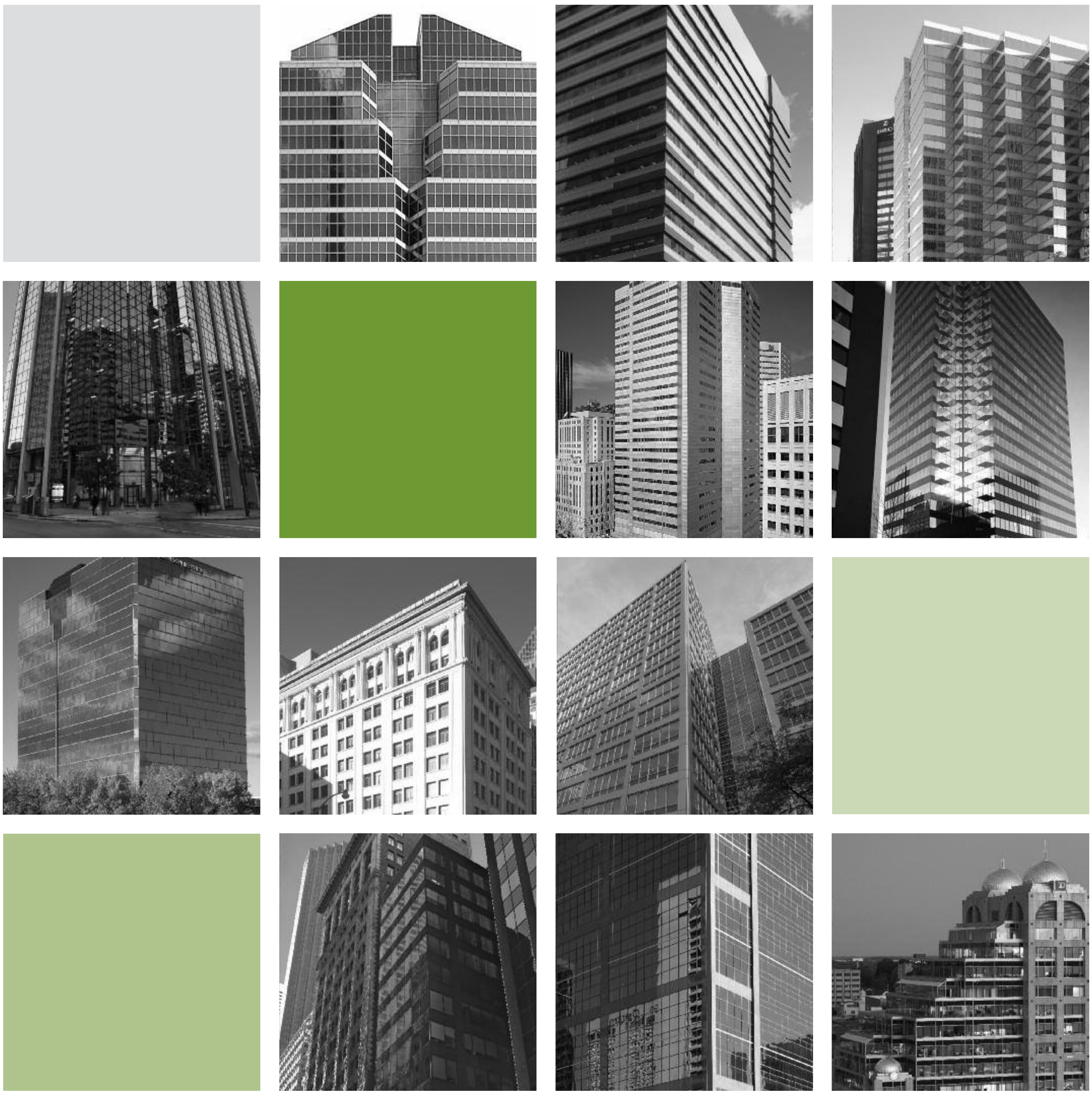
Dundee REIT

SECOND QUARTER 2012



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

Letter to unitholders

The transformation of Dundee REIT continues with the acquisition of a two-thirds interest in Scotia Plaza. It is a truly iconic, institutional quality asset that we successfully acquired and financed without diluting our business. It contributes to improving the quality of many key portfolio metrics and offers embedded growth that is consistent with the rest of our portfolio.

Over the years, Dundee REIT has undergone many transformative events; however, the bright-line throughout is the consistent result of a stronger, higher quality portfolio and capital structure. At the end of 2011, our assets totalled about $4.5 billion. I was not expecting 2012 to be another year of great change, but here we are having completed a $1.4 billion portfolio acquisition in the first quarter, and the $844 million acquisition of a two-thirds interest in Scotia Plaza in the second quarter. The investment markets are reacting very positively to our growth and the changes in the constitution of our portfolio. The nearly 20% increase in our unit price since the beginning of this year is recognition for improving the business without sacrificing yield.

Getting better requires more than simply getting bigger. After a period of aggressively growing and changing our portfolio, we are conducting a thorough portfolio analysis with a view to pruning assets that may no longer fit within our strategy and we intend to redeploy the proceeds into assets that offer greater upside. We are making progress in marketing and negotiating the sale of the retail assets and are at various stages of negotiation with respect to other properties. We are still in the process of reviewing the various options with respect to our industrial assets.

The office markets across Canada are performing well. This is mirrored by our portfolio, which has maintained its 95.6% portfolio occupancy rate and has experienced an increase in comparative property average in-place rental rates over Q1. Average in-place rents and market rents continue to grow across our portfolio, presenting us with the ongoing opportunity to capture gains through leasing activity. The Calgary market continues to strengthen, with rental rates trending upwards; however, growth may be somewhat muted as we still have some in-place rents rolling down from the higher rents of the previous cycle. We are encouraged by the healthy volume of leasing that we complete on a quarterly basis and are pleased that we continue to secure commitments for space before it expires. Overall, we expect to maintain current occupancy levels and that future NOI growth will be led by higher rental rates.

Strengthening our balance sheet is another area of focus. We have made progress in realizing significant interest cost savings through refinancings and will continue to look for opportunities to proactively finance or refinance existing debt in order to take advantage of lower interest rates and longer terms.

Dundee REIT's performance remains consistent. We have built a strong national platform with a significant presence in Canada's two leading markets and own buildings that are appealing to tenants. In addition, we have a capital structure with flexibility and scale that offers security and stability. Overall, Dundee REIT is well-positioned to capitalize on whatever opportunities may become available.

MICHAEL J. COOPER
Vice Chairman and Chief Executive Officer
August 8, 2012

Management's discussion and analysis

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

Section I – Objectives and financial highlights

Basis of presentation

Our discussion and analysis of the financial position and results of operations of Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements of Dundee REIT for the year ended December 31, 2011 and the condensed consolidated financial statements for the period ended June 30, 2012. Where indicated, our discussion of assets, liabilities, revenue and expense includes our equity accounted investments at our proportionate share of assets, liabilities, revenue and expenses for the equity accounted investments.

This management's discussion and analysis is dated as at July 31, 2012, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

- "REIT A Units", meaning the REIT Units, Series A
- "REIT B Units", meaning the REIT Units, Series B
- "REIT Units", meaning the REIT Units, Series A, and REIT Units, Series B
- "LP B Units" and "subsidiary redeemable units", meaning the LP Class B Units, Series 1

Certain market information has been obtained from the CB Richard Ellis MarketView, Second Quarter 2012, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, its accuracy and completeness is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

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

Although the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust's properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; that the specified investment flow-through trust ("SIFT") rules and the normal growth guidelines are not applicable to Dundee REIT; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of July 31, 2012, except where otherwise noted. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including our latest Annual Information Form. Certain filings are also available on our web site at www.dundeereit.com.

Our objectives

We are committed to:

- managing our business to provide growing cash flow and stable and sustainable returns through adapting our strategy and tactics to changes in the real estate industry and the economy;
- building and maintaining a diversified, growth-oriented portfolio of office and industrial properties in Canada, based on an established platform;
- providing predictable and sustainable cash distributions to unitholders and prudently managing distributions over time; and
- maintaining a REIT that satisfies the REIT exception under the SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions.

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit, or $2.20 per unit on an annual basis. At June 30, 2012, approximately 26% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP"), including 27% of the REIT A Units and 10% of the LP B Units. There is no equivalent program for the REIT B Units (see a description of Our Equity on page 28).

						2011						**2012**
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	**April**	**May**	**June**
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	$32.42	$31.90	$31.77	$33.00	$32.69	$32.67	$33.47	$34.40	$35.20	**$36.88**	**$36.02**	**$38.19**

Our strategy

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

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

Investing in high-quality office and industrial properties

Dundee REIT has an established presence in key urban markets across the country. Our portfolio comprises high-quality properties that are well-located, attractively priced and produce consistent cash flow. When considering acquisition opportunities, we look for quality tenancies, strong occupancy, the appeal of the property to future tenants, how it complements our existing portfolio and how we can create additional value.

Optimizing the performance, value and cash flow of our portfolio

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

Diversifying our portfolio to mitigate risk

Since 2009, we have carefully repositioned our portfolio through an impressive number of accretive acquisitions. In addition to expanding and diversifying our geographic footprint across the country, the acquisitions have served to enhance the stability of our business, diversifying and strengthening the quality of our revenue stream and increasing cash flow. We will continue to pursue opportunities for growth but only when it enhances our overall portfolio, further improves the sustainability of distributions, strengthens our tenant profile and mitigates risk. We have experience in each of Canada's key markets and have the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

Maintaining and strengthening our conservative financial profile

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

Our assets

Dundee REIT provides high-quality, well-located and attractively priced business premises. Our portfolio comprises central business district and suburban office properties as well as industrial and prestige industrial properties. Our assets are predominantly located in major urban centres across Canada including Toronto, Calgary, Edmonton, Montréal, Kitchener-Waterloo, Ottawa, Vancouver, Regina, Saskatoon, Quebec City, Yellowknife and Halifax.

Owned gross leasable area (sq. ft.)

				June 30, 2012	December 31, 2011	
	Office	**Industrial**	**Total**	**%**	Total	%
Western Canada	**3,938,445**	**1,063,707**	**5,002,152**	**18**	4,051,214	21
Calgary	**4,060,500**	**1,332,425**	**5,392,925**	**20**	5,224,634	28
Toronto	**10,156,538**	**971,084**	**11,127,622**	**40**	6,239,806	33
Eastern Canada[1]	**3,566,319**	**2,493,897**	**6,060,216**	**22**	3,425,940	18
Total[2]	**21,721,802**	**5,861,113**	**27,582,915**	**100**	18,941,594	100
Percentage	**79%**	**21%**	**100%**			
Total as at December 31, 2011	15,277,415	3,664,179	18,941,594			
Percentage	81%	19%	100%			

(1) Includes properties located in the U.S.

(2) Excludes development and redevelopment properties and properties held for sale.

At June 30, 2012, our total gross leasable area ("GLA") was 27.6 million square feet, including 1.6 million square feet acquired during the second quarter. Along with increasing the size of our operations, acquisitions improved the quality of our assets and strengthened our cash flow.

On June 15, 2012, we completed the acquisition of a two-thirds interest in the Scotia Plaza complex, one of Canada's preeminent office properties. The Scotia Plaza complex is located in the heart of Toronto's financial district and comprises approximately 2.0 million square feet, with our proportionate share being 1.3 million square feet. The complex includes four connected buildings and concourse leases, including the landmark 68-storey, 1.5 million square foot red granite tower located at 40 King Street West and the adjacent 26-storey, 0.4 million square foot historic 44 King Street West.

During the first quarter of 2012, we completed acquisitions totalling 7.7 million square feet, including the acquisition of Whiterock REIT ("Whiterock"). The Whiterock acquisition included ownership interests in 54 office properties totalling 4.9 million square feet, 20 industrial properties totalling 2.1 million square feet and 11 retail properties comprising 0.4 million square feet (the "Whiterock Portfolio"). The Whiterock Portfolio strengthened our position in a number of markets across Canada and provided us with exposure to some new markets such as Québec City and New Brunswick. In addition, we bought two office properties in Toronto totalling 0.4 million square feet.

The cumulative impact of our 2012 acquisitions increases our GLA to approximately 27.6 million square feet. Year-to-date, we have added 9.3 million square feet of accretive assets to our portfolio, and since Q2 2011 we have added 13.2 million square feet.

After a period of aggressively growing and changing our portfolio, we are conducting a portfolio analysis with a view to pruning assets that may no longer fit within our strategy and redeploying the capital into assets that offer greater potential upside. A variety of assets totalling 0.6 million square feet have been reclassified as held for sale. Currently, we have one 0.1 million square foot office building in Edmonton, Alberta, and three retail properties totalling 0.1 million square feet in Atlantic Canada under contract for sale. In addition, we are at various stages of marketing and negotiation with respect to the sale of other properties and are still considering options with respect to the industrial assets.

Office rental properties

At June 30, 2012, our ownership interests included 171 office properties (201 buildings) comprising approximately 21.7 million square feet (owned share) located in Toronto, Calgary, Edmonton, Montréal, Kitchener-Waterloo, Ottawa, Vancouver, Regina, Saskatoon, Québec City, Yellowknife, Windsor, London, Halifax and Fredericton. These office properties can generally be categorized as high-quality, attractively priced, central business district and suburban buildings. The occupancy rate across our office portfolio remains high at 95.2%, well ahead of the national industry average occupancy rate of 91.8% (CB Richard Ellis, Canadian Office MarketView, Second Quarter 2012). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial rental properties

At June 30, 2012, our industrial portfolio included 77 prime suburban industrial properties (80 buildings) comprising approximately 5.9 million square feet in Calgary, Montréal, Edmonton, Regina, Toronto, Halifax, Moncton, London and Windsor. The occupancy rate across our industrial portfolio is 97.1%, also well ahead of the national industry average of 93.7% (CB Richard Ellis, Canadian Industrial MarketView, Second Quarter 2012).

Key performance indicators

Performance is measured by these and other key indicators:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Operations				
Occupancy rate (period-end)[1]	**95.6%**	96.5%		
Average in-place net rent per square foot (period-end)[1]	**$ 15.16**	$ 14.37		
Operating results				
Investment properties revenue[4]	**$ 181,195**	$ 95,556	**$ 331,235**	$ 186,561
Net operating income ("NOI")[2][3][4]	**105,200**	57,638	**192,341**	111,191
Comparative properties NOI	**48,086**	47,171	**96,131**	93,991
Funds from operations ("FFO")[2][5]	**66,633**	35,491	**121,704**	68,355
Adjusted funds from operations ("AFFO")[2][6]	**55,961**	31,286	**102,614**	60,048
Fair value increase to investment properties, excluding transaction costs[4]	**14,820**	44,354	**62,201**	68,071
Distributions				
Declared distributions	**$ 51,143**	$ 30,860	**$ 93,054**	$ 59,770
Distributions paid in cash	**39,815**	25,851	**72,783**	50,847
DRIP participation ratio	**22%**	16%	**22%**	15%
Financing				
Weighted average effective interest rate on debt (period-end)	**4.48%**	5.30%		
Interest coverage ratio	**2.7 times**	2.6 times		
Per unit amounts[7]				
Basic:				
FFO[2]	**$ 0.72**	$ 0.64	**$ 1.46**	$ 1.27
AFFO[2]	**0.61**	0.56	**1.23**	1.11
Distribution rate	**0.55**	0.55	**1.10**	1.10
Diluted:				
FFO[2]	**0.72**	0.64	**1.45**	1.27

(1) Excludes development and redevelopment properties and properties held for sale.

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

(3) NOI is defined as net rental income, excluding net rental income from properties held for sale. The reconciliation of NOI to net rental income can be found on page 35.

(4) Includes equity accounted investments.

(5) FFO – The reconciliation of FFO to net income can be found on page 41.

(6) AFFO – The reconciliation of AFFO to FFO can be found on page 41.

(7) A description of the determination of basic and diluted amounts per unit can be found on page 42.

Financial overview

In the second quarter, we completed the acquisition of a two-thirds interest in the Scotia Plaza, one of Canada's landmark office properties. The total purchase price was $1.27 billion, or $844.3 million at our two-thirds share. For more information on this and other acquisitions, refer to page 20.

To finance the Scotia Plaza acquisition, we took advantage of historically low interest rates and issued a mortgage bond for $650.0 million, or $433.3 million at our two-thirds interest. The bond was issued for a seven-year term, maturing in 2019, and has a face rate of 3.21%. At the beginning of the quarter we fully repaid the secured term and equity bridge facilities of $210.0 million and $10.0 million, respectively, used to finance the acquisition of Whiterock. The secured term facility was converted into a revolving credit facility, on which we had $145.0 million drawn at quarter-end. For information on our financing activities during the quarter refer to page 21.

AFFO per unit increased by $0.05, or 8.9%, over the prior year comparative quarter, primarily reflecting the impact of accretive acquisitions completed in 2011 and 2012, comparative NOI growth and the impact of new financing at lower rates.

FFO per unit increased by $0.08, or 12.5%, over the prior year comparative quarter, driven by accretive acquisitions completed in the last two years as well as comparative NOI growth and financing at lower rates. FFO amounts include the impact of straight-line rents and mark-to-market adjustments on assumed debt.

NOI continued its upward trend with the second consecutive quarter of comparative property NOI growth. Comparative property NOI was $48.1 million this quarter, up $0.9 million, or 1.9%, over the prior year comparative quarter. Overall, NOI grew by $47.6 million, or 83%, over the prior year comparative quarter, including $45.6 million in NOI growth attributable to acquisitions.

Average in-place net rents and market rents continue to grow across our portfolio. At June 30, 2012, overall average in-place net rents were $15.16 per square foot, representing a 7.8% increase over March 31, 2012 and 5.5% over the same period in 2011. On a comparative property basis, average in-place net rents increased by 1.4% to $14.25 per square foot from $14.06 per square foot at March 31, 2012. Our average in-place net rents remain below market rents, representing an opportunity to capture upside when executing new leases and renewals. Office market rents are 13.4% greater than the current average in-place rents and industrial market rents are 2.2% greater.

In-place and committed occupancy was consistent with the prior quarter at 95.6%. Our office occupancy remained unchanged at 95.2% over prior quarter (96.1% at June 30, 2011). Industrial occupancy decreased to 97.1% from 97.4% at March 30, 2012 (97.9% at June 30, 2011), primarily resulting from a new vacancy in a Calgary property.

Outlook

The transformation of Dundee REIT continues. Year-to-date we have completed $2.5 billion of acquisitions, adding 9.3 million square feet of GLA and further strengthening our national portfolio. These acquisitions, in particular Scotia Plaza, strengthen our tenant roster, improve the stability of our cash flows and enhance our status as Canada's largest office REIT. At the end of the first quarter, we indicated that we are evaluating our portfolio with a view to pruning assets that have either reached their potential or that no longer fit our strategy. This is an ongoing process and we will continue to seek opportunities that will improve our company.

Dundee REIT's performance remains consistent, producing second quarter results that are in line with expectations. The office markets across Canada are performing well with stable national vacancy rates and increasing rental rates. This trend is mirrored by our portfolio, which maintained its 95.6% portfolio occupancy rate and experienced an increase in comparative property average in-place net rental rates over Q1. Average in-place net rents and market rents continue to grow across our portfolio, presenting us with the ongoing opportunity to capture gains through leasing activity. We are encouraged by the volume of leasing that we complete on a quarterly basis and are pleased that we continue to secure commitments for space before it expires. The Calgary market continues to strengthen, with rental rates trending upwards; however, growth may be somewhat muted as we still have some in-place rents rolling down from the higher rents of the previous cycle. Overall, we expect to maintain our current occupancy levels and that rental rate increases will help to produce future NOI growth.

Strengthening our consolidated balance sheet is another area of focus. We have made progress in realizing significant interest cost savings through refinancings and will continue to look for opportunities to proactively finance or refinance existing debt in order to take advantage of lower interest rates and longer terms. This may include increasing debt on properties with low loan-to-value or refinancing existing mortgages and increasing the loan amount and extending the terms.

We have built a strong national platform with a significant presence in Canada's two leading markets and own buildings that are attractive to and in demand by tenants. In addition, we have a capital structure with flexibility and scale, providing security and stability. Overall, Dundee REIT is well-positioned to capitalize on whatever opportunities may become available.

Section II – Executing the strategy

Our operations

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

Performance indicators[1]	**June 30, 2012**	December 31, 2011
Occupancy rate	**95.6%**	95.6%
Average in-place net rent rates (per sq. ft.)	**$ 15.16**	$ 15.01
Tenant maturity profile – average term to maturity (years)	**5.83**	5.22

(1) Excludes development and redevelopment properties and properties held for sale.

Occupancy

At June 30, 2012, the overall percentage of occupied and committed space across our investment property portfolio remained strong at 95.6%, consistent with that of the first quarter of 2012. The average occupancy rate across our office portfolio is 95.2%, still well above the national industry average of 91.8%. The average occupancy of our industrial portfolio is 97.1%, which is also well above the national industry average of 93.7%. Occupancy rates discussed in this report with respect to our portfolio include occupied and committed space at June 30, 2012.

