
Debt as at June 30, 2009	$ 738,838	$ 279	$ 129,405	$ 868,522

	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 %
2009	$ 30,283	$ 7,859	$ 38,142	4.4	6.75	6.67
2010	5,867	16,816	22,683	2.6	5.24	5.24
2011	71,987	16,647	88,634	10.1	6.01	6.79
2012	99,994	14,622	114,616	13.1	5.57	5.46
2013	102,480	11,236	113,716	13.0	4.79	5.17
2014 and thereafter	467,437	29,414	496,851	56.8	6.01	5.68
Total	$ 778,048	$ 96,594	874,642	100.0		5.72
Fair value adjustments			1,328			
Deferred financing costs			(7,448)			
Total			$ 868,522			

Convertible debentures

With respect to the 6.5% Debentures, the total principal outstanding at July 31, 2009, was $3.5 million, and is convertible into 139,520 REIT A Units. With respect to the 5.7% Debentures, the total principal outstanding at July 31, 2009, was $7.8 million, and is convertible into approximately 260,200 REIT A Units. For the 6.0% Debentures, the total principal outstanding at July 31, 2009, was $125,000 million and is convertible into approximately 3,019,323 REIT A Units.

Exercise of put option

As discussed under purchase obligations on page 23, we will be required to assume approximately $20.6 million of mortgage debt on the purchase of a 50% interest in an office property located in Toronto. The debt carries an effective interest rate of 7.0% and matures on September 1, 2009. The effective date for the transaction is expected to be September 1, 2009.

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, 2008	16,947,240	16,316	3,454,188	20,417,744
Units issued pursuant to DRIP	113,846	—	—	113,846
Unit Purchase Plan	627	—	—	627
Units issued pursuant to Deferred Unit Incentive Plan	239,873	—	—	239,873
Unit redemption	(30)	—	—	(30)
Total units outstanding on June 30, 2009	17,301,556	16,316	3,454,188	20,772,060
Percentage of all units	83%	—	17%	100%
Units issued pursuant to DRIP on July 15, 2009	14,241	—	—	14,241
Unit Purchase Plan	569	—	—	569
Units issued pursuant to Deferred Unit Incentive Plan	7,710	—	—	7,710
Total units outstanding on July 31, 2009	17,324,076	16,316	3,454,188	20,794,580
Percentage of all units	83%	—	17%	100%

Normal course issuer bid

On September 23, 2008, the Trust renewed its normal course issuer bid. Under the bid, Dundee REIT has the ability to purchase for cancellation up to a maximum of 1,326,762 REIT A Units (representing 10% of the REIT's public float of 13,267,620 REIT A Units on September 23, 2008) through the facilities of the TSX. No units were acquired in 2009. A total of 652,900 units were purchased under the bid during 2008. The bid commenced on September 26, 2008, and will remain in effect until the earlier of September 25, 2009, or the date on which the Trust has purchased the maximum number of units permitted under the bid. As of June 30, 2009, the maximum number of REIT A Units remaining for purchase under the bid is 673,862. Based on the closing price of the REIT A Units on June 30, 2009, the Trust may purchase up to $10.2 million worth of REIT A Units.

OUR RESULTS OF OPERATIONS

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Revenues				
Rental properties revenue	**$ 47,378**	$ 44,479	**$ 96,354**	$ 87,671
Interest and fee income	**491**	747	**968**	1,914
	47,869	45,226	**97,322**	89,585
Expenses				
Rental properties operating expenses	**16,704**	15,732	**35,174**	31,919
Interest	**12,630**	11,787	**25,205**	23,032
Depreciation of rental properties	**6,902**	6,597	**13,788**	12,795
Amortization of deferred leasing costs, tenant improvements and intangibles	**5,694**	6,796	**11,374**	13,403
General and administrative	**1,710**	1,693	**3,431**	3,114
	43,640	42,605	**88,972**	84,263
Income before income taxes	**4,229**	2,621	**8,350**	5,322
Income taxes				
Current income taxes	**—**	(4)	**5**	(59)
Future income taxes	**136**	95	**377**	192
	136	91	**382**	133
Income before discontinued operations	**4,093**	2,530	**7,968**	5,189
Discontinued operations	**(8,865)**	(423)	**(8,881)**	(420)
Net income (loss)	**$ (4,772)**	$ 2,107	**$ (913)**	$ 4,769

Income statement results

Rental properties revenue

Revenues include net rental income from rental properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions completed in 2008 and strong comparative property growth were the main drivers behind the $2.9 million, or 7%, increase in rental property revenue over the comparative quarter.

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 $0.3 million decrease over the comparative quarter is mainly a result of investing undeployed cash in lower yielding investments.

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, and repairs and maintenance. Expenses for the quarter increased $1.0 million, or 6%, reflecting increased recoverable operating costs and the additional costs associated with properties acquired over the course of 2008.

Interest expense

Interest expense for the quarter increased $0.8 million over the comparative quarter, reflecting new mortgage debt placed in the second and third quarters of 2008 related to acquired properties. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, remains strong at 2.3 times for the quarter.

Depreciation of rental properties

Acquisitions completed in 2008 have led to a $0.3 million, or 5%, increase in depreciation over the comparative period.

Amortization of deferred leasing costs, tenant improvements and intangibles

Amortization decreased $1.1 million, or 16%, over the comparative quarter, which is mainly dependent on the timing of lease expiries.

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, in line with the comparative period.

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 sheets and consolidated statements of income.

Discontinued operations

Discontinued operations include assets that have been disposed of or sold and meet specific criteria as discontinued assets in accordance with GAAP. These operations are disclosed separately on the consolidated statements of net income. Discontinued operations for the quarter reflect our intent to transfer our interest in Greenbriar Mall to the lender in satisfaction of the mortgage obligation.

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 interim 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 six-month period, we received $1.0 million related to the DRC Services Agreement and paid $2.6 million related to the Asset Management Agreement.

Net operating income

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

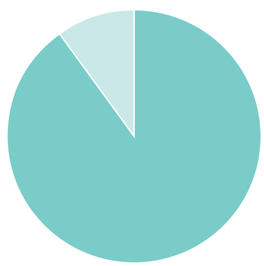
	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Net income	**$ (4,772)**	$ 2,107	**$ (913)**	$ 4,769
Add (deduct):				
Interest expense	**12,630**	11,787	**25,205**	23,032
Depreciation of rental properties	**6,902**	6,597	**13,788**	12,795
Amortization of deferred leasing costs, tenant improvements and intangibles	**5,694**	6,796	**11,374**	13,403
General and administrative expenses	**1,710**	1,693	**3,431**	3,114
Interest and fee income	**(491)**	(747)	**(968)**	(1,914)
Income taxes	**136**	91	**382**	133
Depreciation, amortization, interest and impairment loss, included in discontinued operations	**9,436**	888	**9,952**	1,400
NOI including redevelopment and discontinued operations	**$ 31,245**	$ 29,212	**$ 62,251**	$ 56,732

We define NOI as the total of rental property revenues, including property management income, less rental property operating expenses. NOI, before redevelopment and discontinued operations, increased 7% for the quarter over the comparative period. The increase is attributable to strong comparable property growth and income generated by properties acquired in 2008. Discontinued operations reflects the results and impairment loss of Greenbriar Mall effective June 30, 2009.

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2009	2008	Amount	%	**2009**	2008	Amount	%
Office	**$ 27,691**	$ 25,667	$ 2,024	8	**$ 55,249**	$ 49,665	$ 5,584	11
Industrial	**2,983**	3,080	(97)	(3)	**5,931**	6,087	(156)	(3)
NOI	**30,674**	28,747	1,927	7	**61,180**	55,752	5,428	10
Discontinued operations	**571**	465	106		**1,071**	980	91	
NOI including redevelopment and discontinued operations	**$ 31,245**	$ 29,212	$ 2,033	7	**$ 62,251**	$ 56,732	$ 5,519	10

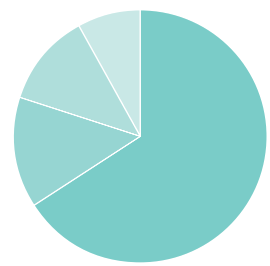
	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2009	2008	Amount	%	**2009**	2008	Amount	%
British Columbia	**$ 2,498**	$ 2,160	$ 338	16	**$ 4,978**	$ 4,331	$ 647	15
Alberta	**20,066**	19,669	397	2	**40,468**	38,137	2,331	6
Saskatchewan & NWT	**4,301**	3,557	744	21	**8,456**	7,193	1,263	18
Ontario	**3,809**	3,361	448	13	**7,278**	6,091	1,187	19
NOI	**30,674**	28,747	1,927	7	**61,180**	55,752	5,428	10
Discontinued operations	**571**	465	106		**1,071**	980	91	
NOI including redevelopment and discontinued operations	**$ 31,245**	$ 29,212	$ 2,033	7	**$ 62,251**	$ 56,732	$ 5,519	10

NOI BY SEGMENT
(THREE MONTHS ENDED JUNE 30, 2009)



- Office **90%**
- Industrial **10%**

NOI BY REGION
(THREE MONTHS ENDED JUNE 30, 2009)



- Alberta **66%**
- Saskatchewan & NWT **14%**
- Ontario **12%**
- British Columbia **8%**

NOI comparative portfolio

NOI shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2008. Discontinued operations contributing to NOI in comparative periods 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	
	2009	2008	Amount	%	**2009**	2008	Amount	%
Office	**$ 22,437**	$ 20,359	$ 2,078	10	**$ 44,516**	$ 40,468	$ 4,048	10
Industrial	**2,943**	3,051	(108)	(4)	**5,880**	6,007	(127)	(2)
Comparative properties	**25,380**	23,410	1,970	8	**50,396**	46,475	3,921	8
Acquisitions	**2,555**	1,808	747		**5,145**	2,604	2,541	
Rent supplement	**—**	13	(13)		**—**	34	(34)	
GAAP adjustments	**2,739**	3,516	(777)		**5,639**	6,639	(1,000)	
NOI	**30,674**	28,747	1,927	7	**61,180**	55,752	5,428	10
Discontinued operations	**571**	465	106		**1,071**	980	91	
NOI including redevelopment and discontinued operations	**$ 31,245**	$ 29,212	$ 2,033	7	**$ 62,251**	$ 56,732	$ 5,519	10

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2009	2008	Amount	%	**2009**	2008	Amount	%
British Columbia	**$ 2,140**	$ 2,098	$ 42	2	**$ 4,229**	$ 4,181	$ 48	1
Alberta	**17,005**	16,044	961	6	**34,066**	31,659	2,407	8
Saskatchewan & NWT	**4,215**	3,496	719	21	**8,279**	7,071	1,208	17
Ontario	**2,020**	1,772	248	14	**3,822**	3,564	258	7
Comparative properties	**25,380**	23,410	1,970	8	**50,396**	46,475	3,921	8
Acquisitions	**2,555**	1,808	747		**5,145**	2,604	2,541	
Rent supplement	**—**	13	(13)		**—**	34	(34)	
GAAP adjustments	**2,739**	3,516	(777)		**5,639**	6,639	(1,000)	
NOI	**30,674**	28,747	1,927	7	**61,180**	55,752	5,428	10
Discontinued operations	**571**	465	106		**1,071**	980	91	
NOI including redevelopment and discontinued operations	**$ 31,245**	$ 29,212	$ 2,033	7	**$ 62,251**	$ 56,732	$ 5,519	10

Comparative property NOI increased 8% in the quarter. Comparative office NOI increased $2.1 million, or 10%, for the quarter, reflecting increases in rental rates on renewals and contractual rent increases. Comparative industrial NOI decreased by 4% compared to 2008, mainly as a result of the expiry of 116,000 square feet of space at a property in Edmonton. Properties acquired in 2008 contributed $0.7 million of NOI growth, including occupancy growth at Air Miles Tower in Toronto that is now 99% occupied compared to 91% when we acquired the property in January 2008.

Comparative office portfolio

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2009	2008	Amount	%	**2009**	2008	Amount	%
British Columbia	**$ 2,140**	$ 2,098	$ 42	2	**$ 4,229**	$ 4,181	$ 48	1
Alberta	**14,062**	12,993	1,069	8	**28,186**	25,652	2,534	10
Saskatchewan & NWT	**4,215**	3,496	719	21	**8,279**	7,071	1,208	17
Ontario	**2,020**	1,772	248	14	**3,822**	3,564	258	7
Comparative properties	**22,437**	20,359	2,078	10	**44,516**	40,468	4,048	10
Acquisitions	**2,555**	1,808	747		**5,145**	2,604	2,541	
Rent supplement	**—**	13	(13)		**—**	34	(34)	
GAAP adjustments	**2,699**	3,487	(788)		**5,588**	6,559	(971)	
Office NOI	**$ 27,691**	$ 25,667	$ 2,024	8	**$ 55,249**	$ 49,665	$ 5,584	11

We achieved significant growth in our comparative office portfolio, with an average committed occupancy at 96.0%. Our office portfolio in Alberta generated NOI growth of $1.1 million representing an increase of 8% compared to the same quarter in 2008. The increase is attributable to in-place occupancy increases in four of our buildings in Calgary along with rental rate increases related to contracted rent increases and lease renewals. Our portfolio in Saskatchewan and the Northwest Territories also contributed strong growth that was attributable to occupancy increases at two buildings in Yellowknife and Saskatoon as well as the impact of base-year government leases that contributed an additional $0.4 million as a result of cost reductions.

The Ontario portfolio contributed strong NOI growth with occupancy increases from leasing two previously vacant floors at State Street Financial Centre in Toronto, offsetting increased vacancy at a 50% co-owned building in north Toronto.

Comparative industrial portfolio

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2009	2008	Amount	%	**2009**	2008	Amount	%
Alberta	**$ 2,943**	$ 3,051	$ (108)	(4)	**$ 5,880**	$ 6,007	$ (127)	(2)
Comparative properties	**2,943**	3,051	(108)	(4)	**5,880**	6,007	(127)	(2)
GAAP adjustments	**40**	29	11		**51**	80	(29)	
Industrial NOI	**$ 2,983**	$ 3,080	$ (97)	(3)	**$ 5,931**	$ 6,087	$ (156)	(3)

Our industrial portfolio decreased by $0.1 million mainly due to a vacancy at a property in Edmonton while our Calgary portfolio was consistent with the prior quarter, mainly as a result of the inclusion of a property previously classified as held for sale that has since been leased.

NOI prior quarter comparison

Comparative property NOI improved modestly by 1%, or $0.3 million. The office portfolio NOI increased by 1% mainly attributable to our Ontario properties where the remaining vacant floor at State Street Financial Centre was occupied in February 2009.