	Total portfolio		Comparative properties[2]	
(percentage)	**June 30, 2012**	March 31, 2012	**June 30, 2012**	March 31, 2012
Office				
Western Canada	**95.4**	96.4	**95.4**	96.3
Calgary	**94.2**	93.6	**94.2**	93.6
Toronto	**95.2**	94.9	**94.9**	95.1
Eastern Canada	**96.3**	96.2	**96.3**	96.2
Total office	**95.2**	95.2	**95.1**	95.2
Industrial				
Western Canada	**96.7**	96.3	**96.7**	96.4
Calgary	**95.1**	96.6	**95.1**	96.6
Toronto	**96.1**	95.1	**96.1**	96.1
Eastern Canada	**98.7**	98.8	**98.7**	98.7
Total industrial	**97.1**	97.4	**97.1**	97.4
Overall[1]	**95.6**	95.6	**95.5**	95.7

(1) Excludes development and redevelopment properties and properties held for sale.

(2) Comparative properties include all properties owned by the Trust at March 31, 2012.

On a comparative property basis, the occupancy rate across our office portfolio was relatively flat at 95.1% (March 31, 2012 – 95.2%), reflecting declines in our Western Canada and Toronto portfolios offset by committed occupancy increases in the Calgary and Eastern Canada portfolios. Occupancy across our comparative industrial portfolio declined slightly to 97.1% (March 31, 2012 – 97.4%), primarily as a result of a 53,000 square foot lease termination at a Calgary property.

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

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

(1) Excludes development and redevelopment properties and properties held for sale.

Vacancy schedule

Overall, we were very active during the second quarter on the leasing front, demonstrating our ability to keep our high-quality tenants by renewing the majority of leases that expired. In addition to renewals, new leases entered into in the period allowed us to maintain our strong occupancy levels, which remain well above the industry averages. New leasing activity included 180,340 square feet of office space and 95,819 square feet of industrial space. Renewal activity included 571,721 square feet of office space and 56,468 square feet of industrial space. Vacancy committed for future occupancy was 229,526 square feet, representing approximately 16.0% of the vacant space at June 30, 2012. In the quarter, our actual vacancy increased by 72,193 square feet; however, our vacancy committed for future occupancy more than offsets this.

	Three months ended June 30, 2012			Six months ended June 30, 2012		
(in square feet)	Office	Industrial	Total[1]	Office	Industrial	Total[1]
Available for lease	989,122	148,423	1,137,545	701,084	123,334	824,418
Vacancy committed for future leases	168,847	21,906	190,753	153,848	88,846	242,694
Vacant space at beginning of period	1,157,969	170,329	1,328,298	854,932	212,180	1,067,112
Acquired vacancy	37,723	–	37,723	276,519	32,838	309,357
Vacant space – restated	1,195,692	170,329	1,366,021	1,131,451	245,018	1,376,469
Remeasurements/reclassifications	(2,091)	5,649	3,558	(4,585)	5,657	1,072
Expiries	746,280	98,400	844,680	1,313,554	173,806	1,487,360
Early terminations and bankruptcies	69,998	58,305	128,303	115,112	59,745	174,857
New leases	(180,340)	(95,819)	(276,159)	(401,529)	(198,062)	(599,591)
Renewals	(571,721)	(56,468)	(628,189)	(896,185)	(105,768)	(1,001,953)
Vacant space – June 30, 2012	1,257,818	180,396	1,438,214	1,257,818	180,396	1,438,214
Vacancy committed for future occupancy	220,013	9,513	229,526	220,013	9,513	229,526
Available for lease – June 30, 2012	1,037,805	170,883	1,208,688	1,037,805	170,883	1,208,688

(1) Excludes properties held for sale.

In-place rental rates

Total portfolio

At June 30, 2012, market rents were 12.3% higher than portfolio average in-place net rents. On a total portfolio basis, our average in-place net rent was $15.16 per square foot, up from $14.07 at March 31, 2012, primarily reflecting the addition of Scotia Plaza which has in-place rental rates of $31.45 per square foot. The corresponding market rents for some regions, particularly Western Canada and Calgary, present great opportunities to capture increases and corresponding NOI growth as space is leased.

			June 30, 2012			March 31, 2012
Total portfolio	**Average in-place net rent(1)(2)**	**Market rent**	**Market rent/ in-place rent (%)**	Average in-place net rent(1)(2)	Market rent	Market rent/ in-place rent (%)
Office						
Western Canada	**$ 18.27**	**$ 21.61**	**18.3**	$ 17.69	$ 20.93	18.3
Calgary	**18.72**	**23.61**	**26.1**	18.67	21.83	16.9
Toronto	**18.04**	**19.32**	**7.1**	15.45	16.66	7.8
Eastern Canada	**13.63**	**15.04**	**10.3**	13.60	14.79	8.8
Total office	**17.48**	**19.82**	**13.4**	16.20	18.19	12.3
Industrial						
Western Canada	**$ 7.79**	**$ 9.18**	**17.8**	$ 7.76	$ 9.16	18.0
Calgary	**8.10**	**8.69**	**7.3**	8.18	8.70	6.4
Toronto	**6.75**	**6.20**	**(8.2)**	6.36	6.01	(5.5)
Eastern Canada	**5.61**	**5.29**	**(5.7)**	5.62	5.43	(3.4)
Total industrial	**6.75**	**6.90**	**2.2**	6.67	6.91	3.6
Overall	**$ 15.16**	**$ 17.03**	**12.3**	$ 14.07	$ 15.67	11.4

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

(2) Excludes properties held for sale.

Comparative properties portfolio

The following table demonstrates the change in average in-place net rents for the comparative properties owned at March 31, 2012. On average, total comparative portfolio average in-place net rents improved by 1.4% and market rents improved by 2.9%. Our office average in-place net rents and average market rents increased across all regions where we have a presence. Of note, average in-place net rents in Western Canada increased by 3.2% and market rents increased by 2.9%. Across our industrial portfolio, average in-place net rents increased by 1.0%, and there were no significant changes in market rents.

	June 30, 2012		March 31, 2012	
Comparative properties	**Average in-place net rent**[1][2]	**Market rent**	Average in-place net rent[1]	Market rent
Office				
Western Canada	**$ 18.27**	**$ 21.56**	$ 17.70	$ 20.95
Calgary	**18.74**	**23.35**	18.67	21.62
Toronto	**15.80**	**16.94**	15.57	16.78
Eastern Canada	**13.63**	**15.04**	13.60	14.79
Total office	**16.48**	**18.80**	16.25	18.21
Industrial				
Western Canada	**$ 7.79**	**$ 9.15**	$ 7.79	$ 9.23
Calgary	**8.10**	**8.71**	8.18	8.71
Toronto	**6.75**	**6.10**	6.55	6.10
Eastern Canada	**5.61**	**5.28**	5.48	5.28
Total industrial	**6.75**	**6.90**	6.68	6.91
Overall	**$ 14.25**	**$ 16.12**	$ 14.06	$ 15.67

(1) Excludes properties held for sale.

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

Leasing and tenant profile

The average remaining lease term and other portfolio information is detailed below. The portfolio average remaining lease term at June 30, 2012 is 5.83 years, an increase from 5.22 years at December 31, 2011, primarily reflecting the impact of acquisitions completed during Q1 2012 and the acquisition of Scotia Plaza this quarter with an average remaining lease term of 10.6 years.

	June 30, 2012[1]			December 31, 2011[1]		
	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent[2] (per sq. ft.)	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent[2] (per sq. ft.)
Office						
Western Canada	4.49	8,618	$ 18.27	4.85	10,201	$ 17.67
Calgary	3.82	7,695	18.72	3.81	7,956	18.66
Toronto	5.38	8,672	18.04	4.51	8,470	15.87
Eastern Canada	7.98	15,190	13.63	6.10	13,011	15.29
Total office	5.36	9,096	17.48	4.63	9,122	16.92
Industrial						
Western Canada	4.33	7,194	$ 7.79	5.69	29,309	$ 8.11
Calgary	3.78	7,038	8.10	4.21	6,753	7.84
Toronto	8.07	71,812	6.75	10.70	155,815	6.39
Eastern Canada	10.66	43,949	5.61	10.61	30,466	6.37
Total industrial	7.56	14,516	6.75	7.66	14,335	7.14
Portfolio average	5.83	9,893	$ 15.16	5.22	9,820	$ 15.01

(1) Excludes properties held for sale.

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

The following two tables detail our lease maturity profile by asset type and geographic segment at June 30, 2012. The tables distinguish between lease maturities that have yet to be renewed or re-leased and maturities for which we have a leasing commitment. The uncommitted line should be referenced when considering future leasing risks or opportunities, and the committed line should be referenced when considering the impact of leasing activity.

Expiries for the remainder of 2012 total 1,449,995 square feet, of which 680,512 square feet, or 46.9%, has already been committed for future occupancy.

(in sq. ft.)	Current vacancy	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031	Total
Office – uncommitted	1,037,804	11,853	673,189	2,298,775	1,894,385	2,011,436	12,197,338	20,124,780
Office – committed	–	–	511,461	576,453	104,927	129,410	274,771	1,597,022
Total office	1,037,804	11,853	1,184,650	2,875,228	1,999,312	2,140,846	12,472,109	21,721,802
Industrial – uncommitted	170,883	53,889	96,294	495,385	422,036	498,006	3,933,790	5,670,283
Industrial – committed	–	–	169,051	21,779	–	–	–	190,830
Total industrial	170,883	53,889	265,345	517,164	422,036	498,006	3,933,790	5,861,113
Total – uncommitted	1,208,687	65,742	769,483	2,794,160	2,316,421	2,509,442	16,131,128	25,795,063
Total – committed	–	–	680,512	598,232	104,927	129,410	274,771	1,787,852
Total(1)	1,208,687	65,742	1,449,995	3,392,392	2,421,348	2,638,852	16,405,899	27,582,915

(1) Excludes properties held for sale.

(in sq. ft.)	Current vacancy	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031	Total
Western Canada – uncommitted	215,978	4,740	309,951	584,474	536,327	433,214	2,609,477	4,694,161
Western Canada – committed	–	–	199,504	100,874	–	6,284	1,329	307,991
Total Western Canada	215,978	4,740	509,455	685,348	536,327	439,498	2,610,806	5,002,152
Calgary – uncommitted	301,754	44,388	146,516	879,254	729,404	505,125	2,399,835	5,006,276
Calgary – committed	–	–	236,725	74,919	17,776	20,714	36,515	386,649
Total Calgary	301,754	44,388	383,241	954,173	747,180	525,839	2,436,350	5,392,925
Toronto – uncommitted	524,733	5,364	243,411	1,146,278	791,085	1,020,198	6,542,022	10,273,091
Toronto – committed	–	–	208,278	391,184	83,618	2,283	169,168	854,531
Total GTA/Toronto	524,733	5,364	451,689	1,537,462	874,703	1,022,481	6,711,190	11,127,622
Eastern Canada – uncommitted	166,222	11,250	69,605	184,154	259,605	550,905	4,579,794	5,821,535
Eastern Canada – committed	–	–	36,005	31,255	3,533	100,129	67,759	238,681
Total Eastern Canada	166,222	11,250	105,610	215,409	263,138	651,034	4,647,553	6,060,216
Total – uncommitted	1,208,687	65,742	769,483	2,794,160	2,316,421	2,509,442	16,131,128	25,795,063
Total – committed	–	–	680,512	598,232	104,927	129,410	274,771	1,787,852
Total(1)	1,208,687	65,742	1,449,995	3,392,392	2,421,348	2,638,852	16,405,899	27,582,915

(1) Excludes properties held for sale.

The following tables detail expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties at June 30, 2012. Expiring rents and market rents represent base rates and do not include the impact of lease incentives. Currently, our 2012 expiring rents are approximately 6.5% below market.

	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031
Expiring rents[1]						
Office	$ 7.46	$ 18.40	$ 17.33	$ 17.26	$ 15.33	$ 19.60
Industrial	2.99	8.61	8.16	8.32	7.78	7.31
Portfolio average	3.80	17.17	15.70	15.63	13.83	16.77
Market rents[2]						
Office	$ 16.09	$ 19.68	$ 18.99	$ 18.85	$ 17.65	$ 20.42
Industrial	11.12	8.46	8.61	8.26	7.88	6.34
Market rent average	12.02	18.28	17.15	16.92	15.71	17.18

(1) Excludes properties held for sale.

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

	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031
Expiring rents[1]						
Office						
Western Canada	$ 11.01	$ 18.76	$ 18.01	$ 17.86	$ 16.64	$ 20.92
Calgary	16.56	18.92	21.42	19.00	13.94	20.31
Toronto	1.37	18.71	14.77	16.27	15.06	20.69
Eastern Canada	–	14.18	14.47	15.56	16.21	15.05
Industrial						
Western Canada	–	7.43	6.39	7.85	8.88	10.18
Calgary	3.43	11.99	10.80	9.40	9.18	7.82
Toronto	–	–	7.57	–	6.95	7.93
Eastern Canada	1.32	7.16	6.09	5.54	5.88	6.33
Portfolio average	$ 3.80	$ 17.17	$ 15.70	$ 15.63	$ 13.83	$ 16.77
Market rents[2]						
Office						
Western Canada	$ 18.00	$ 22.20	$ 20.34	$ 21.24	$ 19.43	$ 22.09
Calgary	18.73	21.23	24.23	22.38	21.53	24.21
Toronto	13.54	17.80	15.64	16.80	16.59	20.66
Eastern Canada	–	13.02	14.63	13.78	15.32	15.17
Industrial						
Western Canada	–	9.09	8.99	8.28	9.61	9.53
Calgary	13.00	8.65	9.44	8.89	9.11	8.07
Toronto	–	–	7.10	–	6.56	6.06
Eastern Canada	4.00	5.67	5.86	5.29	5.90	5.24
Market rent average	$ 12.02	$ 18.28	$ 17.15	$ 16.92	$ 15.71	$ 17.18

(1) Excludes properties held for sale.

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

Initial direct leasing costs and lease incentives

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

For the six months ended June 30, 2012, we incurred $10.2 million in leasing costs and lease incentives. With respect to office properties, we incurred $9.6 million in leasing costs and lease incentives, representing an average of $7.44 per square foot leased. For industrial space, $0.6 million in leasing costs and lease incentives were incurred, averaging $1.81 per square foot leased.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)(1)			
Portfolio size (sq. ft.)(2)	21,721,802	5,861,113	27,582,915
Occupied and committed(2)	95.2%	97.1%	95.6%
Square footage leased and occupied in 2012(2)	1,297,714	303,830	1,601,544
Initial direct leasing costs and lease incentives paid in 2012(2)	$ 9,649	$ 551	$ 10,200

(1) Includes equity accounted investments.

(2) Excludes development and redevelopment properties and properties held for sale.

Tenant base profile

Our tenant base includes municipal, provincial and federal governments, as well as a wide range of high-quality large international corporations, including Canada's third largest bank and three of Canada's prominent law firms, and small to medium-sized businesses across Canada. With approximately 2,666 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are 9,096 square feet and 14,516 square feet, respectively. Effectively managing this diverse tenant base is one of our key strengths and has helped us to maintain consistently high occupancy levels and to continually capitalize on rental rate increases.

The stability and quality of our cash flow is further enhanced by the fact that rental revenue from government and government agencies comprises approximately 16% of our total rental revenue. The list of our 20 largest tenants includes both federal and provincial governments as well as other nationally and internationally recognizable high-quality corporations and businesses.

The following table outlines their contributions to our rental revenues.

Tenant	Owned area (sq. ft.)	Owned area (%)	Gross rental revenue (%)	Weighted average remaining lease term (years)
Bank of Nova Scotia	892,775	3.2	7.3	12.1
Government of Canada	1,617,578	5.9	6.9	3.4
Government of Ontario	479,184	1.7	2.2	6.6
Government of Québec	695,629	2.5	2.0	14.2
Bell Canada	372,693	1.4	1.9	5.4
TELUS	289,103	1.0	1.4	3.8
Enbridge Pipelines Inc.	242,001	0.9	1.4	6.4
Government of Alberta	346,538	1.3	1.3	2.4
Borden Ladner Gervais	135,436	0.5	1.2	4.5
Government of Saskatchewan	334,240	1.2	1.2	4.7
Aviva Canada Inc.	335,900	1.2	1.1	4.1
Government of British Columbia	269,413	1.0	1.1	4.5
Loyalty Management	194,018	0.7	1.0	5.3
Miller Thomson	146,922	0.5	0.9	5.7
State Street Trust Company	135,546	0.5	0.8	9.4
Cassels Brock Blackwell	94,507	0.3	0.8	12.5
SNC-Lavalin Inc.	211,070	0.8	0.7	6.7
Daimler Chrysler Canada Inc.	132,500	0.5	0.7	10.2
Winners Merchants International	204,268	0.7	0.7	3.0
Government of Northwest Territories	117,104	0.4	0.7	2.9
Total	7,246,425	26.2	35.3	7.0

Our resources and financial condition

Investment properties

For the six months ended June 30, 2012, the fair value of our investment property portfolio (including those assets held in equity accounted investments) increased to $6.9 billion from $4.4 billion at December 31, 2011, representing a weighted average capitalization rate (“cap rate”) of 6.43%.

During Q2 2012 we:

- acquired a two-thirds interest in the Scotia Plaza complex for $875.5 million (including transaction costs);
- acquired one office building for $35.5 million (including transaction costs);
- incurred building improvements totalling $3.8 million and lease incentives totalling $5.7 million;
- recorded fair value gains of $14.8 million (fair value losses of $17.1 million including transaction costs); and
- reclassified one property owned as at December 31, 2011, with a total fair value of $6.9 million, to assets held for sale.

During Q1 2012 we:

- acquired the Whiterock Portfolio for $1.4 billion, of which $106.8 million has been reclassified as assets held for sale;
- acquired two office buildings for $127.5 million and parking lots adjacent to one of our office properties for $18.2 million;
- sold an office property for $7.7 million that was classified as held for sale at December 31, 2011;
- incurred building improvements totalling $2.8 million and lease incentives totalling $4.6 million;
- spent $1.9 million to finalize the Gallery Building in Yellowknife, which was substantially completed in February 2012;
- recorded fair value gains of $47.4 million (fair value gains of $42.2 million including transaction costs); and
- reclassified two properties owned as at December 31, 2011, with a total fair value of $28.8 million, to assets held for sale.

Fair values were determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a cap rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value is further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using cap rates in the range of 5.21% to 9.50%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal capitalization rates specific to each property.

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

			Total portfolio
	June 30, 2012	March 31, 2012[1]	December 31, 2011[1]
Office			
Western Canada	$ **1,190,856**	$ 1,184,602	$ 981,811
Calgary	**1,161,097**	1,151,150	1,098,595
Toronto	**3,150,096**	2,286,340	1,467,120
Eastern Canada	**727,036**	721,582	494,142
Total office	**6,229,085**	5,343,674	4,041,668
Industrial			
Western Canada	**129,521**	127,154	63,873
Calgary	**158,536**	157,742	148,897
Toronto	**75,987**	76,747	54,529
Eastern Canada	**196,302**	194,563	91,905
Total industrial	**560,346**	556,206	359,204
	6,789,431	5,899,880	4,400,872
Add: Development properties and assets held for sale	**149,708**	135,542	25,512
Total portfolio	$ **6,939,139**	$ 6,035,422	$ 4,426,384
Less: Equity accounted investments	**1,115,472**	270,102	264,505
Less: Assets held for sale	**139,008**	135,542	7,700
Amount per condensed consolidated balance sheet	$ **5,684,659**	$ 5,629,778	$ 4,154,179

(1) Certain properties owned at March 31, 2012 and December 31, 2011 have been reclassified to conform with the June 30, 2012 presentation.

The fair value of our total comparative portfolio (excluding assets held for sale) increased by $26.5 million in Q2 2012, including fair value gains of $17.9 million. The increase in fair value is primarily attributable to slight cap rate compression in our Western Canada region, as well as improved market rents, and small NOI changes in our Calgary portfolio resulting from market rent increases. Minor cap rate increases in Toronto served to partially offset these gains. The weighted average cap rate across our office portfolio was consistent with the prior quarter at 6.55% and our comparative industrial portfolio increased by $4.1 million largely driven by a $2.4 million increase in Western Canada from market rent increases as well as slight cap rate compression.

	Comparative properties[1]		
	June 30, 2012	March 31, 2012[2]	Change
Office			
Western Canada	**$ 1,190,856**	$ 1,173,902	$ 16,954
Calgary	**1,161,097**	1,151,150	9,947
Toronto	**2,270,514**	2,279,467	(8,953)
Eastern Canada	**727,036**	721,582	5,454
Total office	**5,349,503**	5,326,101	23,402
Industrial			
Western Canada	**129,521**	127,154	2,367
Calgary	**158,536**	157,742	794
Toronto	**75,987**	76,747	(760)
Eastern Canada	**196,302**	194,563	1,739
Total industrial	**560,346**	556,206	4,140
	5,909,849	5,882,307	27,542
Add: Development/redevelopment properties and assets held for sale	**149,708**	153,115	(3,407)
Total portfolio	**$ 6,059,557**	$ 6,035,422	$ 24,135
Less: Equity accounted investments	**271,187**	270,102	1,085
Less: Assets held for sale	**139,008**	142,415	(3,407)
Total comparative properties	**$ 5,649,362**	$ 5,622,905	$ 26,457

(1) Comparative properties are properties owned by the Trust on March 31, 2012.

(2) Certain properties owned at March 31, 2012 have been reclassified to conform with the June 30, 2012 presentation.