The 2% increase in British Columbia is a result of an approximate 4% in-place occupancy increase at 4400 Dominion Street in Burnaby. NOI in Saskatchewan and the Northwest Territories increased by $0.2 million due to improved lease terms resulting in higher recoveries from certain government leases compounding the seasonal effect of lower energy costs compared to the first quarter of 2009. Two properties in Yellowknife also experienced gains due to contract rent and occupancy increases.

	For the three months ended			
			Growth	
	June 30, 2009	March 31, 2009	Amount	%
Office	**$ 24,992**	$ 24,669	$ 323	1
Industrial	**2,943**	2,937	6	—
Comparative properties	**27,935**	27,606	329	1
GAAP adjustments	**2,739**	2,900	(161)	
NOI	**30,674**	30,506	168	1
Discontinued operations	**571**	500	71	
NOI including redevelopment and discontinued operations	**$ 31,245**	$ 31,006	$ 239	1

	For the three months ended			
			Growth	
	June 30, 2009	March 31, 2009	Amount	%
British Columbia	**$ 2,389**	$ 2,335	$ 54	2
Alberta	**17,732**	17,923	(191)	(1)
Saskatchewan & NWT	**4,215**	4,064	151	4
Ontario	**3,599**	3,284	315	10
Comparative properties	**27,935**	27,606	329	1
GAAP adjustments	**2,739**	2,900	(161)	
NOI	**30,674**	30,506	168	1
Discontinued operations	**571**	500	71	
NOI including redevelopment and discontinued operations	**$ 31,245**	$ 31,006	$ 239	1

QUARTERLY INFORMATION

The following tables show quarterly information since July 1, 2007.

	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Revenues								
Rental properties revenue	**$ 47,378**	$ 48,976	$ 49,299	$ 46,816	$ 44,479	$ 43,192	$ 41,925	$ 39,487
Interest and fee income	**491**	477	788	971	747	1,167	1,021	570
	47,869	49,453	50,087	47,787	45,226	44,359	42,946	40,057
Expenses								
Rental properties operating expenses	**16,704**	18,470	18,662	17,405	15,732	16,187	15,419	13,828
Interest	**12,630**	12,575	12,710	12,764	11,787	11,245	9,755	9,339
Depreciation of rental properties	**6,902**	6,886	6,794	6,821	6,597	6,198	6,173	5,964
Amortization of deferred leasing costs, tenant improvements and intangibles	**5,694**	5,680	6,549	6,936	6,796	6,607	7,268	5,823
General and administrative	**1,710**	1,721	1,882	1,746	1,693	1,421	1,534	1,887
	43,640	45,332	46,597	45,672	42,605	41,658	40,149	36,841
Income before the undernoted items	**4,229**	4,121	3,490	2,115	2,621	2,701	2,797	3,216
Gain on disposal of rental property and land held for sale	**—**	—	—	—	—	—	—	854
Income (loss) before income and large corporations taxes	**4,229**	4,121	3,490	2,115	2,621	2,701	2,797	4,070
Income taxes (recovery)								
Current income and large corporations taxes	**—**	5	9	63	(4)	(55)	8	7
Future income taxes	**136**	241	150	7	95	97	(15,076)	(24,893)
Income tax expense (recovery)	**136**	246	159	70	91	42	(15,068)	(24,886)
Income before discontinued operations	**4,093**	3,875	3,331	2,045	2,530	2,659	17,865	28,956
Discontinued operations	**(8,865)**	(16)	235	80	(423)	3	11,359	723,494
Net income (loss)	**$ (4,772)**	$ 3,859	$ 3,566	$ 2,125	$ 2,107	$ 2,662	$ 29,224	$ 752,450
Net income (loss) per unit								
Basic	**$ 0.19**	$ 0.18	$ 0.17	$ 0.10	$ 0.10	$ 0.13	$ 1.38	$ 19.82
Diluted[1]	**$ (0.42)**	$ 0.18	$ 0.17	$ 0.10	$ 0.10	$ 0.13	$ 1.38	$ 19.81

(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 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net income (loss)	**$ (4,772)**	$ 3,859	$ 3,566	$ 2,125	$ 2,107	$ 2,662	$ 29,224	$ 752,450
Add (deduct):								
Depreciation of rental properties	**7,095**	7,092	6,993	6,990	6,763	6,360	6,193	10,960
Amortization of deferred leasing costs, tenant improvements and intangibles	**5,779**	5,744	6,621	6,985	6,850	6,653	7,286	10,825
Future income taxes	**67**	290	221	(38)	76	68	(15,539)	(25,198)
Imputed amortization of leasing costs related to the rent supplement	**—**	—	—	—	8	10	6	61
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(35)**	(61)	(80)	(66)	(87)	(56)	(77)	(42)
(Gain) loss on disposal of rental properties and land held for sale	**—**	—	(336)	(169)	426	—	(4,968)	(727,374)
Provision for (reversal of) impairment in value of rental property	**9,004**	—	—	—	—	—	(6,298)	7,650
Income tax expense related to discontinued operations	**—**	—	—	—	—	—	300	—
Funds from operations	**$ 17,138**	$ 16,924	$ 16,985	$ 15,827	$ 16,143	$ 15,697	$ 16,127	$ 29,332
Funds from operations per unit								
Basic[(1)]	**$ 0.82**	$ 0.81	$ 0.82	$ 0.75	$ 0.76	$ 0.74	$ 0.76	$ 0.77
Diluted	**$ 0.80**	$ 0.79	$ 0.80	$ 0.73	$ 0.74	$ 0.72	$ 0.76	$ 0.76
Cash generated from operating activities	**$ 14,807**	$ 17,385	$ 7,266	$ 12,631	$ 9,644	$ 11,585	$ 9,952	$ 6,794
Add (deduct):								
Deferred leasing costs incurred	**1,012**	845	1,465	1,788	980	760	690	2,026
Amortization of deferred financing costs incurred prior to June 30, 2003	**21**	23	21	17	18	11	20	67
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**(12)**	(9)	(7)	—	—	—	(4)	5
Amortization of tenant inducements	**58**	81	68	43	41	37	25	31
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(35)**	(61)	(80)	(66)	(87)	(56)	(77)	(42)
Amortization of deferred financing costs	**(326)**	(305)	(309)	(302)	(332)	(313)	(57)	(259)
Income tax expense related to discontinued operations	**—**	—	—	—	—	—	300	—
Change in non-cash working capital	**(1,098)**	(3,955)	5,035	(1,681)	2,199	325	1,471	16,412
Distributable income ("DI")	**$ 14,427**	$ 14,004	$ 13,459	$ 12,430	$ 12,463	$ 12,349	$ 12,320	$ 25,034
Distributable income per unit								
Basic[(1)]	**$ 0.69**	$ 0.67	$ 0.65	$ 0.59	$ 0.59	$ 0.58	$ 0.58	$ 0.66
Diluted	**$ 0.68**	$ 0.67	$ 0.65	$ 0.59	$ 0.59	$ 0.58	$ 0.58	$ 0.65
Weighted average units outstanding for FFO and DI								
Basic	**21,018,003**	20,956,343	20,720,901	21,248,773	21,300,089	21,179,939	21,107,542	37,961,439
Diluted	**24,456,839**	24,392,013	24,144,476	24,676,672	24,719,316	24,609,778	21,566,798	39,020,277

(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

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 2008 Annual Report or our annual information form for the year ended December 31, 2008, 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 2008 Annual Report or our annual information form for the year ended December 31, 2008, 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 consolidated financial statements and to our 2008 Annual Report.