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

	Total portfolio		Capitalization rates[1] Comparative properties[2]			
	June 30, 2012		June 30, 2012		March 31, 2012	
	Range (%)	**Weighted average (%)**	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)
Office						
Western Canada	**5.75–9.25**	**6.66**	**5.75–9.25**	**6.66**	5.75–9.25	6.68
Calgary	**6.00–8.50**	**6.96**	**6.00–8.50**	**6.96**	6.00–8.50	6.96
Toronto	**5.21–9.50**	**6.06**	**5.50–9.00**	**6.32**	5.40–9.00	6.31
Eastern Canada	**5.75–7.75**	**6.45**	**5.75–7.75**	**6.45**	5.75–7.75	6.44
Total office	**5.21–9.50**	**6.39**	**5.50–9.25**	**6.55**	5.40–9.25	6.55
Industrial						
Western Canada	**5.75–7.50**	**6.73**	**5.75–7.50**	**6.73**	6.15–7.50	6.75
Calgary	**6.25–7.50**	**6.99**	**6.25–7.50**	**6.99**	6.50–7.50	7.01
Toronto	**6.10–6.75**	**6.68**	**6.10–6.75**	**6.68**	6.10–6.75	6.67
Eastern Canada	**6.40–9.25**	**7.12**	**6.40–9.25**	**7.12**	6.40–9.25	7.12
Total industrial	**5.75–9.25**	**6.96**	**5.75–9.25**	**6.96**	6.10–9.25	6.97
Total portfolio	**5.21–9.50**	**6.43**	**5.50–9.25**	**6.59**	5.40–9.25	6.58

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

(2) Comparative properties are properties owned as at March 31, 2012.

Investing activities

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Investing activities[1]				
Acquisition of investment properties[2][3]	**$ 35,534**	$ 46,339	**$ 181,224**	$ 150,373
Acquisition of equity accounted interest in Scotia Plaza[2][3]	**875,509**	–	**875,509**	–
Acquisition of Whiterock investment properties[2]	**–**	–	**1,419,899**	–
Acquisition of Realex investment properties[2]	**–**	–	**–**	363,697
Building improvements	**3,816**	996	**6,575**	1,844
Development projects	**1**	3,397	**1,945**	6,048

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

(2) Amount is purchase price, which does not reflect the actual cash transactions.

(3) Includes transaction costs.

Acquisitions

During the six-month period, we completed the following acquisitions:

Six months ended June 30, 2012	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price[1]	Date acquired
5001 Yonge Street, Toronto	office	100	309,138	100	$ 112,984	January 19, 2012
67 Richmond Street West, Toronto	office	100	44,996	100	14,464	January 30, 2012
Whiterock Portfolio	office/industrial/retail	100	7,368,679[2]	97.6	1,419,899	March 2, 2012
Parking lots, Saskatoon	office	100	9,567	100	18,242	March 12, 2012
1 Riverside Drive, Windsor	office	100	235,915	78	35,534	April 26, 2012
Scotia Plaza, Toronto	office	66.7	1,317,795	99.5	875,509[3]	June 15, 2012
Total		95.3	9,286,090	97.5	$ 2,476,632	

(1) Includes transaction costs.

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

(3) Equity accounted investment.

On June 15, 2012, we completed the acquisition of a two-thirds interest in the Scotia Plaza complex in the heart of Toronto's financial district for $844.3 million, excluding transaction costs. At the time of acquisition Scotia Plaza was 99.5% occupied with outstanding tenants, including The Bank of Nova Scotia and three of Canada's prominent law firms, and had a weighted average remaining lease term of 10.6 years. Scotia Plaza will be accounted for using the equity accounting method, and will be jointly managed pursuant to a joint-venture agreement with our co-owner, H&R REIT. The acquisition was financed by way of a private placement of mortgage bonds for $650.0 million, $433.3 million of which is our share. The remainder of the purchase price was funded by the issuance of 10,392,550 REIT A Units at $35.90 per unit, for gross proceeds of $373.1 million, and by drawing on existing revolving credit facilities.

The acquisition of Whiterock was completed on March 2, 2012, and was accounted for as a business combination. The acquisition included $1.4 billion of investment properties, of which $106.8 million has been reclassified to assets held for sale. The purchase was funded with $159.8 million in cash and the issuance of 12,580,347 REIT A units, valued at $34.56 per unit, representing a total consideration of $594.6 million.

Mortgages assumed in connection with acquisitions completed in the first quarter of 2012 totalled $758.0 million (including fair value adjustments). We did not assume any mortgages in connection with the properties acquired in the second quarter of 2012.

The following acquisitions were completed during the first and second quarters of 2011:

Six months ended June 30, 2011	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price[1]	Date acquired
Saskatoon Square, Saskatoon	office	100	209,593	100	$ 51,349	January 4, 2011
400 Cumberland Road, Ottawa	office	100	174,921	100	39,179	January 17, 2011
Realex Portfolio	office/industrial	100	1,837,277	96	363,697[2]	February 8, 2011
55 King Street West, Kitchener	office	100	124,100	73	13,506	March 31, 2011
586 Argus Road, Oakville	office	100	74,570	95	16,986	May 2, 2011
Morgex Building (11120 178th Street), Edmonton	office	100	39,750	100	13,354	May 19, 2011
Multivesco Portfolio, Gatineau	office/industrial	100	148,198	100	15,999	June 9, 2011
Total			2,608,409	96	$ 514,070	

(1) Includes transaction costs.

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

Building improvements

During Q2 2012, we incurred $3.8 million of expenditures ($6.6 million year-to-date) related to building improvements, including sustainability and environmental initiatives, substantially all of which will be recovered from tenants.

Building improvements represent investments made to ensure optimal building performance. Recurring recoverable expenditures of $2.6 million for the second quarter of 2012 (4.5 million year-to-date) included elevator modernization, roofing upgrades, HVAC and chiller work. During the second quarter, approximately $0.7 million ($1.3 million year-to-date) was spent on sustainability and environmental initiatives, substantially all of which is recovered from tenants. Non-recurring building improvements include major capital expenditures that generally would not be expected to recur over the useful life of the building.

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Building improvements[1]				
Recurring recoverable	**$ 2,579**	$ 823	**$ 4,522**	$ 1,533
Recurring non-recoverable	**–**	8	**32**	32
Non-recurring	**512**	165	**725**	279
Sustainability and environmental initiatives	**725**	–	**1,296**	–
Total	**$ 3,816**	$ 996	**$ 6,575**	$ 1,844

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

Development

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

Disposition

On February 2, 2012, the Trust completed the sale of a 36,400 square foot office building in Calgary. Gross proceeds from the sale amounted to $7.7 million. A net loss of $0.2 million related to transaction costs was recognized for the period ended March 31, 2012.

Our financing

Liquidity and capital resources

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

Our discussion of financing activities will be based on the debt balances below, which include debt related to equity accounted investments at our proportionate ownership as well as liabilities related to assets held for sale.

	June 30, 2012	December 31, 2011
Debt	$ 3,648,702	$ 2,254,756
Less: Debt related to equity accounted investments and liabilities related to assets held for sale	622,160	130,239
Condensed consolidated balance sheets	**$ 3,026,542**	$ 2,124,517

Financing activities

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

In Q2 2012, we entered into a $650.0 million mortgage bond with our joint venture partner via a bought deal private placement ($433.3 million at our share) to partially fund the acquisition of Scotia Plaza. The bond was entered into simultaneously with the closing of the acquisition on June 15, 2012. The bond bears interest semi-annually at a face rate of 3.21% for a term of seven years. After accounting for deferred financing costs, the effective interest rate on the bond is 3.55%.

In April 2012, we repaid the $220.0 million bridge loan facility drawn on March 2, 2012 to acquire Whiterock. The facility was converted into a revolving credit facility with a one-year term and bearing interest at either the bank's prime rate plus 75 bps or bankers' acceptances ("BAs") plus 175 bps. At June 30, 2012, $145.0 million was drawn on the facility.

During the second quarter, we made $17.0 million in principal repayments on mortgages and term debt (six months ended June 30, 2012 – $31.9 million) and $20.9 million was repaid on the demand revolving credit facilities (six months ended June 30, 2012 – $69.9 million). Additionally, lump sum repayments of $35.8 million were made on mortgages for the three and six months ended June 30, 2012, $10 million was repaid on debentures for the three and six months ended June 30, 2012, and $0.1 million was paid on the redemption of convertible debentures for the three and six months ended June 30, 2012. In addition to the mortgage bond, we secured $50.5 million of new financing at a face rate of 3.76% in the quarter.

Debt

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

	June 30, 2012	December 31, 2011
Financing activities		
Average effective interest rate(1)	4.48%	4.96%
Level of debt (debt-to-gross book value)(2)	51.2%	49.0%
Interest coverage ratio(3)	2.7 times	2.6 times
Debt-to-EBITDFV (years)(4)	8.95	7.63
Debt-to-EBITDFV (years) normalized for current quarter acquisitions	8.27	–
Proportion of total debt due in current year	5.2%	7.5%
Debt – average term to maturity (years)	4.8	5.2
Variable rate debt as percentage of total debt	4.7%	1.3%

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

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

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

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

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 2.7 times, demonstrating our ability to more than adequately cover interest expense requirements. We also monitor our debt-to-EBITDFV ratio to gauge our ability to repay existing debt. Our current debt-to-EBITDFV ratio is 8.95 years. After adjusting for a full quarter of EBITDFV for Scotia Plaza our debt-to-EBITDFV would approximate 8.27 years. Our weighted average face rate of interest at June 30, 2012 is 4.66%, down 32 bps from 4.98% at December 31, 2011, and down 23 bps from 4.89% at March 31, 2012, mainly reflecting the impact of new and assumed mortgage financing completed at a weighted average face rate of 3.27% during the quarter. After accounting for market adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 4.48% at June 30, 2012.

Variable rate debt as a percentage of total debt increased to 4.7% from 1.3% at December 31, 2011, as a result of $165.0 million being drawn on the demanding revolving credit facility. Management continues to refinance existing mortgages, taking advantage of low loan-to-values and increasing principal amounts as well as financing unencumbered assets with fixed rate debt. As this is completed, amounts drawn on revolving credit facilities will be paid off.

			June 30, 2012			December 31, 2011
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 3,072,690**	**$ 25,987**	**$ 3,098,677**	$ 1,909,828	$ 25,982	$ 1,935,810
Term debt	**356**	**–**	**356**	504	–	504
Demand revolving credit facilities	**–**	**144,670**	**144,670**	–	2,435	2,435
Term loan facility	**185,019**	**–**	**185,019**	184,654	–	184,654
Convertible debentures	**183,805**	**–**	**183,805**	131,353	–	131,353
Debentures	**36,175**	**–**	**36,175**	–	–	–
Total	**$ 3,478,045**	**$ 170,657**	**$ 3,648,702**	$ 2,226,339	$ 28,417	$ 2,254,756
Percentage	**95.3%**	**4.7%**	**100.0%**	98.7%	1.3%	100.0%

Mortgages payable include $30.6 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2011 – $10.5 million). Amounts recorded at June 30, 2012 for the convertible debentures are net of a $0.2 million discount allocated to their conversion features on issuance (December 31, 2011 – $1.1 million). The debentures include a $1.2 million fair value adjustment. The fair value adjustments and premiums, net of discounts, are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activities

New and assumed mortgage and term loan financing is highlighted in the table below.

	Three months ended June 30, 2012				Six months ended June 30, 2012			
	Amount	Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)[1]	Amount	Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)[1]
New mortgages[2]	$ 483,834	7.4	3.27	3.59	$ 483,834	7.4	3.27	3.59
New mortgages assumed on investment property acquisitions and business combinations	–	–	–	–	724,961	4.1	4.74	3.86
Overall	$ 483,834	7.4	3.27	3.59	$ 1,208,795	5.4	4.15	3.75

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

(2) Includes mortgage bond.

On June 15, 2012, we placed $433.3 million ($650 million at 100% share) of mortgage bond financing at a face rate of 3.21% and an effective interest rate of 3.55% for a term of seven years. The interest is payable semi-annually based on a 30-day amortization period.

On March 2, 2012, we entered into a $10.0 million equity bridge facility and a $210.0 million secured term facility. The equity bridge facility was in the form of rolling one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 2.35%. The secured term facility was in the form of rolling one-month BAs, bearing interest at the BA rate plus 1.75%. The equity bridge facility was fully repaid on April 5, 2012. The secured term facility was converted into a revolving credit facility on April 17, 2012, and matures on March 5, 2013. The revolving credit facility is in the form of rolling one-month bankers' acceptances bearing interest at the BA rate plus 1.75% or at the bank's prime rate (3.0% at June 30, 2012) plus 0.75%, and is secured by 12 properties as first-ranking mortgages. As at June 30, 2012, the formula-based amount available under this facility was $196.7 million. At June 30, 2012, $145.0 million was drawn on the facility.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40.0 million, generally bearing interest at the bank's prime rate (3% as at June 30, 2012) plus 1.5%, or bankers' acceptance rates, plus 3.0%. At June 30, 2012, the formula-based amount available is $40.0 million. This facility is secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. Currently, $1.5 million is being utilized in the form of letters of guarantee with $38.5 million available.

In connection with the acquisition of Realex in Q1 2011, we assumed a demand revolving credit facility authorized to a formula-based maximum of $22.0 million. In Q3 2011, we negotiated an increase in the authorized amount of this facility to $35.0 million. At June 30, 2012, the facility was undrawn. The facility is secured by a second-ranking mortgage on two properties and bears interest based on the bank's prime rate (3.0% as at June 30, 2012) plus 0.85%.

In connection with the acquisition of Whiterock, we assumed a revolving acquisition and operating facility of up to $35.0 million. Interest is incurred at floating rates determined, at our option, by reference to the prime rate plus 85 bps or bankers' acceptance rates plus 185 bps. At June 30, 2012, the formula-based amount available is $35.0 million. The facility expires on August 23, 2013. Currently, $0.5 million is being utilized in the form of letters of guarantee and $34.5 million remains available.

We also assumed a $2.4 million demand revolving operating facility that is secured by a mortgage on an existing property and the guarantee of Dundee REIT. The facility bears interest at a floating rate determined by reference to the prime rate plus 150 bps. At June 30, 2012, the facility was undrawn. On July 19, 2012, the facility was discharged.

We also have a $188.0 million term loan facility outstanding, drawn to finance the acquisition of the Blackstone Portfolio in Q3 2011. This facility expires on August 15, 2016, and bears interest monthly at BA plus 1.85%. In order to manage the interest rate fluctuations, we have entered into two interest rate swap agreements (the "swaps") to effectively fix the interest rate. We have applied hedge accounting to the swaps.

At June 30, 2012, we had $24.0 million in cash (excluding cash held in equity accounted investments) and $159.7 million available from our revolving credit facilities. In addition, we have ten unencumbered properties that may be leveraged to provide additional financing.

Changes in debt levels are as follows:

Three months ended June 30, 2012

	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Bridge loan facility	Convertible debentures	Debentures	Total
Debt as at March 31, 2012	$ 2,672,664	$ 430	$ 920	$ 184,837	$ 219,546	$ 185,844	$ 48,415	$ 3,312,656
New debt placed	483,834	–	165,000	–	–	–	–	648,834
Scheduled repayments	(16,944)	(74)	–	–	–	–	–	(17,018)
Lump sum repayments	(35,824)	–	(20,920)	–	(220,000)	(62)	(10,000)	(286,806)
Conversion to unitholders' equity	–	–	–	–	–	(2,243)	–	(2,243)
Foreign exchange	1,058	–	–	–	–	–	–	1,058
Other adjustments[(1)]	(6,111)	–	(330)	182	454	266	(2,240)	(7,779)
Debt as at June 30, 2012	$ 3,098,677	$ 356	$ 144,670	$ 185,019	$ –	$ 183,805	$ 36,175	$ 3,648,702

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

Six months ended June 30, 2012

	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Bridge loan facility	Convertible debentures	Debentures	Total
Debt as at December 31, 2011	$ 1,935,810	$ 504	$ 2,435	$ 184,654	$ –	$ 131,353	$ –	$ 2,254,756
New debt assumed on investment property acquisitions	728,433	–	34,300	–	–	59,927	45,000	867,660
New debt placed	483,834	24	178,157	–	220,000	–	–	882,015
Scheduled repayments	(31,757)	(172)	–	–	–	–	–	(31,929)
Lump sum repayments	(35,824)	–	(69,892)	–	(220,000)	(62)	(10,000)	(335,778)
Conversion to unitholders' equity	–	–	–	–	–	(9,212)	–	(9,212)
Foreign exchange	1,564	–	–	–	–	–	–	1,564
Other adjustments[(1)]	16,617	–	(330)	365	–	1,799	1,175	19,626
Debt as at June 30, 2012	$ 3,098,677	$ 356	$ 144,670	$ 185,019	$ –	$ 183,805	$ 36,175	$ 3,648,702

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

Our current debt profile is balanced with staggered maturities over the next 16 years. The following is our debt maturity profile, as at June 30, 2012:

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2012 (remainder of year)	$ 151,018	$ 38,421	$ 189,439	5.2	4.55	5.57
2013	311,947	76,214	388,161	10.7	4.07	4.59
2014	244,117	75,061	319,178	8.8	6.09	5.85
2015	501,450	67,037	568,487	15.6	4.19	4.62
2016	612,193	55,078	667,271	18.4	4.38	4.50
2017 and thereafter	1,348,770	152,179	1,500,949	41.3	4.43	4.45
Total	$ 3,169,495	$ 463,990	$ 3,633,485	100.0	4.48	4.66
Fair value adjustments			31,953			
Transaction costs			(16,736)			
Total			$ 3,648,702			

Convertible debentures

The total principal amounts outstanding for all of the convertible debentures are as follows:

	Date issued	Maturity date	**Outstanding principal June 30, 2012**	Outstanding principal July 31, 2012	REIT A Units if converted July 31, 2012
6.5% Debentures	June 21, 2004	June 30, 2014	**$ 2,405**	$ 2,293	91,720
5.7% Debentures	April 1, 2005	March 31, 2015	**5,961**	5,382	179,400
6.0% Debentures	January 14, 2008	December 31, 2014	**124,785**	124,785	3,014,130
6.0% Series F Debentures	July 16, 2008	July 15, 2012	**130**	–	–
7.0% Series G Debentures	October 1, 2009	December 31, 2014	**1,669**	1,655	90,093
5.5% Series H Debentures	December 9, 2011	March 31, 2017	**51,128**	51,128	1,393,513
Total			**$ 186,078**	$ 185,243	4,768,856

The fair value of the conversion features of the convertible debentures is remeasured each period, with changes in fair value being recorded in comprehensive income. At June 30, 2012, the conversion feature totalled $2.5 million (December 31, 2011 – $6.4 million).

Debentures

The total principal amounts outstanding for all debentures are as follows:

	Date issued	Maturity date	Interest rate	Outstanding principal June 30, 2012
Series K	April 26, 2011	April 26, 2016	5.95%	$ 25,000
Series L	August 8, 2011	September 30, 2016	5.95%	10,000
Total				$ 35,000

Commitments and contingencies

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

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

June 30, 2012	Operating lease payments	Finance lease payments
No longer than 1 year	$ 1,543	$ 282
1–5 years	2,775	94
Longer than 5 years	3,181	–
Total	$ 7,499	$ 376

During the six months ended June 30, 2012, we paid $1.3 million (June 30, 2011 – $0.6 million) in minimum lease payments, which have been included in comprehensive income for the period.

We have entered into fixed price contracts to purchase electricity and gas as follows:

			Minimum payments due				
	Number of properties	Expiry date	2012 (remainder of year)	2013	2014	2015	Total
Electricity							
Calgary	14	January 31, 2013	$ 1,092	$ 170	$ –	$ –	$ 1,262
Edmonton, Parkland County and Strathcona County	9	May 31, 2015	365	755	755	326	2,201
Edmonton	2	October 31, 2012	167	–	–	–	167
Toronto and Ottawa	14	September 30, 2013	278	416	–	–	694
Mississauga	2	September 24, 2012	44	–	–	–	44
			1,946	1,341	755	326	4,368
Gas							
Calgary	14	December 31, 2012	224	–	–	–	224
Edmonton	1	November 30, 2012	52	–	–	–	52
			276	–	–	–	276
			$ 2,222	$ 1,341	$ 755	$ 326	$ 4,644

Our equity

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

				Unitholders' equity
		June 30, 2012		December 31, 2011
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**96,587,015**	**$ 3,174,085**	66,193,060	$ 2,118,116
REIT Units, Series B	**16,316**	**724**	16,316	720
Accumulated other comprehensive loss	**–**	**(113)**	–	(1,602)
	96,603,331	**3,174,696**	66,209,376	2,117,234
Add: LP B Units	**3,517,370**	**134,328**	3,506,107	114,445
Total	**100,120,701**	**$ 3,309,024**	69,715,483	$ 2,231,679

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

At June 30, 2012, Dundee Corporation, directly and indirectly through its subsidiaries, held 2,510,511 REIT A Units and 3,517,370 LP B Units, for a total ownership interest of approximately 6.0%.

The following table summarizes the changes in our outstanding equity.