CHANGES IN ACCOUNTING POLICIES

Deferred recoverable costs

On January 1, 2009, the Trust adopted amendments to The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1000, "Financial Statement Concepts" and new CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaced CICA Handbook Section 3062, "Goodwill and Other Intangible Assets", and have been issued and apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The objectives of these amendments and new section are to:

- reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and
- clarify the application of the concept of matching revenues and expenses, such that the current practice of recognizing as assets items that do not meet the definition and recognition criteria is eliminated.

Under the amendments to CICA Handbook Section 1000, "Financial Statement Concepts", effective January 1, 2009, the deferral and matching of operating expenses over future revenues is no longer appropriate. The impact of these amendments increased revenue properties by $1.9 million, decreased deferred costs by $2.1 million and decreased unitholders' equity by approximately $0.2 million. The decrease in unitholder equity is due to deferred recoverable costs that are short term and recurring maintenance costs which are better classified as operating expenses. The remainder of deferred recoverable costs has been reclassified to building improvements. These costs are considered to be betterments to the properties.

Future changes in accounting policies

For an explanation of future changes in accounting policies, please refer to our 2008 Annual Report.

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

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.

IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have a material impact on the reported cash flows of the Trust, it will have a material impact on the Trust's consolidated balance sheet and statement of net income. The Trust has performed an initial assessment of the impact of IFRS and has identified significant accounting policy changes pertaining to investment property, joint ventures and revenue recognition that will be required or are currently expected to be applied by the Trust on its adoption of IFRS, which will be significantly different than its Canadian GAAP accounting policies.

The Trust completed Phase 1 of the project in 2008, which included identifying major accounting differences of relevance to the Trust and formulated key IFRS conversion issues to be dealt with in Phase 2 of the project. The Trust provided IFRS education for key employees responsible for financial reporting.

Phase 2 of the project is currently progressing through the establishment of functional implementation teams who are responsible for effecting required changes to business and accounting processes and systems. The Trust has evaluated its internal valuation processes and has commenced discussions with external appraisers in order to establish a process to assess the fair values of the Trust's investment properties as of January 1, 2010. The Trust will provide updated disclosure where appropriate.

Consolidated balance sheets

(unaudited) (in thousands of dollars)	Note	**June 30, 2009**	December 31, 2008 (Restated, see Note 2)
Assets			
Rental properties	4	**$ 1,111,649**	$ 1,145,993
Deferred costs	5	**32,344**	33,438
Amounts receivable	6	**9,660**	11,877
Prepaid expenses and other assets	7	**4,678**	5,443
Cash and cash equivalents		**79,324**	69,267
Intangible assets	8	**42,955**	49,969
Discontinued assets	18	**13,112**	—
		$ 1,293,722	$ 1,315,987
Liabilities			
Debt	9	**$ 868,522**	$ 883,695
Amounts payable and accrued liabilities	10	**21,843**	18,772
Distributions payable	11	**3,810**	3,749
Future income tax liability	14	**2,145**	3,387
Intangible liabilities	8	**36,349**	41,941
Discontinued liabilities	18	**18,689**	—
		951,358	951,544
Unitholders' equity	12	**342,364**	364,443
		$ 1,293,722	$ 1,315,987

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, 2009**	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Revenues					
Rental properties revenue		**$ 47,378**	$ 44,479	**$ 96,354**	$ 87,671
Interest and fee income		**491**	747	**968**	1,914
		47,869	45,226	**97,322**	89,585
Expenses					
Rental properties operating expenses		**16,704**	15,732	**35,174**	31,919
Interest	13	**12,630**	11,787	**25,205**	23,032
Depreciation of rental properties		**6,902**	6,597	**13,788**	12,795
Amortization of deferred leasing costs, tenant improvements and intangibles		**5,694**	6,796	**11,374**	13,403
General and administrative		**1,710**	1,693	**3,431**	3,114
		43,640	42,605	**88,972**	84,263
Income before income taxes		**4,229**	2,621	**8,350**	5,322
Provision for (recovery of) income taxes	14				
Current income taxes		**—**	(4)	**5**	(59)
Future income taxes		**136**	95	**377**	192
		136	91	**382**	133
Income before discontinued operations		**4,093**	2,530	**7,968**	5,189
Discontinued operations	18	**(8,865)**	(423)	**(8,881)**	(420)
Net income (loss)		**$ (4,772)**	$ 2,107	**$ (913)**	$ 4,769
Basic and diluted income (loss) per unit	15				
Continuing operations		**$ 0.19**	$ 0.12	**$ 0.38**	$ 0.25
Discontinued operations		**(0.42)**	(0.02)	**(0.42)**	(0.02)
Net income (loss)		**$ (0.23)**	$ 0.10	**$ (0.04)**	$ 0.23
Net income (loss)		**$ (4,772)**	$ 2,107	**$ (913)**	$ 4,769
Other comprehensive income (loss)					
Change in foreign currency translation adjustment		**(399)**	(39)	**(302)**	110
Comprehensive income (loss)		**$ (5,171)**	$ 2,068	**$ (1,215)**	$ 4,879

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 income (loss)	Total
Unitholders' equity, January 1, 2009		20,417,744	$ 536,093	$ 806,598	$ (972,790)	$ (5,275)	$ 364,626
Adjustment to opening unitholders' equity to comply with new accounting standard	2	—	—	(183)	—	—	(183)
Unitholders' equity, January 1, 2009 (restated)		20,417,744	536,093	806,415	(972,790)	(5,275)	364,443
Net loss		—	—	(913)	—	—	(913)
Distributions paid	11	—	—	—	(19,004)	—	(19,004)
Distributions payable	11	—	—	—	(3,810)	—	(3,810)
Distribution Reinvestment Plan	12	113,846	1,534	—	—	—	1,534
Unit Purchase Plan	12	627	9	—	—	—	9
Deferred Unit Incentive Plan	12	—	418	—	—	—	418
Deferred Units exchanged for REIT A Units	12	239,873	—	—	—	—	—
Issue costs		—	(11)	—	—	—	(11)
Unit redemption		(30)	—	—	—	—	—
Change in foreign currency translation adjustment		—	—	—	—	(302)	(302)
Unitholders' equity, June 30, 2009		20,772,060	$ 538,043	$ 805,502	$ (995,604)	$ (5,577)	$ 342,364

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity (continued)

(unaudited) (in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity, January 1, 2008		20,863,819	$ 544,850	$ 796,138	$ (926,605)	$ (6,243)	$ 408,140
Adjustment to opening unitholders' equity to comply with new accounting standard	2	—	—	(183)	—	—	(183)
Unitholders' equity, January 1, 2008 (restated)		20,863,819	544,850	795,955	(926,605)	(6,243)	407,957
Net income		—	—	4,769	—	—	4,769
Distributions paid		—	—	—	(19,386)	—	(19,386)
Distributions payable		—	—	—	(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	—	98	—	—	—	98
Deferred Units exchanged for REIT A Units	12	10,492	—	—	—	—	—
Normal course issuer bid		(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		—	2,160	—	—	—	2,160
Change in foreign currency translation adjustment		—	—	—	—	110	110
Unitholders' equity, June 30, 2008		21,081,665	$ 553,625	$ 800,724	$ (949,886)	$ (6,133)	$ 398,330