	REIT A Units	REIT B Units	LP B Units	Total
Units issued and outstanding on January 1, 2012	66,193,060	16,316	3,506,107	69,715,483
Units issued pursuant to public offering	16,947,550	–	–	16,947,550
Units issued pursuant to Whiterock transaction	12,580,347	–	–	12,580,347
Units issued pursuant to DRIP	508,852	–	11,263	520,115
Units issued pursuant to the Unit Purchase Plan	1,290	–	–	1,290
Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	22,130	–	–	22,130
Conversion of debentures	333,786	–	–	333,786
Total units outstanding on June 30, 2012	96,587,015	16,316	3,517,370	100,120,701
Percentage of all units	96.47%	0.02%	3.51%	100.00%
Units issued pursuant to DRIP on July 15, 2012	128,372	–	1,806	130,178
Units issued pursuant to Unit Purchase Plan	9,891	–	–	9,891
Units issued pursuant to conversion of debentures	24,538	–	–	24,538
Total units outstanding on July 31, 2012	96,749,816	16,316	3,519,176	100,285,308
Percentage of all units	96.47%	0.02%	3.51%	100.00%

On June 12, 2012, we completed a public offering of 10,392,550 REIT A Units, including the over-allotment option, at a price of $35.90 per unit for gross proceeds of $373.1 million. Costs related to the offering totalled $14.6 million and were charged directly to unitholders' equity.

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

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

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on December 2, 2011 and will remain in effect until the earlier of December 1, 2012 or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 5,910,181 REIT A Units (representing 10% of the REIT's public float of 59,101,809 REIT A Units at the time of renewal through the facilities of the TSX). As at June 30, 2012, no purchases had been made. Based on the closing price of REIT A Units on June 30, 2012, the Trust may purchase up to $225.7 million worth of REIT A Units.

Distribution policy

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

	Three months ended June 30, 2012			Six months ended June 30, 2012		
	Declared distributions	4% bonus distributions	Total	Declared distributions	4% bonus distributions	Total
2012 distributions						
Paid in cash or reinvested in Units	$ 32,821	$ 262	$ 33,083	$ 74,732	$ 619	$ 75,351
Payable at June 30, 2012	18,322	107	18,429	18,322	107	18,429
Total distributions[1]	$ 51,143	$ 369	$ 51,512	$ 93,054	$ 726	$ 93,780
2012 reinvestment						
Reinvested to June 30, 2012	$ 6,545	$ 262	$ 6,807	$ 15,488	$ 619	$ 16,107
Reinvested on July 15, 2012	4,783	191	4,974	4,783	191	4,974
Total distributions reinvested	$ 11,328	$ 453	$ 11,781	$ 20,271	$ 810	$ 21,081
Distributions paid in cash	$ 39,815			$ 72,783		
Reinvestment to distribution ratio	22.1%			21.8%		
Cash payout ratio	77.9%			78.2%		

(1) Includes distributions on LP B Units.

Distributions declared for the three months ended June 30, 2012 were $51.1 million, up $20.2 million over the comparative prior year period. Distributions declared for the six months ended June 30, 2012 were $93.1 million, up $33.3 million over the comparative prior year period. The increase reflects a larger number of units outstanding as a result of the equity issues completed in 2011 and 2012 as well as distributions reinvested in additional units and vested deferred trust units exchanged for REIT A Units. Of the distributions declared for the three months ended June 30, 2012, $11.3 million ($20.3 million for the six months), or approximately 22.1% (21.8% for the six months), were reinvested in additional units resulting in a cash payout ratio of 77.9% (78.2% for the six months).

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Net income	**$ 31,843**	$ 78,333	**$ 99,563**	$ 110,304
Cash flow from operating activities[1]	**34,297**	23,299	**74,511**	36,527
Distributions paid and payable[2]	**51,512**	31,074	**93,780**	60,152
Shortfall of cash flow from operating activities over distributions paid and payable	**(17,215)**	(7,775)	**(19,269)**	(23,625)

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

(2) Includes distributions on LP B Units.

Distributions paid and payable for Q2 2012 exceeded cash flow from operating activities by $17.2 million ($19.3 million for the six months). When establishing distribution payments, we do not take into consideration fluctuations in working capital and transaction costs on business combinations but rather use a normalized amount as a proxy for leasing costs. Net income was short of distributions paid and payable by $19.7 million for the three months ended June 30, 2012, and exceeded distributions paid and payable by $5.8 million for the six months ended June 30, 2012.

Our results of operations

Results of operations for the three and six months ended June 30

						Three months ended June 30,
			2012			2011
	Amounts per financial statements	**Share of income from equity accounted investments**	**Total**	Amounts per financial statements	Share of income from equity accounted investments	Total
Investment properties revenue	$ 169,871	$ 11,324	$ 181,195	$ 88,238	$ 7,318	$ 95,556
Investment properties operating expenses	68,692	4,987	73,679	34,200	3,026	37,226
Net rental income	101,179	6,337	107,516	54,038	4,292	58,330
Other income and expenses						
General and administrative	(5,611)	3	(5,608)	(3,534)	42	(3,492)
Share of net (loss) income from equity accounted investments	(31,354)	31,354	–	6,880	(6,880)	–
Fair value adjustments to investment properties	13,319	(30,438)	(17,119)	39,712	3,598	43,310
Gain (loss) on sale of investment properties	–	–	–	–	(103)	(103)
Acquisition related costs, net	(2)	–	(2)	–	–	–
Interest:						
Debt	(35,614)	(2,097)	(37,711)	(19,870)	(972)	(20,842)
Subsidiary redeemable units	(1,938)	–	(1,938)	(1,926)	–	(1,926)
Depreciation and amortization	(605)	(3)	(608)	(133)	–	(133)
Interest and fee income	1,254	30	1,284	437	23	460
Fair value adjustments to financial instruments	(8,120)	(5,186)	(13,306)	2,729	–	2,729
Income before income taxes	32,508	–	32,508	78,333	–	78,333
Deferred income taxes	665	–	665	–	–	–
Net income	31,843	–	31,843	78,333	–	78,333
Other comprehensive income						
Unrealized loss on interest rate swaps	(1,906)	–	(1,906)	–	–	–
Unrealized foreign currency translation gain	588	–	588	–	–	–
Comprehensive income	$ 30,525	$ –	$ 30,525	$ 78,333	$ –	$ 78,333

	2012			Six months ended June 30, 2011		
	Amounts per financial statements	**Share of income from equity accounted investments**	**Total**	Amounts per financial statements	Share of income from equity accounted investments	Total
Investment properties revenue	$ 312,358	$ 18,877	$ 331,235	$ 172,090	$ 14,471	$ 186,561
Investment properties operating expenses	127,219	8,162	135,381	68,105	6,134	74,239
Net rental income	185,139	10,715	195,854	103,985	8,337	112,322
Other income and expenses						
General and administrative	(10,236)	–	(10,236)	(6,894)	–	(6,894)
Share of net (loss) income from equity accounted investments	(22,847)	22,847	–	10,827	(10,827)	–
Fair value adjustments to investment properties	49,870	(24,813)	25,057	59,468	4,825	64,293
Gain (loss) on sale of investment properties	(169)	–	(169)	–	(103)	(103)
Acquisition related costs, net	(17,321)	–	(17,321)	(5,734)	–	(5,734)
Interest:						
Debt	(65,057)	(3,619)	(68,676)	(37,621)	(2,288)	(39,909)
Subsidiary redeemable units	(3,873)	–	(3,873)	(3,845)	–	(3,845)
Depreciation and amortization	(923)	(3)	(926)	(250)	–	(250)
Interest and fee income	2,198	59	2,257	870	56	926
Fair value adjustments to financial instruments	(16,553)	(5,186)	(21,739)	(10,502)	–	(10,502)
Income before income taxes	100,228	–	100,228	110,304	–	110,304
Deferred income taxes	665	–	665	–	–	–
Net income	99,563	–	99,563	110,304	–	110,304
Other comprehensive income						
Unrealized gain on interest rate swaps	624	–	624	–	–	–
Unrealized foreign currency translation gain	865	–	865	–	–	–
Comprehensive income	$ 101,052	$ –	$ 101,052	$ 110,304	$ –	$ 110,304

Investment properties revenue

Investment properties revenue includes net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Revenues generated by acquisitions completed in 2011 and to date in 2012 were the primary drivers of the $85.6 million, or 89.6%, increase in investment properties revenue for Q2 2012 over the prior year comparative quarter, and $144.7 million, or 77.5%, increase for the six months ended June 30, 2012 over the same period in 2011.

Investment properties operating expenses

Operating expenses comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with changes in occupancy levels, weather, utility costs, realty taxes, and repairs and maintenance. Expenses increased $36.5 million, or 97.9%, for the second quarter of 2012 over the prior year comparative quarter and $61.1 million, or 82.4%, for the six months ended June 30, 2012 over the same period in 2011, reflecting the additional costs associated with acquired properties.

General and administrative

General and administrative expenses primarily comprise expenses related to corporate management, trustees' fees and expenses, investor relations and asset management fees. Included in the $5.6 million recorded in Q2 2012 is a $1.1 million non-cash component relating to the DUIP, consistent with the prior year comparative period. On a cash basis, general and administrative expenses increased by $2.1 million over the prior year comparative quarter, primarily as a result of asset management fees related to property acquisitions in 2011 and in the first quarter of 2012. Included in the $10.2 million recorded year-to-date is a $2.0 million non-cash component relating to the DUIP, representing an increase of $0.2 million over the prior year comparative period. On a cash basis, general and administrative expenses increased $3.0 million over the prior-year comparative period primarily as a result of asset management fees related to property acquisitions in 2011 and thus far in 2012.

Fair value adjustments to investment properties

A fair value adjustment of $(17.1) million was recognized in the three months ended June 30, 2012, primarily resulting from slight cap rate compression over March 31, 2012, offset by the impact of transaction costs related to the Scotia Plaza acquisition, which were effectively written off late in the quarter. Year-to-date, we have recorded a $25.1 million fair value adjustment on our investment properties primarily related to cap rate compression and stabilized NOI increases.

Acquisition related costs, net

There were no acquisition related costs from business combinations included in net income this quarter. The six-month balance of $17.3 million relates to the acquisition of Whiterock in Q1 2012, an increase of $11.6 million over the $5.7 million recorded for the acquisition of Realex for the same period in 2011.

Interest expense – Debt

Interest on debt increased by $16.9 million, or 80.9%, for the quarter over the prior year comparative quarter, and $28.8 million, or 72.1%, over the prior year comparative six-month period, resulting from new debt or assumed debt on properties acquired in 2011 and so far in 2012.

Interest expense – Subsidiary redeemable units

Interest on subsidiary redeemable units for the three and six months ended June 30, 2012, increased marginally over the comparative prior year periods, reflecting a greater number of units outstanding as a result of the Distribution Reinvestment Plan.

Depreciation and amortization

During Q2 2012, we recognized $0.4 million ($0.6 million for the six months) of amortization related to external property management contracts assumed with the Whiterock acquisition. Amortization expense of $0.2 million ($0.4 million for the six months) was related to property and equipment.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management, including management, construction and leasing fees, and interest earned on bank accounts and related fees. These revenues are not necessarily of a recurring nature and the amounts may vary quarter-to-quarter. The $0.8 million increase over the prior year comparative quarter and $1.3 million increase over the prior year comparative six months are primarily a result of management fees earned on jointly owned properties acquired in 2011 and the Whiterock acquisition in Q1 2012.

Fair value adjustments to financial instruments

Fair value adjustments of $13.3 million for the quarter include a $5.1 million hedge break fee loss ($nil for the three months ended June 30, 2011) related to a bond forward entered into with respect to the mortgage bond used to partially finance the Scotia Plaza acquisition. The fair value adjustment on subsidiary redeemable units was $10.5 million this quarter (for the three months ended June 30, 2011 – $(2.1) million) driven primarily by an increase in the price of REIT A Units from March 31, 2012 to June 30, 2012. Similarly, the remeasurement of deferred units was $1.5 million this quarter (three months ended June 30, 2011 – $0.5 million) resulting from the REIT A Unit price increase quarter-over-quarter. The fair value adjustment on the conversion feature of convertible debt was $3.9 million (three months ended June 30, 2011 – $1.1 million); the higher adjustment results from a larger change in REIT A Unit prices quarter-over-quarter.

Fair value adjustments of $21.7 million for the six months ended June 30, 2012 (six months ended June 30, 2011 – $10.5 million) include a $5.1 million hedge break fee loss (six months ended June 30, 2011 – $nil) related to a bond forward as described above. The fair value adjustment on subsidiary redeemable units was $19.5 million for the six months ended June 30, 2012 (six months ended June 30, 2011 – $8.1 million) resulting primarily from an increase in the REIT A Unit price from December 31, 2011 to June 30, 2012. Similarly, the remeasurement of deferred units was $2.1 million for the six months (six months ended June 30, 2011 – $1.5 million) resulting from the greater increase in REIT A Unit price year-over-year. The fair value adjustment on the conversion feature of convertible debt was $5.1 million (six months ended June 30, 2011 – $1.0 million); the higher adjustment results from a larger change in REIT A Unit prices year-over-year.

Related party transactions

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms and as disclosed in Note 22 to the condensed consolidated financial statements. During the second quarter of 2012, we received $0.9 million related to the DRC Services Agreement (six months ended June 30, 2012 – $1.7 million) and also recovered $2.7 million for operating and administrative costs (six months ended June 30, 2012 – $4.6 million). Pursuant to the Asset Management Agreement, we paid $8.3 million (six months ended June 30, 2012 – $20.1 million), including $3.8 million (six months ended June 30, 2012 – $6.8 million) reported in general and administration expenses for asset management fees, $nil recorded as a transaction cost for the Whiterock acquisition (six months ended June 30, 2012 – $7.2 million), $4.4 million included with property acquisition costs (six months ended June 30, 2012 – $5.6 million) and $0.1 million recorded as a financing cost (six months ended June 30, 2012 – $0.4 million).

Deferred income taxes

During the quarter, $0.7 million of deferred income taxes were recognized relating to the two properties owned in the United States that were part of the Whiterock acquisition.

Other comprehensive income

Included in this quarter's other comprehensive income is a $1.9 million unrealized loss on interest rate swaps (six months ended June 30, 2012 – $0.6 million gain) and a $0.6 million foreign currency translation gain related to two properties that are owned in the U.S. (six months ended June 30, 2012 – $0.9 million gain).

Net operating income

We define NOI as the total of investment property revenues, including the share of net rental income from equity accounted investments and property management income, less investment property operating expenses, excluding property revenues and operating expenses for properties sold and held for sale.

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

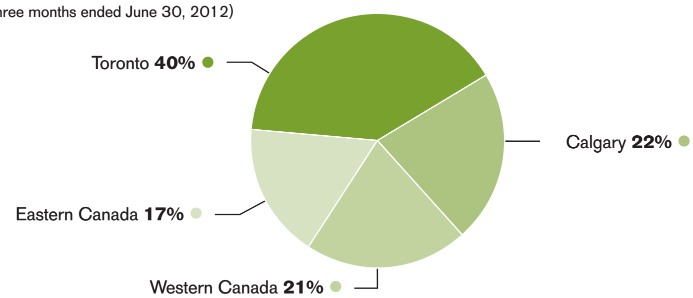
	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Net rental income	**$ 101,179**	$ 54,038	**$ 185,139**	$ 103,985
Share of net rental income from equity accounted investments	**6,337**	4,292	**10,715**	8,337
NOI including income from properties sold and held for sale	**$ 107,516**	$ 58,330	**$ 195,854**	$ 112,322

Net operating income, before income from properties sold and held for sale for the three months ended June 30, 2012, was $105.2 million, an 83% increase over the prior year comparative period. Net operating income, before income from properties sold and held for sale for the six months ended June 30, 2012, was $192.3 million, a 73% increase over the prior year comparative period. The increase is mainly attributable to income generated by properties acquired in 2011 and in the first half of 2012.

	Three months ended June 30,				Six months ended June 30,			
			Growth				Growth	
	2012	2011	Amount	%	**2012**	2011	Amount	%
Office	**$ 95,258**	$ 51,149	$ 44,109	86	**$ 174,459**	$ 98,563	$ 75,896	77
Industrial	**9,942**	6,489	3,453	53	**17,882**	12,628	5,254	42
NOI	**105,200**	57,638	47,562	83	**192,341**	111,191	81,150	73
Income from properties sold and held for sale	**2,316**	692	1,624		**3,513**	1,131	2,382	
NOI including income from properties sold and held for sale	**$ 107,516**	$ 58,330	$ 49,186	84	**$ 195,854**	$ 112,322	$ 83,532	74

	Three months ended June 30,				Six months ended June 30,			
			Growth				Growth	
	2012	2011	Amount	%	**2012**	2011	Amount	%
Western Canada	**$ 22,329**	$ 14,244	$ 8,085	57	**$ 41,670**	$ 27,787	$ 13,883	50
Calgary	**22,916**	19,396	3,520	18	**46,403**	37,362	9,041	24
Toronto	**42,356**	19,218	23,138	120	**73,377**	36,756	36,621	100
Eastern Canada	**17,599**	4,780	12,819	268	**30,891**	9,286	21,605	233
NOI	**105,200**	57,638	47,562	83	**192,341**	111,191	81,150	73
Income from properties sold and held for sale	**2,316**	692	1,624		**3,513**	1,131	2,382	
NOI including income from properties sold and held for sale	**$ 107,516**	$ 58,330	$ 49,186	84	**$ 195,854**	$ 112,322	$ 83,532	74

NOI BY REGION
(Three months ended June 30, 2012)



NOI comparative portfolio

Net operating income shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2011. Income from properties sold and properties held for sale contributing to NOI in comparative periods is shown separately. Comparative NOI and NOI attributed to acquisitions exclude lease termination fees and GAAP adjustments that relate to straight-line rents and amortization of lease incentives.

Comparative properties NOI increased by $0.9 million, or 2%, over the prior year comparative quarter and by $2.1 million, or 2%, over the prior year six months.

	Three months ended June 30,				Six months ended June 30,			
			Growth				Growth	
	2012	2011	Amount	%	**2012**	2011	Amount	%
Office	**$ 42,490**	$ 41,568	$ 922	2	**$ 84,818**	$ 82,850	$ 1,968	2
Industrial	**5,596**	5,603	(7)	–	**11,313**	11,141	172	2
Comparative properties	**48,086**	47,171	915	2	**96,131**	93,991	2,140	2
Lease termination fees and other	**233**	70	163		**1,000**	301	699	
Properties held for redevelopment	**218**	380	(162)		**526**	688	(162)	
Acquisitions	**55,416**	9,865	45,551		**92,581**	15,764	76,817	
Straight-line rent	**2,273**	1,174	1,099		**4,358**	2,248	2,110	
Amortization of lease incentives	**(1,026)**	(1,022)	(4)		**(2,255)**	(1,801)	(454)	
NOI	**105,200**	57,638	47,562	83	**192,341**	111,191	81,150	73
Income from properties sold and held for sale	**2,316**	692	1,624		**3,513**	1,131	2,382	
NOI including income from properties sold and held for sale	**$ 107,516**	$ 58,330	$ 49,186	84	**$ 195,854**	$ 112,322	$ 83,532	74

	Three months ended June 30,				Six months ended June 30,			
			Growth				Growth	
	2012	2011	Amount	%	**2012**	2011	Amount	%
Western Canada	**$ 12,354**	$ 11,423	$ 931	8	**$ 24,394**	$ 22,853	$ 1,541	7
Calgary	**16,012**	16,213	(201)	(1)	**32,506**	32,283	223	1
Toronto	**15,974**	15,813	161	1	**31,732**	31,422	310	1
Eastern Canada	**3,746**	3,722	24	1	**7,499**	7,433	66	1
Comparative properties	**48,086**	47,171	915	2	**96,131**	93,991	2,140	2
Lease termination fees and other	**233**	70	163		**1,000**	301	699	
Properties held for redevelopment	**218**	380	(162)		**526**	688	(162)	
Acquisitions	**55,416**	9,865	45,551		**92,581**	15,764	76,817	
Straight-line rent	**2,273**	1,174	1,099		**4,358**	2,248	2,110	
Amortization of lease incentives	**(1,026)**	(1,022)	(4)		**(2,255)**	(1,801)	(454)	
NOI	**105,200**	57,638	47,562	83	**192,341**	111,191	81,150	73
Income from properties sold and held for sale	**2,316**	692	1,624		**3,513**	1,131	2,382	
NOI including income from properties sold and held for sale	**$ 107,516**	$ 58,330	$ 49,186	84	**$ 195,854**	$ 112,322	$ 83,532	74

Comparative office portfolio

	Three months ended June 30,				Six months ended June 30,			
			Growth				Growth	
	2012	2011	Amount	%	**2012**	2011	Amount	%
Western Canada	**$ 11,731**	$ 10,853	$ 878	8	**$ 23,127**	$ 21,772	$ 1,355	6
Calgary	**13,572**	13,708	(136)	(1)	**27,457**	27,164	293	1
Toronto	**15,089**	14,902	187	1	**30,003**	29,680	323	1
Eastern Canada	**2,098**	2,105	(7)	–	**4,231**	4,234	(3)	–
Comparative properties	**42,490**	41,568	922	2	**84,818**	82,850	1,968	2
Lease termination fees and other	**233**	70	163		**1,000**	301	699	
Properties held for redevelopment	**218**	380	(162)		**526**	688	(162)	
Acquisitions	**51,343**	9,201	42,142		**86,617**	14,722	71,895	
Straight-line rent	**1,921**	872	1,049		**3,594**	1,637	1,957	
Amortization of lease incentives	**(947)**	(942)	(5)		**(2,096)**	(1,635)	(461)	
NOI – office portfolio	**$ 95,258**	$ 51,149	$ 44,109	86	**$ 174,459**	$ 98,563	$ 75,896	77

On a quarterly basis, NOI from comparative office properties increased by 2%, or $0.9 million, over the prior year comparative quarter (six months ended June 30, 2011 – 2%, or $2.0 million). Western Canada contributed the majority of this growth, producing an 8%, or $0.9 million, increase over the prior year comparative quarter (six months ended June 30, 2011 – 6%, or $1.4 million). The increase was largely driven by increased occupancy in an Edmonton property that resulted in a $0.6 million increase in NOI for the quarter and $1.1 million for the six months. The other increases in the Western portfolio generally come from occupancy increases in our Vancouver and Saskatchewan portfolios. Calgary NOI decreased by $0.1 million over the prior year comparative quarter primarily due to a lease that terminated at the end of Q1 2012 for which we received a termination fee of approximately $0.6 million in Q1 2012. This space was subsequently re-leased in June. NOI in our Toronto region increased by $0.2 million, or 1%, over the prior year comparative quarter primarily driven by occupancy increases in our downtown portfolio, offset by a vacancy in our suburban portfolio.

Comparative industrial portfolio

	Three months ended June 30,				Six months ended June 30,			
			Growth				Growth	
	2012	2011	Amount	%	**2012**	2011	Amount	%
Western Canada	**$ 623**	$ 570	$ 53	9	**$ 1,267**	$ 1,081	$ 186	17
Calgary	**2,440**	2,505	(65)	(3)	**5,049**	5,119	(70)	(1)
Toronto	**885**	911	(26)	(3)	**1,729**	1,742	(13)	(1)
Eastern Canada	**1,648**	1,617	31	2	**3,268**	3,199	69	2
Comparative properties	**5,596**	5,603	(7)	–	**11,313**	11,141	172	2
Acquisitions	**4,073**	664	3,409		**5,964**	1,042	4,922	
Straight-line rent	**352**	302	50		**764**	611	153	
Amortization of lease incentives	**(79)**	(80)	1		**(159)**	(166)	7	
NOI – industrial portfolio	**$ 9,942**	$ 6,489	$ 3,453	53	**$ 17,882**	$ 12,628	$ 5,254	42

Our comparative industrial portfolio NOI was flat over the prior year comparative quarter and increased by 2%, or $0.2 million, over the prior year comparative six months. Our Western Canada portfolio grew by 9%, or $0.1 million, over the prior year comparative quarter (six months ended June 30, 2011 – $0.2 million, or 17%) resulting from increased occupancy in an Edmonton building, which at Q2 2011 had weighted average in-place occupancy of 72% versus 98% at Q2 2012. Offsetting this is a $0.1 million, or 3%, decline (six months ended June 30, 2011 – $0.1 million, or 1%) in our Calgary portfolio resulting from a vacancy.

NOI prior quarter comparison

The comparative properties disclosed in the following tables include properties acquired prior to January 1, 2012.

			Growth	
Three months ended	**June 30, 2012**	March 31, 2012	Amount	%
Office	**$ 70,079**	$ 69,837	$ 242	–
Industrial	**6,410**	6,530	(120)	(2)
Comparative properties	**76,489**	76,367	122	–
Lease termination fees and other	**233**	767	(534)	
Properties held for development	**218**	308	(90)	
Acquisitions	**27,013**	8,843	18,170	
Straight-line rent	**2,273**	2,085	188	
Amortization of lease incentives	**(1,026)**	(1,229)	203	
NOI	**105,200**	87,141	18,059	21
Income from properties sold and held for sale	**2,316**	1,197	1,119	
NOI including income from properties sold and held for sale	**$ 107,516**	$ 88,338	$ 19,178	22

Three months ended	June 30, 2012	March 31, 2012	Growth Amount	Growth %
Western Canada	$ 17,726	$ 17,404	$ 322	2
Calgary	22,632	23,157	(525)	(2)
Toronto	25,512	25,140	372	1
Eastern Canada	10,619	10,666	(47)	–
Comparative properties	76,489	76,367	122	–
Lease termination fees and other	233	767	(534)	
Properties held for development	218	308	(90)	
Acquisitions	27,013	8,843	18,170	
Straight-line rent	2,273	2,085	188	
Amortization of lease incentives	(1,026)	(1,229)	203	
NOI	105,200	87,141	18,059	21
Income from properties sold and held for sale	2,316	1,197	1,119	
NOI including income from properties sold and held for sale	$ 107,516	$ 88,338	$ 19,178	22

Comparative property NOI increased by $0.1 million over Q1 2012 with a $0.2 million increase in the office portfolio being offset by a $0.1 million decrease from the industrial portfolio.

Comparative office portfolio

Three months ended	June 30, 2012	March 31, 2012	Growth Amount	Growth %
Western Canada	$ 16,624	$ 16,281	$ 343	2
Calgary	20,125	20,481	(356)	(2)
Toronto	24,627	24,296	331	1
Eastern Canada	8,703	8,779	(76)	(1)
Comparative properties	70,079	69,837	242	–
Lease termination fees and other	233	767	(534)	
Properties held for development	218	308	(90)	
Acquisitions	23,754	7,765	15,989	
Straight-line rent	1,921	1,674	247	
Amortization of lease incentives	(947)	(1,149)	202	
NOI	$ 95,258	$ 79,202	$ 16,056	20

Our comparative office portfolio performed well this quarter increasing $0.2 million over the prior quarter. In particular, our Western Canada portfolio was up by $0.3 million, or 2%, over the prior quarter, including a $0.1 million increase resulting from the end of a free rent period in Edmonton and an approximate $0.1 million savings in operating expenses related to some government tenancies. We also had growth of $0.3 million, or 1%, in our Toronto portfolio, due to new leases commencing at higher in-place rents offset by a $0.1 million decline related to a vacancy. The Calgary portfolio declined by $0.4 million, or 2%, this quarter including $0.2 million related to new vacancies and terminated space as well as approximately $0.1 million in bad debts. There was also a slight decline in NOI for a property that had a lease termination at the end of Q1 2012 for which the space was re-leased in June 2012.

Comparative industrial portfolio

Three months ended	June 30, 2012	March 31, 2012	Growth Amount	Growth %
Western Canada	$ 1,102	$ 1,123	$ (21)	(2)
Calgary	2,507	2,676	(169)	(6)
Toronto	885	844	41	5
Eastern Canada	1,916	1,887	29	2
Comparative properties	6,410	6,530	(120)	(2)
Acquisitions	3,259	1,078	2,181	
Straight-line rent	352	411	(59)	
Amortization of lease incentives	(79)	(80)	1	
NOI	$ 9,942	$ 7,939	$ 2,003	25

During the quarter our comparative industrial NOI decreased by $0.1 million, or 2%. The decline primarily comes from our Calgary portfolio, which decreased by $0.2 million, or 6%, as a result of a lease termination at the beginning of the quarter, which also had bad debts of approximately $0.1 million.

Funds from operations and adjusted funds from operations

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net income	**$ 31,843**	$ 78,333	**$ 99,563**	$ 110,304
Add (deduct):				
Depreciation of property and equipment	**193**	133	**376**	250
Amortization of property management contracts	**412**	–	**550**	–
Amortization of lease incentives	**1,023**	1,009	**2,037**	1,795
Loss on disposal of rental properties	**–**	–	**169**	–
Interest expense on subsidiary redeemable units	**1,938**	1,926	**3,873**	3,845
Acquisition related costs	**2**	–	**17,321**	5,776
Leasing incentives expensed on lease terminations	**13**	–	**242**	–
Fair value adjustments to investment properties	**(13,319)**	(39,712)	**(49,870)**	(59,468)
Fair value adjustments to investment properties held in equity accounted investments	**30,438**	(3,598)	**24,813**	(4,825)
Fair value adjustments to financial instruments	**8,120**	(2,729)	**16,553**	10,502
Fair value adjustments of DUIP included in general and administrative expenses	**203**	271	**376**	352
Hedge break fee for financial instrument held in equity accounted investments	**5,186**	–	**5,186**	–
Deferred income taxes	**665**	–	**665**	–
Other	**(84)**	(142)	**(150)**	(176)
FFO	**$ 66,633**	$ 35,491	**$ 121,704**	$ 68,355
Funds from operations	**$ 66,633**	$ 35,491	**$ 121,704**	$ 68,355
Add (deduct):				
Amortization of fair value adjustments on assumed debt	**(2,528)**	(382)	**(4,201)**	(719)
Deferred unit compensation expense	**858**	753	**1,607**	1,412
Straight-line rent	**(2,342)**	(1,199)	**(4,473)**	(2,278)
Revenue supplement from vendor on acquisition	**598**	131	**1,196**	277
Other	**(2)**	(3)	**(4)**	11
	63,217	34,791	**115,829**	67,058
Deduct:				
Normalized initial direct leasing costs and lease incentives	**7,181**	3,430	**13,065**	6,860
Normalized non-recoverable recurring capital expenditures	**75**	75	**150**	150
AFFO	**$ 55,961**	$ 31,286	**$ 102,614**	$ 60,048

Funds from operations and adjusted funds from operations per unit amounts

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Weighted average units outstanding for basic per unit amounts (in thousands)	**91,948**	55,389	**83,234**	53,966
Weighted average units outstanding for diluted per unit amounts (in thousands)	**97,011**	58,887	**87,831**	57,455

Funds from operations

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
FFO	**$ 66,633**	$ 35,491	**$ 121,704**	$ 68,355
FFO per unit – basic	**$ 0.72**	$ 0.64	**$ 1.46**	$ 1.27
FFO per unit – diluted	**$ 0.72**	$ 0.64	**$ 1.45**	$ 1.27

For the three months ended June 30, 2012, FFO per diluted unit was $0.72, up 12.5% over the prior year comparative quarter; and for the six-month period was $1.45, up 14.2% over the prior year comparative period, reflecting the impact of accretive acquisitions in 2011 and 2012. For the three months ended June 30, 2012, total FFO was $66.6 million, up $31.1 million, or 87.7%, over the prior year comparative quarter (six months ended June 30, 2012 – $121.7 million, up $53.3 million, or 78.0%), reflecting the impact of accretive acquisitions completed in 2011 and during the first half of 2012. During the quarter, $5.2 million related to the hedge loss on the mortgage bond was added back to FFO.

Adjusted funds from operations

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
AFFO	**$ 55,961**	$ 31,286	**$ 102,614**	$ 60,048
AFFO per unit – basic	**$ 0.61**	$ 0.56	**$ 1.23**	$ 1.11

Management believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-GAAP measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities, as defined by GAAP, and is not necessarily indicative of cash available to fund Dundee REIT's needs.

Our calculation of AFFO includes a deduction for an estimated amount of normalized non-recoverable maintenance capital expenditures, initial direct leasing costs and tenant incentives that we expect to incur based on our current portfolio, and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2011, adjusted for properties that have been acquired or sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

For the second quarter of 2012, accretive acquisitions completed in 2011 and 2012 contributed to AFFO per unit increases of 8.9% and 10.8% over the comparative three- and six-month periods, respectively. For the quarter, total AFFO was $56.0 million, an increase of $24.7 million, or 78.9%, over the same quarter of 2011; and $102.6 million, an increase of $42.6 million, or 71.0%, over the same six months in 2011.

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Cash generated from operating activities	**$ 35,866**	$ 19,538	**$ 56,930**	$ 31,212
Add (deduct):				
Share of earnings from equity accounted investments	**(31,354)**	6,880	**(22,847)**	10,827
Initial direct leasing costs and lease incentives incurred	**5,496**	5,563	**10,065**	9,852
Transaction costs on acquired businesses including those recorded in equity accounted investments	**2**	–	**17,321**	17,528
Change in non-cash working capital	**18,204**	6,870	**25,145**	3,097
Adjustments for equity accounted investments:				
Fair value adjustments to investment properties	**30,438**	(3,598)	**24,813**	(4,825)
Straight-line rent	**(95)**	(20)	**(208)**	(42)
Fair value adjustments on assumed debt	**–**	(48)	**–**	(193)
Amortization of lease incentives	**99**	97	**198**	192
Hedge break fee for financial instrument	**5,186**	–	**5,186**	–
Revenue supplement from vendor on acquisition	**598**	131	**1,196**	277
Normalized initial direct leasing costs and lease incentives	**(7,181)**	(3,430)	**(13,065)**	(6,860)
Normalized non-recoverable recurring capital expenditures	**(75)**	(75)	**(150)**	(150)
Other	**(1,223)**	(622)	**(1,970)**	(867)
AFFO	**$ 55,961**	$ 31,286	**$ 102,614**	$ 60,048

Quarterly information

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

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Investment properties revenue	**$ 169,871**	$ 142,487	$ 128,642	$ 110,856	$ 88,238	$ 83,852	$ 70,337	$ 63,206
Investment properties operating expenses	**68,692**	58,527	54,901	44,508	34,200	33,905	29,645	25,220
Net rental income	**101,179**	83,960	73,741	66,348	54,038	49,947	40,692	37,986
Other income and expenses								
General and administrative	**(5,611)**	(4,625)	(4,107)	(3,763)	(3,534)	(3,360)	(2,684)	(2,569)
Share of net earnings from equity accounted investments	**(31,354)**	8,507	24,847	14,054	6,880	3,947	24,554	2,808
Fair value adjustments to investment properties	**13,319**	36,551	162,617	10,902	39,712	19,756	117,538	17,149
Loss on sale of investment properties	**–**	(169)	–	–	–	–	(500)	–
Acquisition related costs	**(2)**	(17,319)	–	–	–	(5,734)	–	–
Interest:								
Debt	**(35,614)**	(29,443)	(26,679)	(24,098)	(19,870)	(17,751)	(15,005)	(13,949)
Subsidiary redeemable units	**(1,938)**	(1,935)	(1,931)	(1,928)	(1,926)	(1,919)	(1,918)	(1,914)
Depreciation and amortization	**(605)**	(318)	(157)	(173)	(133)	(117)	(111)	(208)
Interest and fee income	**1,254**	944	863	643	437	433	509	336
Fair value adjustments to financial instruments	**(8,120)**	(8,433)	(6,433)	5,870	2,729	(13,231)	(7,372)	(15,681)
Income before taxes	**32,508**	67,720	222,761	67,855	78,333	31,971	155,703	23,958
Deferred income taxes	**665**	–	–	–	–	–	–	–
Net income	**31,843**	67,720	222,761	67,855	78,333	31,971	155,703	23,958
Other comprehensive income								
Unrealized gain on interest rate swaps	**(1,906)**	2,530	(868)	(734)	–	–	–	–
Unrealized foreign currency translation gain	**588**	277	–	–	–	–	–	–
Comprehensive income	**$ 30,525**	$ 70,527	$ 221,893	$ 67,121	$ 78,333	$ 31,971	$ 155,703	$ 23,958

Calculation of funds from operations

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
NET INCOME	**$ 31,843**	$ 67,720	$ 222,761	$ 67,855	$ 78,333	$ 31,971	$ 155,703	$ 23,958
Add (deduct):								
Depreciation of property and equipment	**193**	183	156	173	133	117	112	208
Amortization of property management contracts	**412**	138	–	–	–	–	–	–
Amortization of lease incentives	**1,023**	1,014	1,351	805	1,009	786	301	249
Loss on disposal of investment properties	**–**	169	–	–	–	–	500	–
Interest expense on subsidiary redeemable units	**1,938**	1,935	1,931	1,928	1,926	1,919	1,918	1,914
Acquisition related costs	**2**	17,319	–	–	–	5,776	–	–
Leasing incentives expensed on lease terminations	**13**	229	53	–	–	–	240	–
Fair value adjustments to investment properties	**(13,319)**	(36,551)	(162,617)	(10,902)	(39,712)	(19,756)	(117,538)	(17,149)
Fair value adjustments to investment properties held in equity accounted investments	**30,438**	(5,625)	(21,938)	(11,206)	(3,598)	(1,227)	(20,465)	(138)
Fair value adjustments to financial instruments	**8,120**	8,433	6,433	(5,870)	(2,729)	13,231	7,372	15,681
Fair value of DUIP included in general and administrative expenses	**203**	173	135	111	271	81	59	112
Hedge break fee for financial instrument held in equity accounted investments	**5,186**	–	–	–	–	–	–	–
Deferred income taxes	**665**	–	–	–	–	–	–	–
Other	**(84)**	(66)	(55)	(62)	(142)	(34)	(55)	(55)
FFO	**$ 66,633**	$ 55,071	$ 48,210	$ 42,832	$ 35,491	$ 32,864	$ 28,147	$ 24,780
FFO per unit – basic[1]	**$ 0.72**	$ 0.74	$ 0.73	$ 0.68	$ 0.64	$ 0.63	$ 0.61	$ 0.60
FFO per unit – diluted[1]	**$ 0.72**	$ 0.73	$ 0.73	$ 0.68	$ 0.64	$ 0.63	$ 0.61	$ 0.60

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

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
FUNDS FROM OPERATIONS	**$ 66,633**	$ 55,071	$ 48,210	$ 42,832	$ 35,491	$ 32,864	$ 28,147	$ 24,780
Add (deduct):								
Amortization of fair value adjustment on assumed debt	**(2,528)**	(1,673)	(799)	(638)	(382)	(337)	(175)	(215)
Deferred compensation expense	**858**	749	696	697	753	659	580	483
Straight-line rent	**(2,342)**	(2,131)	(2,459)	(2,083)	(1,199)	(1,079)	(857)	(1,564)
Revenue supplement from vendor on acquisition	**598**	598	598	342	131	146	171	677
Other	**(2)**	(2)	193	118	(3)	14	9	9
	63,217	52,612	46,439	41,268	34,791	32,267	27,875	24,170
Adjusted for:								
Normalized initial direct leasing costs and lease incentives	**7,181**	5,884	5,317	4,613	3,430	3,430	2,555	2,505
Normalized non-recoverable recurring capital expenditures	**75**	75	75	75	75	75	75	75
Adjusted funds from operations	**$ 55,961**	$ 46,653	$ 41,047	$ 36,580	$ 31,286	$ 28,762	$ 25,245	$ 21,590
AFFO per unit – basic[1]	**$ 0.61**	$ 0.63	$ 0.62	$ 0.58	$ 0.56	$ 0.55	$ 0.55	$ 0.52
Weighted average units outstanding for FFO and AFFO								
Basic (in thousands)	**91,948**	74,527	65,942	62,638	55,389	52,526	46,055	41,628
Diluted (in thousands)	**97,011**	78,663	69,430	66,118	58,887	56,012	49,597	45,107

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

Section III – Disclosure controls and procedures

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

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

Section IV – Risks and our strategy to manage

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

Section V – Critical accounting policies

Critical accounting judgments, estimates and assumptions in applying accounting policies

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

Condensed consolidated balance sheets

(unaudited)

(in thousands of dollars)	Note	**June 30, 2012**	December 31, 2011
Assets			
NON-CURRENT ASSETS			
Investment properties	7	**$ 5,684,659**	$ 4,154,179
Equity accounted investments	8	**545,803**	144,596
Other non-current assets	9	**104,473**	22,507
		6,334,935	4,321,282
CURRENT ASSETS			
Amounts receivable	10	**22,262**	13,618
Prepaid expenses and other assets		**20,308**	11,990
Cash and cash equivalents		**24,030**	111,870
		66,600	137,478
Assets held for sale	17	**140,382**	7,707
Total assets		**$ 6,541,917**	$ 4,466,467
Liabilities			
NON-CURRENT LIABILITIES			
Debt	11	**$ 2,567,336**	$ 1,957,538
Subsidiary redeemable units	12	**134,328**	114,445
Deposits		**18,224**	13,919
Deferred Unit Incentive Plan	13	**16,339**	12,971
Other financial instruments	11	**3,485**	8,028
Deferred tax net liabilities	20	**3,395**	–
		2,743,107	2,106,901
CURRENT LIABILITIES			
Debt	11	**459,206**	166,979
Amounts payable and accrued liabilities	14	**81,752**	63,139
Distributions payable	15	**17,783**	12,192
		558,741	242,310
Liabilities related to assets held for sale	17	**65,373**	22
Total liabilities		**3,367,221**	2,349,233
Equity			
Unitholders' equity		**2,791,600**	1,745,283
Retained earnings		**383,209**	373,553
Accumulated other comprehensive loss		**(113)**	(1,602)
Total equity	16	**3,174,696**	2,117,234
Total liabilities and equity		**$ 6,541,917**	$ 4,466,467

See accompanying notes to the condensed consolidated financial statements.