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, 2009**	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Generated from (utilized in) operating activities					
Net income (loss)		**$ (4,772)**	$ 2,107	**$ (913)**	$ 4,769
Non-cash items:					
Depreciation of rental properties		**7,095**	6,763	**14,187**	13,123
Amortization of deferred leasing costs, tenant improvements and intangibles		**5,779**	6,850	**11,523**	13,503
Amortization of deferred financing costs		**326**	332	**631**	645
Amortization of fair value adjustment on acquired debt		**(196)**	(264)	**(418)**	(489)
Loss on disposal of rental properties	18	**—**	426	**—**	426
Provision for impairment in value of discontinued assets	18	**9,004**	—	**9,004**	—
Deferred unit compensation expense		**221**	98	**418**	98
Future income taxes		**67**	76	**357**	144
Amortization of market rent adjustments on acquired leases		**(2,616)**	(3,376)	**(5,393)**	(6,292)
Straight-line rent adjustment		**(187)**	(189)	**(400)**	(434)
		14,721	12,823	**28,996**	25,493
Deferred leasing costs incurred		**(1,012)**	(980)	**(1,857)**	(1,740)
Change in non-cash working capital	20	**1,098**	(2,199)	**5,053**	(2,524)
		14,807	9,644	**32,192**	21,229
Generated from (utilized in) investing activities					
Investment in rental properties		**(1,351)**	(619)	**(2,031)**	(982)
Investment in tenant improvements		**(1,644)**	(878)	**(3,452)**	(1,247)
Acquisition of rental properties	3	**—**	(56,619)	**—**	(146,256)
Acquisition deposit on rental properties		**—**	700	**—**	(100)
Repayment of promissory note		**—**	—	**—**	12,116
Change in restricted cash, net		**651**	530	**268**	426
		(2,344)	(56,886)	**(5,215)**	(136,043)
Generated from (utilized in) financing activities					
Mortgages placed, net of costs		**36,346**	95,499	**36,269**	95,371
Mortgage principal repayments		**(3,843)**	(3,313)	**(7,669)**	(6,586)
Mortgage lump sum repayments		**(24,233)**	(508)	**(24,233)**	(508)
Term debt principal repayments		**(28)**	(27)	**(66)**	(61)
Convertible debentures issued, net of costs		**—**	—	**—**	119,200
Distributions paid on Units	11	**(10,718)**	(8,707)	**(21,220)**	(18,088)
Purchase of REIT A Units under normal course issuer bid		**—**	(94)	**—**	(94)
Units issued for cash, net of costs		**4**	16	**(1)**	589
		(2,472)	82,866	**(16,920)**	189,823
Increase in cash and cash equivalents		**9,991**	35,624	**10,057**	75,009
Cash and cash equivalents, beginning of period		**69,333**	77,112	**69,267**	37,727
Cash and cash equivalents, end of period		**$ 79,324**	$ 112,736	**$ 79,324**	$ 112,736

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.

Equity is described in Note 12; however, for simplicity, throughout the notes reference is made to the following:

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

At June 30, 2009, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 780,851 REIT A Units and 3,454,188 LP B Units (December 31, 2008 — 780,851 and 3,454,188 Units, respectively). At June 30, 2009, GE Real Estate held 2,747,371 REIT A Units and 16,316 REIT B Units (December 31, 2008 — 2,997,371 and 16,316 Units, respectively).

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated 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, 2008.

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, 2008 consolidated financial statements, except as follows:

Deferred recoverable costs

Amendments to CICA Handbook Section 1000, "Financial Statement Concepts" and new CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces 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 objectives of these amendments and new section are to:

- reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and
- clarify the application of matching revenues and expenses, such that the current practice of recognizing as assets items that do not meet the definition and recognition criteria is eliminated.

Under the amendments to CICA Handbook Section 1000, "Financial Statement Concepts", effective January 1, 2009, the deferral and matching of recoverable operating expenses over future revenues is no longer appropriate. The impact of this accounting change increased rental properties by $1,943 and decreased deferred costs by $2,126. Unitholders' equity decreased by $183 for deferred recoverable costs, which were considered maintenance costs and expensed under the revised accounting policy.

Note 3
PROPERTY ACQUISITIONS

No properties were acquired by the Trust during the six months ended June 30, 2009. The Trust completed the following acquisition during the six months ended June 30, 2008, which has contributed to the operating results from the date of acquisition.

For the six months 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	$ —	

The assets acquired and liabilities assumed in this transaction were allocated as follows:

For the six months ended June 30	**2009**	2008
Rental properties		
Land	$ —	$ 28,130
Buildings	—	119,745
	—	147,875
Tenant improvements acquired	—	5,371
Intangible assets		
Value of in-place leases	—	6,745
Lease origination costs	—	1,910
Value of above-market rent leases	—	35
Value of tenant relationships	—	4,819
	—	166,755
Intangible liabilities		
Value of below-market rent leases	—	(17,467)
Total purchase price	$ —	$ 149,288

The consideration paid consists of:		
Cash		
Paid during the period	$ —	$ 146,256
Deposit	—	2,350
	—	148,606
Assumed accounts payable and accrued liabilities	—	682
Total consideration	$ —	$ 149,288

Note 4
RENTAL PROPERTIES

	June 30, 2009			December 31, 2008 (Restated, see Note 2)		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 223,141	$ —	$ 223,141	$ 223,382	$ —	$ 223,382
Buildings and improvements	990,899	(104,859)	886,040	1,013,958	(93,928)	920,030
Fixed assets and equipment	2,051	(712)	1,339	2,439	(882)	1,557
Rental properties under development	1,129	—	1,129	1,024	—	1,024
Total	$ 1,217,220	$ (105,571)	$ 1,111,649	$1,240,803	$ (94,810)	$ 1,145,993

Note 5
DEFERRED COSTS

	June 30, 2009			December 31, 2008 (Restated, see Note 2)		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Deferred leasing costs	$ 13,546	$ (4,069)	$ 9,477	$ 12,455	$ (3,765)	$ 8,690
Tenant improvements	42,434	(19,567)	22,867	42,862	(18,114)	24,748
Total	$ 55,980	$ (23,636)	$ 32,344	$ 55,317	$ (21,879)	$ 33,438

Note 6
AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments of $2,766 (December 31, 2008 — $2,805).

	June 30, 2009	December 31, 2008
Trade receivables, net	$ 2,952	$ 2,372
Straight-line rent receivables	6,977	6,714
Other accounts receivables	(269)	2,791
	$ 9,660	$ 11,877

	June 30, 2009	December 31, 2008
Trade receivables	$ 3,897	$ 2,921
Less: Provision for impairment of trade receivables	(945)	(549)
Trade receivables, net	$ 2,952	$ 2,372

The movement in the provision for impairment of trade receivables during the period ended June 30, 2009, is as follows:

	2009	2008
As at January 1	**$ 549**	$ 413
Provision for impairment of trade receivables	**737**	87
Receivables written off during the period as uncollectible	**(331)**	(65)
Reduction of other receivables written off during the period	**—**	(217)
Translation adjustment	**(10)**	1
As at June 30	**$ 945**	$ 219

As at June 30, 2009, trade receivables of approximately $230 were past due but not considered impaired. These relate to tenants with which the Trust has ongoing relationships and default is not expected.