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Condensed consolidated statements of comprehensive income

(unaudited)

		Three months ended June 30,		Six months ended June 30,	
(in thousands of dollars)	Note	**2012**	2011	**2012**	2011
Investment properties revenue		**$ 169,871**	$ 88,238	**$ 312,358**	$ 172,090
Investment properties operating expenses		**68,692**	34,200	**127,219**	68,105
Net rental income		**101,179**	54,038	**185,139**	103,985
Other income and expenses					
General and administrative		**(5,611)**	(3,534)	**(10,236)**	(6,894)
Share of net (losses) income from equity accounted investments	8	**(31,354)**	6,880	**(22,847)**	10,827
Fair value adjustments to investment properties	7, 17	**13,319**	39,712	**49,870**	59,468
Loss on sale of investment properties	17	**–**	–	**(169)**	–
Acquisition related costs, net	5	**(2)**	–	**(17,321)**	(5,734)
Interest:					
Debt	18	**(35,614)**	(19,870)	**(65,057)**	(37,621)
Subsidiary redeemable units	18	**(1,938)**	(1,926)	**(3,873)**	(3,845)
Depreciation and amortization		**(605)**	(133)	**(923)**	(250)
Interest and fee income		**1,254**	437	**2,198**	870
Fair value adjustments to financial instruments	19	**(8,120)**	2,729	**(16,553)**	(10,502)
Income before income taxes		**32,508**	78,333	**100,228**	110,304
Deferred income taxes	20	**665**	–	**665**	–
Net income		**31,843**	78,333	**99,563**	110,304
Other comprehensive income (loss)					
Unrealized (loss) gain on interest rate swap agreements	11	**(1,906)**	–	**624**	–
Unrealized foreign currency translation gain		**588**	–	**865**	–
Comprehensive income		**$ 30,525**	$ 78,333	**$ 101,052**	$ 110,304

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of changes in equity

(unaudited)

(in thousands of dollars, except number of units)	Note	Number of units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Total
			Attributable to unitholders of the Trust			
Balance at January 1, 2012		**66,209,376**	**$ 1,745,283**	**$ 373,553**	**$ (1,602)**	**$ 2,117,234**
Net income for the period		**–**	**–**	**99,563**	**–**	**99,563**
Distributions paid	15, 16	**–**	**–**	**(72,124)**	**–**	**(72,124)**
Distributions payable	15, 16	**–**	**–**	**(17,783)**	**–**	**(17,783)**
Public offering of REIT A Units	16	**16,947,550**	**604,812**	**–**	**–**	**604,812**
REIT A Units issued for Whiterock transaction	5	**12,580,347**	**434,777**	**–**	**–**	**434,777**
Distribution Reinvestment Plan	16	**508,852**	**18,428**	**–**	**–**	**18,428**
Unit Purchase Plan	16	**1,290**	**47**	**–**	**–**	**47**
Deferred units exchanged for REIT A Units	13, 16	**22,130**	**760**	**–**	**–**	**760**
Conversion of debentures	16	**333,786**	**9,212**	**–**	**–**	**9,212**
Conversion feature on debentures	11, 16	**–**	**2,212**	**–**	**–**	**2,212**
Issue costs	16	**–**	**(23,931)**	**–**	**–**	**(23,931)**
Other comprehensive income		**–**	**–**	**–**	**1,489**	**1,489**
Balance at June 30, 2012		**96,603,331**	**$ 2,791,600**	**$ 383,209**	**$ (113)**	**$ 3,174,696**

(in thousands of dollars, except number of units)	Note	Number of units	Unitholders' equity	Retained earnings	Accumulated other comprehensive income (loss)	Total
			Attributable to unitholders of the Trust			
Balance at January 1, 2011		45,912,519	$ 1,118,058	$ 97,002	$ –	$ 1,215,060
Net income for the period		–	–	110,304	–	110,304
Distributions paid	15, 16	–	–	(45,927)	–	(45,927)
Distributions payable	15, 16	–	–	(10,380)	–	(10,380)
Public offering of REIT A Units	16	10,108,500	322,365	–	–	322,365
Distribution Reinvestment Plan	16	280,767	8,900	–	–	8,900
Unit Purchase Plan	16	6,203	196	–	–	196
Deferred units exchanged for REIT A Units	16	28,907	921	–	–	921
Conversion of debentures	16	13,285	354	–	–	354
Conversion feature on debentures		–	227	–	–	227
Issue costs	16	–	(13,476)	–	–	(13,476)
Balance at June 30, 2011		56,350,181	$ 1,437,545	$ 150,999	$ –	$ 1,588,544

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of cash flows

(unaudited)

		Three months ended June 30,		Six months ended June 30,	
(in thousands of dollars)	Note	**2012**	2011	**2012**	2011
Generated from (utilized in) operating activities					
Net income		**$ 31,843**	$ 78,333	**$ 99,563**	$ 110,304
Non-cash items:					
Acquisition related costs, net	5	**2**	–	**17,321**	5,734
Share of net losses (earnings) from equity accounted investments		**31,354**	(6,880)	**22,847**	(10,827)
Amortization of lease incentives		**1,587**	984	**2,617**	1,603
Amortization of external management contracts		**412**	–	**550**	–
Amortization of financing costs		**833**	478	**1,661**	869
Amortization of fair value adjustments on assumed debt		**(2,528)**	(334)	**(4,201)**	(526)
Loss on sale of investment properties		**–**	–	**169**	–
Deferred unit compensation expense		**1,059**	1,024	**1,981**	1,765
Straight-line rent adjustment		**(2,590)**	(1,248)	**(4,636)**	(2,357)
Fair value adjustments to investment properties		**(13,319)**	(39,712)	**(49,870)**	(59,468)
Fair value adjustments to financial instruments		**8,120**	(2,729)	**16,553**	10,502
Depreciation on property and equipment		**193**	132	**373**	249
Reinvestment in subsidiary redeemable units	12, 18	**205**	189	**407**	377
Deferred income taxes		**665**	–	**665**	–
Investment in lease incentives and initial direct leasing costs		**(5,496)**	(5,563)	**(10,065)**	(9,852)
Transaction costs on acquired business	5	**(2)**	–	**(17,321)**	(17,528)
Interest paid on subsidiary redeemable units	18	**1,732**	1,734	**3,461**	3,464
Change in non-cash working capital	23	**(18,204)**	(6,870)	**(25,145)**	(3,097)
		35,866	19,538	**56,930**	31,212
Generated from (utilized in) investing activities					
Investment in building improvements		**(3,786)**	(899)	**(6,545)**	(1,743)
Investment in development projects		**–**	(3,397)	**(1,945)**	(6,048)
Acquisition of Whiterock (2011 – Realex Properties Corporation), net of cash acquired	5	**–**	–	**(147,134)**	(154,380)
Acquisition of investment properties	6	**(35,453)**	(41,351)	**(169,738)**	(139,983)
Acquisition deposits on investment properties		**1,000**	(15,500)	**–**	(15,600)
Vendor adjustment on investment properties		**–**	1,000	**–**	1,000
Net proceeds from disposal of investment properties	17	**–**	–	**7,550**	–
Acquisition of equity accounted investments		**(844,766)**	–	**(844,766)**	–
Distributions from equity accounted investments		**432,337**	36,868	**434,209**	38,993
Contributions to equity accounted investments		**(9,199)**	(2,767)	**(9,199)**	(10,958)
Change in restricted cash		**(34)**	122	**502**	41
		(459,901)	(25,924)	**(737,066)**	(288,678)
Generated from (utilized in) financing activities					
Mortgages placed		**50,500**	142,683	**50,500**	172,533
Financing costs on mortgages placed		**(751)**	(1,607)	**(767)**	(1,677)
Mortgage principal repayments		**(16,203)**	(8,450)	**(30,287)**	(15,937)
Mortgage lump sum repayments		**(35,824)**	(33,074)	**(35,824)**	(34,712)
New term debt		**–**	–	**24**	–
Term debt principal repayments		**(74)**	(63)	**(172)**	(112)
Draw on bridge loan facility		**–**	–	**220,000**	–
Repayment of bridge loan facility		**(220,000)**	–	**(220,000)**	–
Draw on revolving credit facility		**165,000**	–	**178,157**	31,854
Financing costs on revolving credit facility		**–**	–	**(579)**	–
Repayment of revolving credit facility		**(20,920)**	(14,854)	**(69,892)**	(31,854)
Repayment of convertible debentures		**(62)**	–	**(62)**	–
Repayment of debentures		**(10,340)**	–	**(10,340)**	–
Distributions paid on Units	15	**(37,272)**	(23,095)	**(65,888)**	(45,460)
Interest paid on subsidiary redeemable units		**(1,732)**	(1,734)	**(3,461)**	(3,464)
Units issued for cash		**373,116**	178,581	**604,859**	322,561
Units issue costs		**(14,569)**	(7,191)	**(23,931)**	(13,476)
		230,869	231,196	**592,337**	380,256
(Decrease) increase in cash and cash equivalents		**(193,166)**	224,810	**(87,799)**	122,790
Foreign exchange loss on cash held in foreign currency		**(56)**	–	**(41)**	–
Cash and cash equivalents, beginning of period		**217,252**	6,790	**111,870**	108,810
Cash and cash equivalents, end of period		**$ 24,030**	$ 231,600	**$ 24,030**	$ 231,600

See accompanying notes to the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

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

Note 1
Organization

Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The condensed consolidated financial statements of Dundee REIT include the accounts of Dundee REIT and its consolidated subsidiaries. Dundee REIT's portfolio comprises office and industrial properties located in urban centres across Canada and the United States. A subsidiary of Dundee REIT performs the property management function.

The Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "D.UN". Dundee REIT's condensed consolidated financial statements for the three and six months ended June 30, 2012, were authorized for issue by the Board of Trustees on August 8, 2012, after which date the condensed consolidated financial statements may only be amended with the Board of Trustees' approval.

Equity is described in Note 16; however, for simplicity, throughout the Notes reference is made to the following:

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

Subsidiary redeemable units classified as a liability are described in Note 12; however, for simplicity, throughout the Notes, reference is made to "subsidiary redeemable units", meaning the LP Class B Units, Series 1 of Dundee Properties Limited Partnership ("DPLP").

At June 30, 2012, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 2,510,511 REIT A Units and 3,517,370 subsidiary redeemable units (December 31, 2011 – 1,776,158 and 3,506,107, respectively).

Note 2
Summary of significant accounting policies
Basis of presentation

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

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

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

Note 3

Accounting policies selected and applied for significant transactions and events

The accounting policies selected and applied for significant transactions and events are consistent with those of the previous financial year. In addition, the Trust has adopted the following significant accounting policies in the six months ended June 30, 2012:

Goodwill

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

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

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

External property management contracts

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

Foreign currencies

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

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

Income taxes

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

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

Note 4

Critical accounting judgments, estimates and assumptions in applying accounting policies

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

Note 5

Business combinations

No business combinations occurred during the second quarter of 2012.

On March 2, 2012, Dundee REIT acquired Whiterock Real Estate Investment Trust ("Whiterock") for total cash consideration of $159,779 and the issuance of 12,580,347 REIT A Units for $434,777, representing total consideration of $594,556. The Trust considers Whiterock an excellent strategic fit with the existing portfolio that will increase its market presence as the dominant office REIT in Canada. On closing, the fair value of the net identifiable assets and liabilities acquired equalled $533,015. The total consideration exceeded the net identifiable assets and liabilities by $61,541, which has been recorded as goodwill on acquisition. The Whiterock portfolio consisted of 7,405,010 square feet of office, industrial and retail properties.

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

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

	Note	
Investment properties, including $106,754 classified as assets held for sale		$ 1,419,889
Other non-current assets		2,802
Amounts receivable		933
Cash and cash equivalents		12,645
Other assets		8,609
External management contracts		16,512
Amounts payable and accrued liabilities assumed		(33,844)
Deferred tax net liabilities		(2,633)
Financial instruments		(3,363)
Assumed debt		(888,535)
Total identifiable net assets and liabilities		533,015
Goodwill(1)	9	61,541
Fair value of consideration		$ 594,556

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

Acquisition related costs comprise $17,321 in transaction costs. The fair value of acquired amounts receivable is $933, the fair value of tenant receivables. The gross contractual amount for tenant receivables is $2,833, of which $1,900 is expected to be uncollectible.

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

During the three and six months ended June 30, 2012, the Trust recognized $38,872 and $51,823 of revenue, and $13,496 and $18,769 of comprehensive income for each period, respectively, before fair value adjustments, related to the acquisition of Whiterock. Had the acquisition occurred on January 1, 2012, the Trust would have recognized an additional $26,481 of revenue and $3,736 of comprehensive income, before fair value adjustments.

The initial accounting for the assets and liabilities recognized with respect to the acquisition of Whiterock has been completed provisionally with respect to the valuations of investment properties, goodwill, external management contracts, mark-to-market valuations of assumed debt and other financial instruments. Accordingly, the initial accounting has not been finalized and is, therefore, subject to adjustment. During the period, the Trust recorded a $1,857 decrease to the mark-to-market adjustment on the debentures (included in assumed debt) with a corresponding decrease to goodwill. In addition, the Trust recorded $2,271 of deferred tax liabilities with a corresponding increase to goodwill, related to the acquired properties that are located in the United States.

Note 6
Property acquisitions

Detailed below are the acquisitions completed during the six months ended June 30, 2012.

	Property type	Interest acquired (%)	Purchase price[1]	Fair value of mortgage assumed	Date acquired
5001 Yonge Street, Toronto	office	100.0	$ 112,984	$ –	January 19, 2012
67 Richmond Street West, Toronto	office	100.0	14,464	6,104	January 30, 2012
Parking lots, Saskatoon	office	100.0	18,242	–	March 12, 2012
1 Riverside Drive, Windsor	office	100.0	35,534	–	April 26, 2012
Total			$ 181,224	$ 6,104	

(1) Includes transaction costs.

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

	Six months ended June 30, 2012
Investment properties:	
Office	$ 181,224
Total purchase price	$ 181,224

The consideration paid consists of:

Cash:	
Paid during the period	$ 169,738
Deposits applied	2,150
	171,888
Assumed mortgages at fair value	6,104
Assumed non-cash working capital	3,232
Total consideration	$ 181,224

Note 7

Investment properties

	Note	Six months ended June 30, 2012	Year ended December 31, 2011
Balance at beginning of period		$ 4,154,179	$ 2,330,005
Additions:			
Acquisitions from business combinations	5	1,419,889	352,609
Property acquisitions	6	181,224	1,206,449
Building improvements		6,522	8,044
Lease incentives and initial direct leasing costs		9,958	23,136
Development projects		1,945	13,215
Amortization of lease incentives		(2,601)	(3,566)
Vendor adjustment on investment property		–	(1,000)
Properties reclassified as held for sale	17	(142,433)	(7,700)
Foreign currency translation gain		2,567	–
Fair value adjustments to investment properties		53,409	232,987
Balance at end of period		$ 5,684,659	$ 4,154,179

Investment properties have been reduced by $19,562 (December 31, 2011 – $15,132) related to straight-line rent receivable, which has been reclassified to other non-current assets.

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

	June 30, 2012		December 31, 2011	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Office:				
Capitalization rate	5.21–9.50	6.39	5.50–9.25	6.64
Discount rate	6.50–10.50	7.68	7.50–10.50	7.94
Terminal rate	5.75–9.75	6.84	6.00–9.75	7.12
Industrial:				
Capitalization rate	5.75–9.25	6.96	6.50–9.25	7.12
Discount rate	7.50–9.75	8.01	8.00–10.00	8.58
Terminal rate	6.50–9.00	7.24	7.25–10.00	7.76
Overall:				
Capitalization rate	5.21–9.50	6.43	5.50–9.25	6.68
Discount rate	6.50–10.50	7.71	7.50–10.50	7.99
Terminal rate	5.75–9.75	6.88	6.00–10.00	7.17

Investment properties with an aggregate fair value of $1,721,504 at June 30, 2012 (March 31, 2012 – $299,375; December 31, 2011 – $366,250), were valued by qualified external valuation professionals.

If the cap rate were to increase by 25 basis points ("bps"), the value of investment properties would decrease by $23,700 (including assets held for sale). If the cap rate were to decrease by 25 bps, the value of investment properties would increase by $26,400 (including assets held for sale).

Investment properties, including equity accounted investments and properties held for sale, with a fair value of $6,146,705 (December 31, 2011 – $3,726,675) are pledged as security for mortgages.

Investment properties, including equity accounted investments, pledged as security for demand revolving credit facilities and term loan facility, are as follows:

		Number of properties		Fair value	
Facility	Ranking	**June 30, 2012**	December 31, 2011	**June 30, 2012**	December 31, 2011
Demand revolving credit facilities:					
Formula-based maximum not to exceed $196,714	first ranking	**12**	–	**$ 286,542**	$ –
Formula-based maximum not to exceed $40,000	first ranking	**2**	2	**39,848**	40,000
	second ranking	**1**	1	**80,538**	75,000
Formula-based maximum not to exceed $35,000	second ranking	**2**	3	**173,946**	181,500
Formula-based maximum not to exceed $35,000	first ranking	**1**	–	**38,156**	–
	second ranking	**1**	–	**111,946**	–
$2,400 demand revolving operating facility	first ranking	**1**	–	**4,962**	–
Term loan facility	first ranking	**9**	9	**277,896**	278,136
				$ 1,013,834	$ 574,636

Note 8
Joint arrangements

	June 30, 2012	December 31, 2011
Investments in joint ventures	**$ 545,803**	$ 144,596

Investments in joint ventures

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

On June 15, 2012, the Trust acquired a two-thirds interest in the Scotia Plaza complex in downtown Toronto for $844,339. Dundee REIT has entered into a joint venture with H&R REIT, the owner of the remaining one-third interest in the complex. The acquisition was financed with $433,333 in seven-year first mortgage bonds and proceeds from the June 12, 2012, public equity offering (Note 16).

			Ownership interest (%)	
Name	Location	Principal activity	**June 30, 2012**	December 31, 2011
Scotia Plaza	Toronto, Ontario	Investment property	**66.7**	–
State Street Financial Centre	Toronto, Ontario	Investment property	**50**	50
TELUS Tower	Calgary, Alberta	Investment property	**50**	50
IBM Corporate Centre	Calgary, Alberta	Investment property	**33**	33
Capital Centre	Edmonton, Alberta	Investment property	**25**	25
Plaza 124	Edmonton, Alberta	Investment property	**25**	25
Riverbend Atrium	Calgary, Alberta	Investment property	**25**	25
Stockman Centre	Calgary, Alberta	Investment property	**25**	25

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

	June 30, 2012	December 31, 2011
Non-current assets		
Investment properties	$ 1,115,472	$ 264,505
Other non-current assets	2,768	2,386
	1,118,240	266,891
Current assets		
Amounts receivable	751	65
Prepaid expenses and other assets	324	89
Cash and cash equivalents	15,307	11,536
	16,382	11,690
Total assets	$ 1,134,622	$ 278,581
Non-current liabilities		
Debt	$ 547,603	$ 127,246
Deposits	178	160
	547,781	127,406
Current liabilities		
Debt	11,206	2,977
Amounts payable and accrued liabilities	29,832	3,602
	41,038	6,579
Total liabilities	$ 588,819	$ 133,985
Net assets	$ 545,803	$ 144,596

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Investment properties revenue	$ 11,324	$ 7,318	$ 18,877	$ 14,471
Investment properties operating expenses	4,987	3,026	8,162	6,134
Net rental income	6,337	4,292	10,715	8,337
Other income and expenses				
General and administrative	3	42	–	–
Fair value adjustments to investment properties	(30,438)	3,598	(24,813)	4,825
Loss on sale of investment properties	–	(103)	–	(103)
Interest on debt	(2,097)	(972)	(3,619)	(2,288)
Depreciation and amortization	(3)	–	(3)	–
Interest and fee income	30	23	59	56
Fair value adjustments to financial instruments	(5,186)	–	(5,186)	–
Net (loss) income	$ (31,354)	$ 6,880	$ (22,847)	$ 10,827

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Cash flow generated from (utilized in):				
Operating activities	$ (1,571)	$ 3,761	$ 260	$ 5,315
Investing activities	(200)	(178)	(272)	(296)
Financing activities	6,385	(1,449)	3,783	(3,834)
Increase in cash and cash equivalents	$ 4,614	$ 2,134	$ 3,771	$ 1,185

Co-owned investment properties

The Trust's interests in co-owned investment properties are accounted for on a proportionate consolidated basis. The co-owned investment properties acquired in the six months ended June 30, 2012, relate to the acquisition of Whiterock, as described in Note 5.

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

	June 30, 2012	December 31, 2011
Non-current assets		
Investment properties	$ 550,650	$ 34,642
Other non-current assets	1,979	77
	552,629	34,719
Current assets		
Amounts receivable	3,004	202
Prepaid expenses and other assets	632	20
Cash and cash equivalents	11,140	300
	14,776	522
Total assets	$ 567,405	$ 35,241
Non-current liabilities		
Debt	$ 191,245	$ 24,374
Deposits	1,826	219
	193,071	24,593
Current liabilities		
Debt	101,126	737
Amounts payable and accrued liabilities	10,901	435
	112,027	1,172
Total liabilities	$ 305,098	$ 25,765

Included in co-owned investment properties is $14,942 net asset value of non-current assets held for sale.

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Investment properties revenue	$ 15,451	$ 1,073	$ 21,208	$ 1,679
Investment properties operating expenses	6,755	730	9,389	1,378
Net rental income	8,696	343	11,819	301
Other income and expenses				
Fair value adjustments to investment properties	(11,745)	2,336	(12,187)	2,325
Interest on debt	(2,763)	–	(3,843)	–
Interest and fee income	(45)	–	1	–
Net (loss) income	$ (5,857)	$ 2,679	$ (4,210)	$ 2,626

Note 9
Other non-current assets

		June 30, 2012		December 31, 2011
Property and equipment (net of accumulated depreciation of $1,471 (December 31, 2011 – $1,308))	$	2,945	$	2,690
Deposits		2,619		3,065
Restricted cash		1,844		1,620
Straight-line rent receivable		19,562		15,132
External management contracts (net of accumulated amortization of $550 (December 31, 2011 – $nil))		15,962		–
Goodwill		61,541		–
Total	$	104,473	$	22,507

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

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

Note 10
Amounts receivable

Amounts receivable are net of credit adjustments aggregating $9,920 (December 31, 2011 – $4,842).

		June 30, 2012		December 31, 2011
Trade receivables	$	14,598	$	8,791
Less: Provision for impairment of trade receivables		(1,355)		(955)
Trade receivables, net		13,243		7,836
Other amounts receivable		9,019		5,782
	$	22,262	$	13,618

The movement in the provision for impairment of trade receivables during the six months ended June 30 was as follows:

		2012		2011
As at January 1	$	955	$	547
Provision for impairment of trade receivables		648		538
Receivables written off during the period as uncollectible		(153)		(167)
Reduction of other receivables written off during the period		(95)		(58)
As at June 30	$	1,355	$	860

The carrying value of amounts receivable approximates fair value due to their current nature. As at June 30, 2012, trade receivables of approximately $2,649 (December 31, 2011 – $1,139) were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

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

		June 30, 2012
2012 (remainder of year)	$	179,005
2013 to 2016		1,121,848
2017 to 2031		542,421
	$	1,843,274

Note 11
Debt

	June 30, 2012	December 31, 2011
Mortgages[1]	**$ 2,476,517**	$ 1,805,571
Term debt	**356**	504
Demand revolving credit facilities[1]	**144,670**	2,435
Term loan facility[1]	**185,019**	184,654
Convertible debentures	**183,805**	131,353
Debentures	**36,175**	–
Total	**3,026,542**	2,124,517
Less: Current portion	**459,206**	166,979
Non-current debt	**$ 2,567,336**	$ 1,957,538

(1) Secured by charges on specific investment properties (refer to Note 7).

Convertible debentures

	Carrying value	
	June 30, 2012	December 31, 2011
6.5% Debentures	**$ 2,339**	$ 2,802
5.7% Debentures	**5,933**	7,497
6.0% Debentures	**121,470**	121,054
6.0% Series F Debentures	**130**	–
7.0% Series G Debentures	**1,733**	–
5.5% Series H Debentures	**52,200**	–
	$ 183,805	$ 131,353

				Outstanding principal amount	
	Date issued	Maturity date	Original principal issued	**June 30, 2012**	December 31, 2011
6.5% Debentures	June 21, 2004	June 30, 2014	$ 75,000	**$ 2,405**	$ 2,916
5.7% Debentures	April 1, 2005	March 31, 2015	100,000	**5,961**	7,539
6.0% Debentures	January 14, 2008	December 31, 2014	125,000	**124,785**	124,965
6.0% Series F Debentures	July 16, 2008	July 15, 2012	11,400	**130**	–
7.0% Series G Debentures	October 1, 2009	December 31, 2014	23,000	**1,669**	–
5.5% Series H Debentures	December 9, 2011	March 31, 2017	51,650	**51,128**	–
			$ 386,050	**$ 186,078**	$ 135,420

6.5% Debentures

Each 6.5% Debenture is convertible at any time by the debenture holder into 40 REIT A Units per one thousand dollars of face value, representing a conversion price of $25.00 per unit. On or after June 30, 2010, the 6.5% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. Interest on the 6.5% Debentures is payable semi-annually on June 30 and December 31.

5.7% Debentures

Each 5.7% Debenture is convertible at any time by the debenture holder into 33.33333 REIT A Units per one thousand dollars of face value, representing a conversion price of $30.00 per unit. On or after March 31, 2011, the 5.7% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. Interest on the 5.7% Debentures is payable semi-annually on March 31 and September 30.

6.0% Debentures

Each 6.0% Debenture is convertible at any time by the debenture holder into 24.15459 REIT A Units per one thousand dollars of face value, representing a conversion price of $41.40 per unit. On or after December 31, 2010, and prior to December 31, 2012, the 6.0% Debentures may be redeemed by the Trust, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest, provided the weighted average trading price for the Trust's units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after December 31, 2012, the 6.0% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. Interest on the 6.0% Debentures is payable semi-annually on June 30 and December 31.

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

6.0% Series F Debentures

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

On July 15, 2012, the Series F Debentures matured and were repaid.

7.0% Series G Debentures

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

5.5% Series H Debentures

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

Debentures

In connection with the acquisition of Whiterock, Dundee REIT assumed Whiterock Series K and Series L debentures. The principal amount outstanding and carrying value for each series are as follows:

					June 30, 2012	
	Date issued	Maturity date	Original principal issued	Interest rate	**Outstanding principal**	**Carrying value**
Series K	April 26, 2011	April 26, 2016	$ 35,000	5.95%	**$ 25,000**	**$ 25,817**
Series L	August 8, 2011	September 30, 2016	10,000	5.95%	**10,000**	**10,358**
			$ 45,000		**$ 35,000**	**$ 36,175**

Series K

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

Series L

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

Demand revolving credit facilities

On March 2, 2012, the Trust entered into a $10,000 equity bridge facility and a $210,000 secured term facility. The equity bridge facility was in the form of rolling one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 2.35%. The secured term facility was in the form of rolling one-month BAs, bearing interest at the BA rate plus 1.75%. The equity bridge facility was fully repaid on April 5, 2012. The secured term facility was converted into a revolving credit facility on April 17, 2012, and matures on March 5, 2013. The revolving credit facility is in the form of rolling one-month bankers' acceptances bearing interest at the BA rate plus 1.75% or at the bank's prime rate (3% at June 30, 2012) plus 0.75% and is secured by 12 properties as first-ranking mortgages. As at June 30, 2012, the formula-based amount available under this facility was $196,714. At June 30, 2012, $145,000 was drawn on the facility.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40,000, bearing interest generally at the bank's prime rate (3.0% as at June 30, 2012) plus 1.5% or at bankers' acceptance rates plus 3.0%. This facility is secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. As at June 30, 2012, the formula-based amount available under this facility was $40,000, less $1,540 in the form of letters of guarantee (December 31, 2011 – $36,075, $3,975 drawn). The facility expires on April 30, 2013. As at June 30, 2012, $nil is drawn from the facility.

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

In addition, pursuant to the acquisition of Whiterock, the Trust assumed a revolving acquisition and operating facility of up to $35,000. The facility can be increased by up to an additional $20,000. Interest is borne generally at the bank's prime rate (3.0% as at June 30, 2012) plus 0.85% or bankers' acceptance rates plus 1.85%. The facility is secured by mortgages on existing properties and the guarantee of the Trust. The facility expires on August 23, 2013. As at June 30, 2012, the maximum available under the facility was $35,000, less $500 in the form of letters of guarantee. As at June 30, 2012, $nil is drawn from the facility.

The Trust also assumed a $2,400 demand revolving operating facility that is secured by a mortgage on a property and the guarantee of the Trust. The facility bears interest at a floating rate determined by reference to the prime rate (3.0% as at June 30, 2012) plus 1.50%. At June 30, 2012, $nil is outstanding on the facility. The facility was discharged on July 19, 2012.

Term loan facility

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

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

Debt weighted average effective interest rates and maturity

	Weighted average effective interest rates(1)			Debt amount	
	June 30, 2012	December 31, 2011	Maturity dates	**June 30, 2012**	December 31, 2011
Fixed rate					
Mortgages	**4.62%**	4.95%	2012–2028	**$ 2,476,517**	$ 1,805,571
Term debt	**7.61%**	7.58%	2013	**356**	504
Convertible debentures	**6.09%**	7.03%	2012–2017	**183,805**	131,353
Debentures	**5.02%**	–	2016	**36,175**	–
Total fixed rate debt	**4.73%**	5.09%		**2,696,853**	1,937,428
Variable rate					
Demand revolving credit facilities	**3.41%**	4.50%	2012–2013	**144,670**	2,435
Term loan facility(2)	**3.83%**	3.83%	2016	**185,019**	184,654
Total variable rate debt	**3.65%**	3.86%		**329,689**	187,089
Total debt	**4.61%**	4.98%		**$ 3,026,542**	$ 2,124,517

(1) The effective interest rate method includes the impact of fair value adjustments on assumed debt and deferred financing costs.

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

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
2012 (remainder of year)	$ 182,644	$ 136	$ –	$ –	$ 130	$ –	$ 182,910
2013	178,060	220	145,000	–	–	–	323,280
2014	172,012	–	–	–	128,859	–	300,871
2015	541,085	–	–	–	5,961	–	547,046
2016	339,673	–	–	188,000	–	35,000	562,673
2017 and thereafter	1,041,189	–	–	–	51,128	–	1,092,317
	2,454,663	356	145,000	188,000	186,078	35,000	3,009,097
Financing costs	(7,071)	–	(330)	(2,981)	(2,489)	–	(12,871)
Fair value adjustments	28,925	–	–	–	216	1,175	30,316
	21,854	–	(330)	(2,981)	(2,273)	1,175	17,445
	$ 2,476,517	$ 356	$ 144,670	$ 185,019	$ 183,805	$ 36,175	$ 3,026,542

Other financial instruments

The Trust has other financial instruments as follows:

		June 30, 2012		December 31, 2011
Fair value of interest rate swaps	**$**	**978**	$	1,602
Conversion feature on the convertible debentures		**2,507**		6,426
Other financial instruments – liability	**$**	**3,485**	$	8,028

Interest rate swaps

The following table summarizes the details of the interest rate swaps that are outstanding at June 30, 2012:

Transaction date		Term loan facility principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument classification		Fair value
August 15, 2011	$	133,000	3.52%	August 15, 2016	Cash flow hedge	$	(1,089)
August 15, 2011		55,000	3.03%	August 15, 2014	Cash flow hedge		111
Non-current debt	$	188,000	3.38%			$	(978)

For those interest rate swaps designated as cash flow hedges, the Trust has assessed that there is no ineffectiveness in the hedges of its interest rate exposure. The effectiveness of the hedging relationship is reviewed on a quarterly basis. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income (loss). As at June 30, 2012, the aggregate fair value of the interest rate swaps amounted to a $978 financial liability (December 31, 2011 – $1,602 financial liability). The associated unrealized gains or losses that are recognized in other comprehensive income (loss) will be reclassified into the condensed consolidated statements of comprehensive income in the same period or periods during which the interest payments on the hedged item affect net income.

Conversion feature on the convertible debentures

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

	Note		**Six months ended June 30, 2012**		Year ended December 31, 2011
As at January 1		**$**	**6,426**	$	6,489
Assumed from business combination			**3,363**		–
Reduction of conversion feature on the debentures converted during the period			**(2,212)**		(302)
Remeasurement of conversion feature	19		**(5,070)**		239
Ending balance		**$**	**2,507**	$	6,426

Note 12

Subsidiary redeemable units

The Trust has the following subsidiary redeemable units outstanding:

		Six months ended June 30, 2012			Year ended December 31, 2011		
	Note	**Number of units issued and outstanding**		**Amount**	Number of units issued and outstanding		Amount
Opening balance, January 1		**3,506,107**	**$**	**114,445**	3,481,733	$	105,148
Distribution Reinvestment Plan		**11,263**		**407**	24,374		771
Remeasurement of carrying value	19	**–**		**19,476**	–		8,526
Ending balance		**3,517,370**	**$**	**134,328**	3,506,107	$	114,445

During the six months ended June 30, 2012, the Trust incurred $3,873 (June 30, 2011 – $3,845) in distributions on the subsidiary redeemable units, which is included as interest expense in comprehensive income (see Note 18).

DPLP, a subsidiary of Dundee REIT, is authorized to issue an unlimited number of LP Class B limited partnership units. These units have been issued in two series: subsidiary redeemable units and LP Class B Units, Series 2. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to the REIT A Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on REIT Units, Series B, or if no such distribution is declared, on REIT Units, Series A. Subsidiary redeemable units may be surrendered or indirectly exchanged on a one-for-one basis at the option of the holder, generally at any time, subject to certain restrictions, for REIT Units, Series B.

Holders of the LP Class B Units, Series 2 are entitled to vote at meetings of the limited partners of DPLP and each unit entitles the holder to a distribution equal to distributions on the LP Class B Units, Series 1. As at June 30, 2012, and December 31, 2011, all issued and outstanding LP Class B Units, Series 2 are owned indirectly by Dundee REIT and have been eliminated in the condensed consolidated balance sheets.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled on surrender or exchange of such subsidiary redeemable units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained on the surrender or exchange of the subsidiary redeemable units to which they relate. As at June 30, 2012, 3,517,370 Special Trust Units were issued and outstanding (December 31, 2011 – 3,506,107).

Note 13
Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit and the related distribution of income deferred trust units vest evenly over a three- or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to postpone receipt of REIT A Units, such units will be issued immediately on vesting. As at June 30, 2012, up to a maximum of 1.75 million (December 31, 2011 – 1.00 million) deferred trust units are issuable under the Deferred Unit Incentive Plan.

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

	Note		
As at January 1, 2011		$	8,301
Compensation during the year			3,403
REIT A Units issued for vested units			(1,035)
Remeasurements of carrying value			2,302
As at December 31, 2011			12,971
Compensation during the period			1,981
REIT A Units issued for vested units			(760)
Remeasurements of carrying value	19		2,147
As at June 30, 2012		$	16,339

During the six months ended June 30, 2012, $1,981 of compensation expense was recorded (June 30, 2011 – $1,765) and included in general and administrative expenses. For the same period, $2,147 (June 30, 2011 – $1,457) was recognized in fair value adjustments to financial instruments representing the remeasurement of the Deferred Unit Incentive Plan liability during the period.

	Deferred trust units	Income deferred trust units	Total units
Outstanding at January 1, 2011	300,447	74,151	374,598
Granted during the year	113,791	33,670	147,461
REIT A Units issued	(25,383)	(6,995)	(32,378)
Fractional units paid in cash	–	(13)	(13)
Outstanding at December 31, 2011	388,855	100,813	489,668
Granted during the period	125,391	15,036	140,427
REIT A Units issued	(18,883)	(3,247)	(22,130)
Fractional units paid in cash	–	(20)	(20)
Outstanding and payable at June 30, 2012	495,363	112,582	607,945
Vested but not issued at June 30, 2012	170,671	57,037	227,708

On February 23, 2012, 114,100 deferred trust units were granted to trustees and senior managers. Of the units granted, 29,000 relate to key management personnel. The grant date value of these deferred trust units was $34.54 for each unit granted. On June 25, 2012, a further 11,291 deferred trust units were granted to trustees who elected to receive their 2012 annual retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $37.64.

On March 4, 2011, 100,500 deferred trust units were granted to trustees and senior managers. Of the units granted, 27,000 relate to key management personnel. A further 13,291 deferred trust units were granted to trustees who elected to receive their 2011 annual retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $31.60.

Note 14
Amounts payable and accrued liabilities

	June 30, 2012	December 31, 2011
Trade payables	**$ 7,639**	$ 6,451
Accrued liabilities and other payables	**59,067**	46,155
Accrued interest	**11,070**	8,157
Rent received in advance	**3,976**	2,376
Total	**$ 81,752**	$ 63,139

Note 15
Distributions

The following table breaks down distribution payments for the six months ended June 30:

	REIT Units, Series A	REIT Units, Series B	Total 2012	Total 2011
Paid in cash	$ 65,870	$ 18	$ 65,888	$ 45,460
Paid by way of reinvestment in REIT A Units	18,428	–	18,428	8,900
Less: Payable at December 31, 2011 (December 31, 2010)	(12,189)	(3)	(12,192)	(8,433)
Plus: Payable at June 30, 2012 (June 30, 2011)	17,780	3	17,783	10,380
Total	$ 89,889	$ 18	$ 89,907	$ 56,307

On July 17, 2012, the Trust announced a cash distribution of $0.183 per REIT A Unit for the month of July. The July distribution will be payable on August 15, 2012, to unitholders of record as at July 31, 2012.

Dundee REIT's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is based on a percentage of distributable income. Distributable income is defined in the Declaration of Trust and the percentage is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or lesser than the estimates used for those prior periods. In addition, the trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust, to the extent such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts. The Trust declared distributions of $0.183 per unit per month, or $2.20 per unit per year during 2011 and $1.10 per unit for the six months ended June 30, 2012.

Note 16
Equity

	June 30, 2012		December 31, 2011	
	Number of Units	Amount	Number of Units	Amount
REIT Units, Series A	96,587,015	$ 3,174,085	66,193,060	$ 2,118,116
REIT Units, Series B	16,316	724	16,316	720
Accumulated other comprehensive loss	–	(113)	–	(1,602)
Total	96,603,331	$ 3,174,696	66,209,376	$ 2,117,234

Dundee REIT Units

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

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

	REIT Units, Series A		REIT Units, Series B		Accumulated other	Total	
	Number of units	Amount	Number of units	Amount	comprehensive income (loss)	Number of units	Amount
Equity, January 1, 2012	66,193,060	$ 2,118,116	16,316	$ 720	$ (1,602)	66,209,376	$ 2,117,234
Net income	–	99,541	–	22	–	–	99,563
Distributions paid	–	(72,109)	–	(15)	–	–	(72,124)
Distributions payable	–	(17,780)	–	(3)	–	–	(17,783)
Public offering of REIT A Units	16,947,550	604,812	–	–	–	16,947,550	604,812
Units issued for Whiterock transaction	12,580,347	434,777	–	–	–	12,580,347	434,777
Distribution Reinvestment Plan	508,852	18,428	–	–	–	508,852	18,428
Unit Purchase Plan	1,290	47	–	–	–	1,290	47
Deferred units exchanged for REIT A Units	22,130	760	–	–	–	22,130	760
Conversion of debentures	333,786	9,212[(1)]	–	–	–	333,786	9,212
Conversion feature of debentures	–	2,212	–	–	–	–	2,212
Issue costs	–	(23,931)	–	–	–	–	(23,931)
Other comprehensive income	–	–	–	–	1,489	–	1,489
Equity, June 30, 2012	96,587,015	$ 3,174,085	16,316	$ 724	$ (113)	96,603,331	$ 3,174,696

(1) Amount represents carrying value of debentures on conversion.

	REIT Units, Series A		REIT Units, Series B		Accumulated other	Total	
	Number of units	Amount	Number of units	Amount	comprehensive income (loss)	Number of units	Amount
Equity, January 1, 2011	45,896,203	$ 1,214,604	16,316	$ 456	$ –	45,912,519	$ 1,215,060
Net income	–	110,216	–	88	–	–	110,304
Distributions paid	–	(45,912)	–	(15)	–	–	(45,927)
Distributions payable	–	(10,377)	–	(3)	–	–	(10,380)
Public offering of REIT A Units	10,108,500	322,365	–	–	–	10,108,500	322,365
Distribution Reinvestment Plan	280,767	8,900	–	–	–	280,767	8,900
Unit Purchase Plan	6,203	196	–	–	–	6,203	196
Deferred units exchanged for REIT A Units	28,907	921	–	–	–	28,907	921
Conversion of debentures	13,285	354[(1)]	–	–	–	13,285	354
Conversion feature of debentures	–	227	–	–	–	–	227
Issue costs	–	(13,476)	–	–	–	–	(13,476)
Equity, June 30, 2011	56,333,865	$ 1,588,018	16,316	$ 526	$ –	56,350,181	$ 1,588,544

(1) Amount represents carrying value of debentures on conversion.

Public offering of REIT A Units

On June 12, 2012, the Trust completed a public offering of 10,392,550 REIT A Units, at a price of $35.90 per unit for gross proceeds of $373,093. Costs related to the offering totalled $14,564 and were charged directly to unitholders' equity. The offering includes 390,000 REIT A Units purchased by Dundee Corporation and 278,600 REIT A Units purchased by Michael Cooper, Vice Chairman and Chief Executive Officer of the Trust, in each case at the public offering price.

On March 28, 2012, the Trust completed a public offering of 6,555,000 REIT A Units, including an over-allotment option, at a price of $35.35 per unit for gross proceeds of $231,719. Costs related to the offering totalled $9,353 and were charged directly to unitholders' equity. The offering includes 364,800 REIT A Units purchased by Dundee Corporation at the public offering price.

On June 14, 2011, the Trust completed a public offering of 4,660,000 REIT A Units at a price of $33.30 per unit for gross proceeds of $155,178. On June 29, 2011, the Trust issued an additional 699,000 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriter, for gross proceeds of approximately $23,277. Costs related to the offering totalled $7,138 and were charged directly to unitholders' equity. The offering includes 356,000 REIT A Units purchased by Dundee Corporation at the public offering price.

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

Units issued for Whiterock transaction

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

Distribution Reinvestment and Unit Purchase Plan

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

For the six months ended June 30, 2012, 508,852 REIT A Units were issued under the DRIP for $18,428 (June 30, 2011 – 280,767 REIT A Units for $8,900).

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT A Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT A Units that may be acquired. The price per unit is calculated in the same manner as the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the six months ended June 30, 2012, 1,290 REIT A Units were issued under the Unit Purchase Plan for $47 (June 30, 2011 – 6,203 REIT A Units for $196).

Debenture conversions

For the six months ended June 30, 2012, the following REIT A Units were issued on the conversion of principal amounts of the convertible debentures.