Note 7

PREPAID EXPENSES AND OTHER ASSETS

	June 30, 2009	December 31, 2008
Prepaid expenses	**$ 2,750**	$ 2,175
Deposits	**112**	24
Restricted cash	**1,816**	3,244
Total	**$ 4,678**	$ 5,443

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

Note 8

INTANGIBLE ASSETS AND LIABILITIES

			June 30, 2009			December 31, 2008
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	**$ 2,525**	**$ (890)**	**$ 1,635**	$ 2,754	$ (1,058)	$ 1,696
Value of in-place leases	**33,681**	**(17,113)**	**16,568**	39,561	(19,462)	20,099
Lease origination costs	**7,614**	**(3,406)**	**4,208**	8,284	(3,402)	4,882
Value of tenant relationships	**30,512**	**(9,968)**	**20,544**	32,901	(9,609)	23,292
Total	**$ 74,332**	**$ (31,377)**	**$ 42,955**	$ 83,500	$ (33,531)	$ 49,969
Intangible liabilities						
Value of below-market rent leases	**$ 61,087**	**$ (24,738)**	**$ 36,349**	$ 68,654	$ (26,713)	$ 41,941

Note 9
DEBT

		June 30, 2009	December 31, 2008
Mortgages		**$ 738,838**	$ 754,448
Convertible debentures		**129,405**	128,902
Term debt		**279**	345
Total		**$ 868,522**	$ 883,695

Mortgages are secured by charges on specific rental properties.

Convertible debentures comprise $118,398 of the 6.0% Debentures, $7,722 of the 5.7% Debentures, and $3,285 of the 6.5% Debentures (December 31, 2008 — $117,922, $7,703 and $3,277, respectively).

On January 14, 2008, the Trust issued $125,000 principal amount convertible unsecured subordinated debentures (the "6.0% Debentures"). The 6.0% Debentures bear interest at 6.0% per annum, payable semi-annually on June 30 and December 31 each year, have a conversion price of $41.40 per Unit and mature on December 31, 2014. As at June 30, 2009, the outstanding principal amount is $125,000.

On April 1, 2005, the Trust issued $100,000 principal amount convertible unsecured subordinated debentures (the "5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, have a conversion price of $30.00 per Unit and mature on March 31, 2015. As at June 30, 2009, the outstanding principal amount is $7,806.

On June 21, 2004, the Trust issued $75,000 principal amount convertible unsecured subordinated debentures (the "6.5% Debentures"). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually on June 30 and December 31 each year, have a conversion price of $25.00 per Unit and mature on June 30, 2014. As at June 30, 2009, the outstanding principal amount is $3,488.

A demand revolving credit facility was renewed on May 31, 2009, and is available up to a formula-based maximum not to exceed $40,000, bearing interest generally at the bank prime rate (2.25% as at June 30, 2009) plus 1.5% or bankers' acceptance rates plus 3.0%. The facility is secured by a first-ranking collateral mortgage on three of the Trust's properties and a second-ranking collateral mortgage on one property. As at June 30, 2009, the formula-based amount available under this facility was $38,775, due to $1,225 drawn in the form of letters of guarantee (December 31, 2008 — $nil drawn). The facility expires on April 30, 2010.

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

	Weighted average interest rates			Debt amount	
	June 30, 2009	December 31, 2008	Maturity dates	**June 30, 2009**	December 31, 2008
Fixed rate					
Mortgages	**5.73%**	5.70%	2009—2019	**$ 707,551**	$ 703,409
Convertible debentures	**7.03%**	7.03%	2014—2015	**129,405**	128,902
Term debt	**9.03%**	9.03%	2009—2011	**279**	345
Total fixed rate debt	**5.93%**	5.90%		**837,235**	832,656
Variable rate					
Mortgages	**2.01%**	4.54%	2013	**31,287**	51,039
Total variable rate debt	**2.01%**	4.54%		**31,287**	51,039
Total debt	**5.79%**	5.83%		**$ 868,522**	$ 883,695

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Convertible debentures	Total
2009	$ 38,092	$ 50	$ —	$ 38,142
2010	22,556	127	—	22,683
2011	88,532	102	—	88,634
2012	114,616	—	—	114,616
2013	113,716	—	—	113,716
2014 and thereafter	360,557	—	136,294	496,851
	738,069	279	136,294	874,642
Deferred financing cost and fair value adjustments	769	—	(6,889)	(6,120)
	$ 738,838	$ 279	$ 129,405	$ 868,522

Included in mortgages is $3,199 in fair value adjustments (December 31, 2008 — $3,755), which reflects the fair value adjustments for mortgages assumed as part of acquisitions, net of $2,430 (December 31, 2008 — $2,263) of unamortized deferred financing costs. The convertible debentures are reduced by a $1,871 premium (December 31, 2008 — $2,008) allocated to their conversion features and $5,018 of unamortized deferred financing costs (December 31, 2008 — $5,384). The fair value adjustment, premium and deferred financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Note 10
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2009	December 31, 2008
Trade payables	**$ 1,663**	$ 183
Accrued liabilities and other payables	**9,674**	9,086
Accrued interest	**3,651**	3,571
Deposits	**5,122**	5,030
Rent received in advance	**1,733**	902
Total	**$ 21,843**	$ 18,772

Note 11
DISTRIBUTIONS

The following table sets out distribution payments for the period ended June 30, 2009:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 17,409	$ 18	$ 3,793	$ 21,220
Paid by way of reinvestment in REIT A Units	1,533	—	—	1,533
Less: Payable at December 31, 2008	(3,114)	(3)	(632)	(3,749)
Plus: Payable at June 30, 2009	3,175	3	632	3,810
Total	$ 19,003	$ 18	$ 3,793	$ 22,814

The amount payable at June 30, 2009, was satisfied on July 15, 2009, by way of $3,582 in cash and $229 by way of 14,811 REIT A Units. Included in the total distributions is $55, representing the 4% bonus distribution that forms part of the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

Dundee REIT's Declaration of Trust requires monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is based on a percentage of distributable income. Distributable income is defined in the Declaration of Trust and the percentage is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or lesser than the estimates used for those prior periods. In addition, the trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust to the extent that such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. The Trust declares distributions of $0.183 per unit per month, or $0.549 per quarter.

Note 12
UNITHOLDERS' EQUITY

	June 30, 2009		December 31, 2008	
	Number of Units	**Amount**	Number of Units	Amount
				(Restated, see Note 2)
REIT Units, Series A	**17,301,556**	**$ 253,269**	16,947,240	$ 271,087
REIT Units, Series B	**16,316**	**351**	16,316	371
LP Class B Units, Series 1	**3,454,188**	**94,321**	3,454,188	98,260
Cumulative foreign currency translation adjustment	**—**	**(5,577)**	—	(5,275)
Total	**20,772,060**	**$ 342,364**	20,417,744	$ 364,443

Dundee REIT Units

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

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

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.

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, 2009, 3,454,188 Special Trust Units were issued and outstanding (December 31, 2008 — 3,454,188).

	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, 2009	16,947,240	$ 271,221	16,316	$ 371	3,454,188	$ 98,309	$ (5,275)	20,417,744	$ 364,626
Adjustment to opening unitholders' equity to comply with new accounting standard	—	(134)	—	—	—	(49)	—	—	(183)
Unitholders' equity, January 1, 2009 (restated)	16,947,240	271,087	16,316	371	3,454,188	98,260	(5,275)	20,417,744	364,443
Net loss	—	(765)	—	(2)	—	(146)	—	—	(913)
Distributions paid	—	(15,828)	—	(15)	—	(3,161)	—	—	(19,004)
Distributions payable	—	(3,175)	—	(3)	—	(632)	—	—	(3,810)
Distribution Reinvestment Plan	113,846	1,534	—	—	—	—	—	113,846	1,534
Unit Purchase Plan	627	9	—	—	—	—	—	627	9
Deferred Unit Incentive Plan	—	418	—	—	—	—	—	—	418
Deferred Units exchanged for REIT A Units	239,873	—	—	—	—	—	—	239,873	—
Issue costs	—	(11)	—	—	—	—	—	—	(11)
Unit redemption	(30)	—	—	—	—	—	—	(30)	—
Change in foreign currency translation adjustment	—	—	—	—	—	—	(302)	—	(302)
Unitholders' equity, June 30, 2009	17,301,556	$ 253,269	16,316	$ 351	3,454,188	$ 94,321	$ (5,577)	20,772,060	$ 342,364

Distribution Reinvestment and Unit Purchase Plan

For the period ended June 30, 2009, 113,846 REIT A Units and nil LP B Units were issued under the DRIP for $1,534 (June 30, 2008 — 59,024 REIT A Units and 97,607 LP B Units for $5,115). For the same period, 627 REIT A Units and nil LP B Units were issued under the Unit Purchase Plan for $9 (June 30, 2008 — 19,656 REIT A Units and nil LP B Units for $639).

Conversion of debentures

During the period ended June 30, 2009, there were no conversions of any of the convertible debentures. During the period ended June 30, 2008, the Trust issued 22,840 REIT A Units upon conversion of $571 of the 6.5% Debentures and 11,227 REIT A Units upon the conversion of $337 of the 5.7% Debentures.

Deferred Unit Incentive Plan

During the period ended June 30, 2009, $418 of compensation expense was recorded (June 30, 2008 — $98) 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, 2008	$ 32.94	309,226	66,660	375,886
Granted during the period	13.49	98,003	17,564	115,567
REIT A Units issued	27.92	(189,311)	(50,562)	(239,873)
Fractional units paid in cash	—	—	(9)	(9)
Outstanding and payable at June 30, 2009	**$ 28.55**	**217,918**	**33,653**	**251,571**
Vested but not issued at June 30, 2009	**$ 25.50**	**52,988**	**16,539**	**69,527**

On January 2, 2009, trustees and senior management elected to exchange vested deferred trust units and income deferred trust units for 233,293 REIT A Units. A further 6,580 units were exchanged in the second quarter of 2009.

On February 17, 2009, 79,100 deferred trust units were granted to trustees and senior managers. A further 18,903 deferred trust units were issued to trustees who elected to receive their 2009 annual retainer in the form of deferred trust units rather than cash.

Normal course issuer bid

The Trust has an existing normal course issuer bid which commenced on September 26, 2008, and will remain in effect until the earlier of September 25, 2009, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 1,326,762 REIT A Units (representing 10% of the REIT's public float of 13,267,620 REIT A Units on September 23, 2008) through the facilities of the TSX. As of June 30, 2009, the maximum number of REIT A Units remaining for purchase under the normal course issuer bid is 673,862. Based on the closing price of the REIT A Units on June 30, 2009, the Trust may purchase up to $10,209 worth of REIT A Units.

Note 13
INTEREST

Interest incurred and charged to earnings is recorded as follows:

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Interest expense incurred, at stated rate of debt	**$ 12,521**	$ 11,773	**$ 25,031**	$ 23,015
Amortization of deferred financing costs	**310**	284	**604**	533
Amortization of fair value adjustments on acquired debt	**(196)**	(264)	**(418)**	(489)
Interest capitalized	**(5)**	(6)	**(12)**	(27)
Interest expense	**$ 12,630**	$ 11,787	**$ 25,205**	$ 23,032

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.

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, 2009, of $2,145 (December 31, 2008 — $3,387) has been recorded to reflect the future tax obligations of these subsidiaries and comprises amounts resulting from the differences in tax and book values relating to the underlying rental properties.

Note 15
INCOME (LOSS) PER UNIT

The weighted average number of units outstanding was as follows:

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
REIT A Units and REIT B Units	**17,531,109**	17,655,781	**17,497,022**	17,623,632
LP B Units	**3,454,191**	3,384,505	**3,454,191**	3,356,706
Vested deferred trust units	**32,703**	259,803	**36,130**	259,676
Total weighted average number of units outstanding for basic income per unit amounts	**21,018,003**	21,300,089	**20,987,343**	21,240,014
Add incremental units:				
Unvested deferred trust units	**15,948**	2,444	**15,939**	5,574
Income deferred trust units	**3,779**	314	**3,635**	158
Total weighted average number of units outstanding for diluted income per unit amounts	**21,037,730**	21,302,847	**21,006,917**	21,245,746

The 3,419,124 incremental REIT A Units to be issued upon an assumed conversion of all debentures issued at June 30, 2009 (June 30, 2008 — 3,426,369) have been excluded from the calculation of diluted net income (loss) per unit as they are anti-dilutive.

Note 16

SEGMENTED INFORMATION

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

For the three months ended June 30, 2009	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 43,031	$ 4,347	$ 47,378	$ —	$ 47,378
Operating expenses	15,340	1,364	16,704	—	16,704
Net operating income	27,691	2,983	30,674	—	30,674
Depreciation of rental properties	6,151	751	6,902	—	6,902
Amortization of deferred leasing costs, tenant improvements and intangibles	5,250	444	5,694	—	5,694
Segment income	$ 16,290	$ 1,788	$ 18,078	$ —	18,078
Interest expense					(12,630)
General and administrative expenses					(1,710)
Interest and fee income					491
Income taxes					(136)
Discontinued operations					(8,865)
Net loss					$ (4,772)
Capital expenditures					
Investment in rental properties	$ (1,292)	$ —	$ (1,292)	$ (59)	$ (1,351)
Investment in tenant improvements	(1,154)	(354)	(1,508)	(136)	(1,644)
Deferred leasing costs	(824)	10	(814)	(198)	(1,012)
Total capital expenditures	$ (3,270)	$ (344)	$ (3,614)	$ (393)	$ (4,007)

For the three months ended June 30, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 40,044	$ 4,435	$ 44,479	$ —	$ 44,479
Operating expenses	14,377	1,355	15,732	—	15,732
Net operating income	25,667	3,080	28,747	—	28,747
Depreciation of rental properties	5,832	765	6,597	—	6,597
Amortization of deferred leasing costs, tenant improvements and intangibles	6,275	521	6,796	—	6,796
Segment income	$ 13,560	$ 1,794	$ 15,354	$ —	15,354
Interest expense					(11,787)
General and administrative expenses					(1,693)
Interest and fee income					747
Income taxes					(91)
Discontinued operations					(423)
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	(56,619)	—	(56,619)	—	(56,619)
Deferred leasing costs	(652)	(296)	(948)	(32)	(980)
Total capital expenditures	$ (58,524)	$ (435)	$ (58,959)	$ (137)	$ (56,096)

For the six months ended June 30, 2009	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 87,293	$ 9,061	$ 96,354	$ —	$ 96,354
Operating expenses	32,044	3,130	35,174	—	35,174
Net operating income	55,249	5,931	61,180	—	61,180
Depreciation of rental properties	12,272	1,516	13,788	—	13,788
Amortization of deferred leasing costs, tenant improvements and intangibles	10,496	878	11,374	—	11,374
Segment income	$ 32,481	$ 3,537	$ 36,018	$ —	36,018
Interest expense					(25,205)
General and administrative expenses					(3,431)
Interest and fee income					968
Income taxes					(382)
Discontinued operations					(8,881)
Net loss					$ (913)
Segment rental properties	$1,009,090	$ 101,430	$ 1,110,520	$ 1,129	$ 1,111,649
Capital expenditures					
Investment in rental properties	$ (1,909)	$ (16)	$ (1,925)	$ (106)	$ (2,031)
Investment in tenant improvements	(2,565)	(501)	(3,066)	(386)	(3,452)
Deferred leasing costs	(1,629)	(62)	(1,691)	(166)	(1,857)
Total capital expenditures	$ (6,103)	$ (579)	$ (6,682)	$ (658)	$ (7,340)