Six months ended June 30	**2012** REIT A Units issued	**2012** Principal amount	2011 REIT A Units issued	2011 Principal amount
6.5% Debentures	**20,400**	**$ 510**	8,920	$ 223
5.7% Debentures	**52,594**	**1,578**	4,365	131
6.0% Debentures	**4,347**	**180**	–	–
6.0% Series F Debentures	**232,332**	**6,495**	–	–
7.0% Series G Debentures	**24,113**	**443**	–	–
Total	**333,786**	**$ 9,206**	13,285	$ 354

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on December 2, 2011, and will remain in effect until the earlier of December 1, 2012, or the date on which the Trust has purchased the maximum number of Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 5,910,181 REIT A Units (representing 10% of the REIT's public float of 59,101,809 REIT A Units at the time of renewal) through the facilities of the TSX. As of June 30, 2012, no purchases had been made. Based on the closing price of REIT A Units on June 30, 2012, the Trust may purchase up to $225,710 worth of REIT A Units.

For the six months ended June 30, 2011, the Trust did not purchase any REIT A Units pursuant to its previous bid, which expired on November 2, 2011.

Note 17
Net assets held for sale

As at June 30, 2012, the Trust classified 16 properties as held for sale, including 11 retail and five office properties. At June 30, 2012, as management had committed to a plan of sale, the properties have been reclassified as non-current assets held for sale. The properties' carrying values were established to be the lower of their carrying value or their estimated fair value. On February 1, 2012, the Trust disposed of an industrial property in Calgary for gross proceeds of $7,700, which had been classified as held for sale at December 31, 2011. A net loss of $169 related to transaction costs was recognized during the first quarter of 2012.

	June 30, 2012	December 31, 2011
Investment properties	**$ 139,008**	$ 7,700
Other non-current assets	**217**	–
Amounts receivable	**811**	3
Prepaid expenses	**346**	4
Assets held for sale	**140,382**	7,707
Debt	**(63,351)**	(16)
Deposits	**(394)**	–
Accounts payable and accrued liabilities	**(1,628)**	(6)
Liabilities held for sale	**(65,373)**	(22)
Net assets	**$ 75,009**	$ 7,685

Investment properties held for sale

	Note	Six months ended June 30, 2012	Year ended December 31, 2011
Balance at beginning of period		$ 7,700	$ –
Additions:			
Building improvements		23	–
Lease incentives and initial direct leasing costs		107	–
Amortization of lease incentives		(16)	–
Disposals		(7,700)	–
Properties reclassified as held for sale	7	142,433	7,700
Fair value adjustments to investment properties		(3,539)	–
Balance at end of period		$ 139,008	$ 7,700

Note 18

Interest

Interest on debt

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Interest expense incurred, at contractual and hedged rate of debt	$ 37,309	$ 19,916	$ 67,673	$ 37,630
Amortization of financing costs	833	478	1,661	869
Amortization of fair value adjustments on acquired debt	(2,528)	(334)	(4,201)	(526)
Interest capitalized to investment properties	–	(190)	(76)	(352)
Interest expense	35,614	19,870	65,057	37,621
Add/deduct:				
Amortization of financing costs	(833)	(478)	(1,661)	(869)
Amortization of fair value adjustments on acquired debt	2,528	334	4,201	526
Change in accrued interest	5,966	2,594	3,304	1,334
Interest capitalized to investment properties	–	190	76	352
Cash interest paid	$ 43,275	$ 22,510	$ 70,977	$ 38,964

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

Interest on subsidiary redeemable units

Interest payments charged to comprehensive income are recorded as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Paid in cash	**$ 1,732**	$ 1,734	**$ 3,461**	$ 3,464
Paid by way of reinvestment in subsidiary redeemable units	**205**	189	**407**	377
Less: Interest payable at March 31	**(645)**	(641)	**–**	–
Less: Interest payable at December 31, 2011 (December 31, 2010)	**–**	–	**(641)**	(640)
Plus: Interest payable at June 30	**646**	644	**646**	644
Total	**$ 1,938**	$ 1,926	**$ 3,873**	$ 3,845

The interest payable at June 30, 2012, was satisfied on July 15, 2012, by $577 in cash, and $69 in connection with the issue of 1,806 subsidiary redeemable units.

Note 19
Fair value adjustments to financial instruments

		Three months ended June 30,		Six months ended June 30,	
	Note	**2012**	2011	**2012**	2011
Fair value adjustment on conversion feature of convertible debt	11	**$ 3,899**	$ 1,098	**$ 5,070**	$ (1,019)
Remeasurement of carrying value of subsidiary redeemable units	12	**(10,511)**	2,083	**(19,476)**	(8,026)
Remeasurement of deferred trust units	13	**(1,508)**	(452)	**(2,147)**	(1,457)
		$ (8,120)	$ 2,729	**$ (16,553)**	$ (10,502)

Note 20
Income taxes

The Trust is subject to taxation in the United States on the taxable income earned by its investment properties located in the United States. A deferred tax liability arises from the temporary differences between the carrying value and the tax basis of the net assets of the U.S. properties. The tax effects of temporary differences arise from investment properties. The deferred tax liability is calculated using the U.S. tax rate of 38.46%, on the temporary differences of approximately $8.8 million between the carrying value of net assets for accounting purposes and the amount used for the tax basis of the investment properties.

Note 21

Segmented information

The Trust's investment properties have been segmented into office and industrial components. Investment properties classified as held for sale have been included in "Other" for segment disclosure. The Trust does not allocate interest expense to these segments since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, general and administrative expenses, interest and fee income, and fair value adjustments to financial instruments are not allocated to the segment expenses.

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

Three months ended June 30, 2012	Office	Industrial	Segment total	Other[1]	Subtotal	Reconciliation[2]	Total
Operations							
Investment properties revenue	$ 163,978	$ 13,399	$ 177,377	$ 3,818	$ 181,195	$ (11,324)	$ 169,871
Investment properties operating expenses	68,720	3,457	72,177	1,502	73,679	(4,987)	68,692
Net rental income	95,258	9,942	105,200	2,316	107,516	(6,337)	101,179
Share of net loss from equity accounted investments	–	–	–	–	–	(31,354)	(31,354)
Fair value adjustments to investment properties	(16,478)	3,068	(13,410)	(3,709)	(17,119)	30,438	13,319
Segment income	78,780	13,010	91,790	(1,393)	90,397	(7,253)	83,144
Other income and expenses							
General and administrative	–	–	–	(5,608)	(5,608)	(3)	(5,611)
Acquisition related costs, net	–	–	–	(2)	(2)	–	(2)
Interest:							
Debt	–	–	–	(37,711)	(37,711)	2,097	(35,614)
Subsidiary redeemable units	–	–	–	(1,938)	(1,938)	–	(1,938)
Depreciation and amortization	–	–	–	(608)	(608)	3	(605)
Interest and fee income	–	–	–	1,284	1,284	(30)	1,254
Fair value adjustments to financial instruments	–	–	–	(13,306)	(13,306)	5,186	(8,120)
Income before income taxes	78,780	13,010	91,790	(59,282)	32,508	–	32,508
Deferred income taxes	–	–	–	665	665	–	665
Net income	$ 78,780	$ 13,010	$ 91,790	$ (59,947)	$ 31,843	$ –	$ 31,843
Capital expenditures							
Investment in building improvements	$ (3,794)	$ –	$ (3,794)	$ (22)	$ (3,816)	$ 30	$ (3,786)
Investment in lease incentives and initial direct leasing costs	(5,292)	(273)	(5,565)	(100)	(5,665)	169	(5,496)
Investment in development projects	(1)	–	(1)	–	(1)	1	–
Acquisition of investment properties	(35,453)	–	(35,453)	–	(35,453)	–	(35,453)
Total capital expenditures	$ (44,540)	$ (273)	$ (44,813)	$ (122)	$ (44,935)	$ 200	$ (44,735)

(1) Includes corporate amounts not specifically related to the segments and amounts for properties held for sale.

(2) The Trust's proportionate share of its joint ventures, accounted for using the equity method of accounting.

Three months ended June 30, 2011	Office	Industrial	Segment total	Other[1]	Subtotal	Reconciliation[2]	Total
Operations							
Investment properties revenue	$ 86,022	$ 8,365	$ 94,387	$ 1,169	$ 95,556	$ (7,318)	$ 88,238
Investment properties operating expenses	34,873	1,876	36,749	477	37,226	(3,026)	34,200
Net rental income	51,149	6,489	57,638	692	58,330	(4,292)	54,038
Share of net income from equity accounted investments	–	–	–	–	–	6,880	6,880
Fair value adjustments to investment properties	31,995	8,350	40,345	2,965	43,310	(3,598)	39,712
Segment income	83,144	14,839	97,983	3,657	101,640	(1,010)	100,630
Other income and expenses							
General and administrative	–	–	–	(3,595)	(3,595)	61	(3,534)
Interest:							
Debt	–	–	–	(20,842)	(20,842)	972	(19,870)
Subsidiary redeemable units	–	–	–	(1,926)	(1,926)	–	(1,926)
Depreciation and amortization	–	–	–	(133)	(133)	–	(133)
Interest and fee income	–	–	–	460	460	(23)	437
Fair value adjustments to financial instruments	–	–	–	2,729	2,729	–	2,729
Net income	$ 83,144	$ 14,839	$ 97,983	$ (19,650)	$ 78,333	$ –	$ 78,333
Capital expenditures							
Investment in building improvements	$ (982)	$ (14)	$ (996)	$ –	$ (996)	$ 97	$ (899)
Investment in lease incentives and initial direct leasing costs	(5,434)	(218)	(5,652)	9	(5,643)	80	(5,563)
Investment in development projects	(3,343)	(54)	(3,397)	–	(3,397)	–	(3,397)
Acquisition of investment properties	(38,023)	(3,328)	(41,351)	–	(41,351)	–	(41,351)
Total capital expenditures	$ (47,782)	$ (3,614)	$ (51,396)	$ 9	$ (51,387)	$ 177	$ (51,210)

(1) Includes corporate amounts not specifically related to the segments and amounts for properties held for sale.

(2) The Trust's proportionate share of its joint ventures, accounted for using the equity method of accounting.

Six months ended June 30, 2012	Office	Industrial	Segment total	Other[1]	Subtotal	Reconciliation[2]	Total
Operations							
Investment properties revenue	$ 301,576	$ 23,706	$ 325,282	$ 5,953	$ 331,235	$ (18,877)	$ 312,358
Investment properties operating expenses	127,117	5,824	132,941	2,440	135,381	(8,162)	127,219
Net rental income	174,459	17,882	192,341	3,513	195,854	(10,715)	185,139
Share of net loss from equity accounted investments	–	–	–	–	–	(22,847)	(22,847)
Fair value adjustments to investment properties	20,586	8,130	28,716	(3,659)	25,057	24,813	49,870
Segment income	195,045	26,012	221,057	(146)	220,911	(8,749)	212,162
Other income and expenses							
General and administrative	–	–	–	(10,236)	(10,236)	–	(10,236)
Loss on sale of investment properties	–	–	–	(169)	(169)	–	(169)
Acquisition related costs, net	–	–	–	(17,321)	(17,321)	–	(17,321)
Interest:							
Debt	–	–	–	(68,676)	(68,676)	3,619	(65,057)
Subsidiary redeemable units	–	–	–	(3,873)	(3,873)	–	(3,873)
Depreciation and amortization	–	–	–	(926)	(926)	3	(923)
Interest and fee income	–	–	–	2,257	2,257	(59)	2,198
Fair value adjustments to financial instruments	–	–	–	(21,739)	(21,739)	5,186	(16,553)
Income before income taxes	195,045	26,012	221,057	(120,829)	100,228	–	100,228
Deferred income taxes	–	–	–	665	665	–	665
Net income	$ 195,045	$ 26,012	$ 221,057	$ (121,494)	$ 99,563	$ –	$ 99,563
Capital expenditures							
Investment in building improvements	$ (6,485)	$ (67)	$ (6,552)	$ (23)	$ (6,575)	$ 30	$ (6,545)
Investment in lease incentives and initial direct leasing costs	(9,649)	(551)	(10,200)	(107)	(10,307)	242	(10,065)
Investment in development projects	(1,956)	11	(1,945)	–	(1,945)	–	(1,945)
Acquisition of investment properties	(169,738)	–	(169,738)	–	(169,738)	–	(169,738)
Acquisition of Whiterock	(129,408)	(17,726)	(147,134)	–	(147,134)	–	(147,134)
Total capital expenditures	$(317,236)	$ (18,333)	$(335,569)	$ (130)	$(335,699)	$ 272	$(335,427)

(1) Includes corporate amounts not specifically related to the segments and amounts for properties held for sale.

(2) The Trust's proportionate share of its joint ventures, accounted for using the equity method of accounting.

Six months ended June 30, 2011	Office	Industrial	Segment total	Other[1]	Subtotal	Reconciliation[2]	Total
Operations							
Investment properties revenue	$ 168,360	$ 16,241	$ 184,601	$ 1,960	$ 186,561	$ (14,471)	$ 172,090
Investment properties operating expenses	69,797	3,613	73,410	829	74,239	(6,134)	68,105
Net rental income	98,563	12,628	111,191	1,131	112,322	(8,337)	103,985
Share of net income from equity accounted investments	–	–	–	–	–	10,827	10,827
Fair value adjustments to investment properties	52,818	8,533	61,351	2,942	64,293	(4,825)	59,468
Segment income	151,381	21,161	172,542	4,073	176,615	(2,335)	174,280
Other income and expenses							
General and administrative	–	–	–	(6,997)	(6,997)	103	(6,894)
Acquisition related costs, net	–	–	–	(5,734)	(5,734)	–	(5,734)
Interest:							
Debt	–	–	–	(39,909)	(39,909)	2,288	(37,621)
Subsidiary redeemable units	–	–	–	(3,845)	(3,845)	–	(3,845)
Depreciation and amortization	–	–	–	(250)	(250)	–	(250)
Interest and fee income	–	–	–	926	926	(56)	870
Fair value adjustments to financial instruments	–	–	–	(10,502)	(10,502)	–	(10,502)
Net income	$ 151,381	$ 21,161	$ 172,542	$ (62,238)	$ 110,304	$ –	$ 110,304
Capital expenditures							
Investment in building improvements	$ (1,823)	$ (21)	$ (1,844)	$ –	$ (1,844)	$ 101	$ (1,743)
Investment in lease incentives and initial direct leasing costs	(9,488)	(564)	(10,052)	6	(10,046)	194	(9,852)
Investment in development projects	(5,932)	(116)	(6,048)	–	(6,048)	–	(6,048)
Acquisition of investment properties	(136,655)	(3,328)	(139,983)	–	(139,983)	–	(139,983)
Acquisition of Realex Properties Corporation	(139,923)	(14,457)	(154,380)	–	(154,380)	–	(154,380)
Total capital expenditures	$(293,821)	$ (18,486)	$(312,307)	$ 6	$(312,301)	$ 295	$(312,006)

As at June 30, 2012	**Office**	**Industrial**	**Segment total**	**Other[1]**	**Subtotal**	**Reconciliation[2]**	**Total**
Total assets	**$ 6,329,989**	**$ 568,732**	**$ 6,898,721**	**$ 232,015**	**$ 7,130,736**	**$ (588,819)**	**$ 6,541,917**
Total liabilities	**$ 2,876,750**	**$ 275,054**	**$ 3,151,804**	**$ 804,236**	**$ 3,956,040**	**$ (588,819)**	**$ 3,367,221**

At December 31, 2011	Office	Industrial	Segment total	Other[1]	Subtotal	Reconciliation[2]	Total
Total assets	$ 4,109,812	$ 363,725	$ 4,473,537	$ 126,915	$ 4,600,452	$ (133,985)	$ 4,466,467
Total liabilities	$ 1,835,004	$ 166,917	$ 2,001,921	$ 481,297	$ 2,483,218	$ (133,985)	$ 2,349,233

(1) Includes corporate amounts not specifically related to the segments and amounts for properties held for sale.

(2) The Trust's proportionate share of its joint ventures, accounted for using the equity method of accounting.

Note 22
Related party transactions and arrangements

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

Asset Management Agreement

The Asset Management Agreement provides for a broad range of asset management services for the following fees:

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

Related party transactions

The portion of fees received from or paid to related parties were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Fees received				
Fees received from DRC, related to cost recoveries under the Services Agreement	**$ 910**	$ 623	**$ 1,653**	$ 1,254
Operating and administration costs of regional offices recovered from DRC (included in investment property operating expenses of the Trust)	**2,660**	1,528	**4,648**	3,094
Fees paid				
Fees paid by Dundee REIT under the Asset Management Agreement included in:				
General and administrative expenses	**3,788**	2,055	**6,843**	3,980
Acquisition related costs	**–**	50	**7,236**	1,867
Property acquisitions	**4,398**	276	**5,588**	717
Financing costs reported in debt	**80**	–	**369**	–
Amounts capitalized to properties under development	**13**	149	**64**	263
Total fees paid under the Asset Management Agreement	**$ 8,279**	$ 2,530	**$ 20,100**	$ 6,827
Amounts paid to DRC (reported in general and administrative expense)	**$ 25**	$ –	**$ 250**	$ –

Included in amounts receivable at June 30, 2012, is $478 related to the Services Agreement (December 31, 2011 – $7); $1,554 related to the Asset Management Agreement (December 31, 2011 – $440); and $132 related to other amounts owed by DRC (December 31, 2011 – $171). Accrued liabilities and other payables at June 30, 2012, include $4,260 for amounts related to the Asset Management Agreement (December 31, 2011 – $868).

Note 23
Supplementary cash flow information

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
(Increase) decrease in amounts receivable	**$ (8,852)**	$ (186)	**$ (7,859)**	$ 1,629
Decrease (increase) in prepaid expenses and other assets	**448**	2,439	**(51)**	(3,521)
Increase in other non-current assets	**(99)**	(1,468)	**(267)**	(542)
Decrease in amounts payable and accrued liabilities	**(9,972)**	(8,137)	**(21,668)**	(2,190)
Increase in tenant deposits	**271**	482	**4,700**	1,527
Change in non-cash working capital	**$ (18,204)**	$ (6,870)	**$ (25,145)**	$ (3,097)

The following amounts were paid on account of interest:

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Interest				
Debt	**$ 43,275**	$ 22,510	**$ 70,977**	$ 38,964
Subsidiary redeemable units	**1,732**	1,734	**3,461**	3,464

Note 24
Supplemental other comprehensive income (loss) information
Accumulated other comprehensive income (loss)

	2012			2011 (Three months ended June 30,)		
	Opening balance April 1	**Net change during the period**	**Closing balance June 30**	Opening balance April 1	Net change during the period	Closing balance June 30
Unrealized gain (loss) on interest rate swaps	**$ 928**	**$ (1,906)**	**$ (978)**	$ –	$ –	$ –
Unrealized foreign currency translation gain	**277**	**588**	**865**	–	–	–
Accumulated other comprehensive income (loss)	**$ 1,205**	**$ (1,318)**	**$ (113)**	$ –	$ –	$ –

	2012			2011 (Six months ended June 30,)		
	Opening balance April 1	**Net change during the period**	**Closing balance June 30**	Opening balance April 1	Net change during the period	Closing balance June 30
Unrealized gain (loss) on interest rate swaps	**$ (1,602)**	**$ 624**	**$ (978)**	$ –	$ –	$ –
Unrealized foreign currency translation gain	**–**	**865**	**865**	–	–	–
Accumulated other comprehensive income (loss)	**$ (1,602)**	**$ 1,489**	**$ (113)**	$ –	$ –	$ –

Note 25

Commitments and contingencies

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

As at June 30, 2012, Dundee REIT's future minimum commitments under operating and finance leases are as follows:

	Operating lease payments	Finance lease payments
No longer than 1 year	$ 1,543	$ 282
1–5 years	2,775	94
Longer than 5 years	3,181	–
Total	$ 7,499	$ 376

During the six months ended June 30, 2012, the Trust paid $1,321 (June 30, 2011 – $597) in minimum lease payments, which has been included in comprehensive income for the period.

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

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

	June 30, 2012	December 31, 2011
Contingent liabilities for the obligation of the other owners of equity accounted investments	**$ 383,766**	$ 168,888

Purchase and other obligations

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $18,530.

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

			Minimum payments due				
	Number of properties	Expiry date	2012 (remainder of year)	2013	2014	2015	Total
Electricity							
Calgary	14	January 31, 2013	$ 1,092	$ 170	$ –	$ –	$ 1,262
Edmonton, Parkland County and Strathcona County	9	May 31, 2015	365	755	755	326	2,201
Edmonton	2	October 31, 2012	167	–	–	–	167
Toronto and Ottawa	14	September 30, 2013	278	416	–	–	694
Mississauga	2	September 24, 2012	44	–	–	–	44
			1,946	1,341	755	326	4,368
Gas							
Calgary	14	December 31, 2012	224	–	–	–	224
Edmonton	1	November 30, 2012	52	–	–	–	52
			276	–	–	–	276
			$ 2,222	$ 1,341	$ 755	$ 326	$ 4,644

Corporate information

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Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols:

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

Distribution Reinvestment and Unit Purchase Plan

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

Distribution reinvestment: Unitholders will have cash distributions from Dundee REIT reinvested in additional units as and when cash distributions are made. If you register in the DRIP you will also receive a "bonus" distribution of units equal to 4% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every $1.00 of cash distributions reinvested by you under the Plan, $1.04 worth of units will be purchased.

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

To enrol, contact:

COMPUTERSHARE TRUST COMPANY OF CANADA

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

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

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

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