For the six months ended June 30, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 78,854	$ 8,817	$ 87,671	$ —	$ 87,671
Operating expenses	29,189	2,730	31,919	—	31,919
Net operating income	49,665	6,087	55,752	—	55,752
Depreciation of rental properties	11,292	1,503	12,795	—	12,795
Amortization of deferred leasing costs, tenant improvements and intangibles	12,407	996	13,403	—	13,403
Segment income	$ 25,966	$ 3,588	$ 29,554	$ —	29,554
Interest expense					(23,032)
General and administrative expenses					(3,114)
Interest and fee income					1,914
Income taxes					(133)
Discontinued operations					(420)
Net income					$ 4,769
Segment rental properties	$ 1,016,351	$ 103,746	$ 1,120,097	$ 20,222	$ 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	(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)

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. Dundee REIT, Dundee Management Limited Partnership ("DMLP") and DRC are parties to an administrative services agreement (the "Services Agreement") that is in effect until June 30, 2013. Effective August 24, 2007, Dundee REIT also has an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries.

The Trust received total fees from DRC of $1,004 for the period ended June 30, 2009 (June 30, 2008 — $824). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC include $1,711 for the period ended June 30, 2009 (June 30, 2008 — $1,436), for operating and administration costs of regional offices.

The Trust paid total fees to DRC of $2,565 in the period ended June 30, 2009 (June 30, 2008 — $3,771), under the Asset Management Agreement. The decrease reflects that no acquisitions were completed in the current six months compared to 2008.

Included in amounts receivable at June 30, 2009, is $nil related to the DRC Services Agreement (December 31, 2008 — $(43)), $6 related to the Asset Management Agreement (December 31, 2008 — $210) and $nil related to other amounts (December 31, 2008 — $156) owed by DRC. Accrued liabilities and other payables at June 30, 2009, include $460 for amounts related to the Asset Management Agreement (December 31, 2008 — $nil) and $(19) for other amounts collected on behalf of DRC (December 31, 2008 — $nil).

Note 18
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The results of operations of any property that has been sold or identified as discontinued operations are reported separately and comparative amounts are also reclassified as discontinued operations.

As at June 30, 2009, the Trust classified a retail property located in Atlanta, Georgia, that is directly owned by a subsidiary, as a discontinued asset. The Trust has determined that further funds required to meet the lender's debt-to-market value requirements for renewal on the property at the maturity of the mortgage are not warranted from a business perspective. As a result, proceedings have commenced that will see the property transferred to the lender in September 2009. The net assets of the property have been written down and the results of operations, along with comparative amounts, have been classified as discontinued operations. The Trust has recognized a total provision for impairment of $9,004, which includes the write-down of $4,987 of the carrying value of the net assets of the property, the write-off of the $1,561 future income tax liability associated with the U.S. operations, and a provision of $5,577 for the accumulated foreign currency translation adjustment associated with the investment in the net assets of the property. The Trust's subsidiary received the foreclosure notice dated July 1, 2009, and accordingly, the Trust's balance sheet shows the mortgage liability of $18,689 as a discontinued liability. Recourse under the mortgage is limited to the property and related assets. The discontinued assets of $13,112 represent the Trust's carrying value of the property based on the estimated fair value.

During the fourth quarter of 2008, the Trust classified an industrial property located in Alberta as held for sale. In accordance with the requirements of CICA Handbook Section 3475, the property's carrying value was established to be the lower of its carrying value or its estimated fair value less selling costs. On the transfer of the property to assets held for sale, no impairment was recognized. During the second quarter of 2009, a new tenant entered into a lease agreement with the option to purchase the property after November 1, 2012. As a result, the property has been reclassified as continuing operations. The property's carrying value, adjusted for depreciation and amortization expense that would have been recognized had it been continuously classified as held and used as a rental property, is established to be the lower of its carrying value or its estimated fair value at the end of the second quarter 2009.

For the period ending June 30, 2008, the Trust recognized an additional $426 in costs associated with the sale of the Eastern Portfolio to GE Real Estate and the sale of 3901 rue Jarry.

The following table summarizes the loss from discontinued operations:

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	For the six months ended June 30, 2009	For the six months ended June 30, 2008
Revenues				
Rental properties revenue	$ 1,126	$ 961	$ 2,308	$ 1,964
Interest and other income	1	24	16	28
	1,127	985	2,324	1,992
Expenses				
Rental properties operating expenses	555	496	1,237	984
Interest	204	286	416	621
Depreciation of rental properties	193	164	399	328
Amortization of deferred leasing costs, tenant improvements and intangibles	85	55	149	101
	1,037	1,001	2,201	2,034
Income (loss) before undernoted	90	(16)	123	(42)
Provision for impairment in value of discontinued assets	9,004	—	9,004	—
Loss on disposal of rental properties	—	426	—	426
Current income taxes	20	—	20	—
Future income taxes	(69)	(19)	(20)	(48)
Loss from discontinued operations	$ (8,865)	$ (423)	$ (8,881)	$ (420)

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 consolidated financial statements of Dundee REIT.

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

Period ending June 30	Operating lease payments	Capital lease payments
2009	$ 527	$ 71
2010	1,038	142
2011	911	106
2012	774	—
2013	654	—
Total	$ 3,904	$ 319

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of $3,529.

The Trust has entered into a co-ownership agreement that includes a one-time put option exercisable by its co-owner. The put requires 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. On January 23, 2009, the put was exercised and the Trust will purchase the building, located in Toronto, for $25,400 and assume debt maturing in September 2009 of approximately $20,600. The Trust has agreed with the co-owner of the property that the transaction will close September 1, 2009.

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 one year (expiring on December 31, 2009) and locks the Trust in for total minimum payments of $409.

The Trust has entered into an agreement to purchase from a former joint venture partner a fully leased office building currently under construction for $20,788, with maximum adjustments to the closing price of $500. The closing date is expected to be in the first half of 2010.

Subsequent to quarter-end, the Trust has entered into an agreement to sell two industrial properties, consisting of 188,000 square feet, located in Edmonton, Alberta. The purchaser has waived on the condition of sale, which is expected to close August 31, 2009, for total proceeds of approximately $15,100 million.

During the quarter, the Trust committed to construct an office property in Yellowknife, Northwest Territories, that is fully leased for a ten-year term to the Government of Canada. Estimated construction costs are $20,000.

Note 20

SUPPLEMENTARY CASH FLOW INFORMATION

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Decrease in accounts receivable	**$ 3,132**	$ 783	**$ 2,301**	$ 1,348
Decrease in deferred costs (other than leasing costs)	**16**	95	**225**	229
Decrease (increase) in prepaid expenses and other assets (excluding restricted cash and promissory notes)	**(573)**	561	**(703)**	(158)
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)	**(1,151)**	(3,852)	**3,360**	(4,268)
Increase (decrease) in accounts payable relating to leasing costs	**(326)**	214	**(130)**	325
Change in non-cash working capital	**$ 1,098**	$ (2,199)	**$ 5,053**	$ (2,524)

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

	For the three months ended June 30, 2009	For the three months ended June 30, 2008	**For the six months ended June 30, 2009**	For the six months ended June 30, 2008
Interest	**$ 14,681**	$ 13,189	**$ 25,303**	$ 22,969
Income taxes	**5**	1	**5**	(30)

Corporate information

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Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols

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

Distribution Reinvestment and Unit Purchase Plan

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

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

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

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

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

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

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