DUNDEE REIT

2004 Third Quarter Report

CONTENTS

LETTER TO UNITHOLDERS

After three consecutive quarters of significant acquisition activity, debt refinancings and equity issues – the third quarter was relatively uneventful. The benefits of this past activity are evident in our financial performance, which is in line with expectations. Rental properties revenue increased 37% to $48.1 million, mainly reflecting the impact of acquisitions, which contributed $12.5 million. Similarly, FFO excluding straight-line rent increased 40% to $14.4 million or $0.59 per unit, again, largely reflecting the impact of acquisitions.

Our overall portfolio remains well leased at 94.3%. Occupancy in our office portfolio at 94.3% remains well above the national industry average of about 88.9% while occupancy in our industrial portfolio at 94.4% slightly trails the industry average of 95.2%. The operating environment remains weak although there are some signs of improvement. Interest rates are starting to move upwards, albeit slowly, the Canadian dollar continues to rise against its U.S. counterpart and the slowly strengthening GDP are all signs of an improved economy. However, we have seen these signs periodically over the last few years and have then been disappointed as economic activity subsequently declines.

New space becomes available in our portfolio every quarter and, should the market improve, we will benefit as future space is leased. As always, waiting for the market to improve cannot make up the cost of holding vacant space, consequently, we continue to do everything that we can to lease space at the market price. As a result, tenant inducement spending has increased and rental rates remain flat. We are confident in our ability to maintain our current occupancy rates but do not anticipate any increases in the near future.

Year-to-date we have acquired about $273 million of assets totalling approximately 2.4 million square feet. We continue to look for good investment opportunities that are consistent with our objectives and that meet our strict investment criteria, however, no acquisitions were completed in the third quarter. Asset dispositions are also an important component of our strategy. We actively analyze our portfolio in order to identify properties that could benefit from capital improvements and also to identify those properties that no longer fit with our investment strategy and should therefore be considered for sale. During the quarter, we completed the sale of our 20% interest in a 527,000 square foot industrial property in Montréal for a net gain of approximately $0.4 million. And, subsequent to quarter-end we agreed to sell our 25% interest in two industrial buildings in Mississauga totalling 204,000 square feet. A portion of the proceeds from sales is typically used to repay any related indebtedness.

In summary, the operating environment is poised to improve from where we are now. We believed this to be true two years ago as well, but with growth in the economy over the last couple of years, we think the market is closer to improving fundamentals that will enhance our results. Our assets are better now than ever before. We have a strong business and are regarded as a credible participant in just about any real estate transaction. We have a sound capital structure and a reasonable stock price, both of which position us favourably to be a buyer in this environment. Our ability to source acquisitions and our demonstrated skills at working within the capital markets have been our competitive advantage in recent years. However, it is getting more and more challenging to take advantage of these skills when we are competing with an abundance of potential buyers, both foreign and domestic, with access to low-cost money.

Business environments change. We are well positioned as we are. We would like to continue to grow and refine our business model but remain patient and focused until the timing is right when we can be more creative in our growth and in adding further value to our business.

Michael J. Cooper
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis has been dated as at November 1, 2004

This management's discussion and analysis ("MD&A") of results of operations and financial condition should be read in conjunction with the MD&A and financial statements for the year ended December 31, 2003 and the six months ended June 30, 2004. Historical results, including trends which may appear, should not be taken as indicative of future operations or results. Additional information relating to the Trust, including our Annual Information Form, can be found on SEDAR at www.sedar.com.

Certain information in this MD&A contains or incorporates comments that constitute forward-looking statements. Reliance should not be placed on forward-looking statements because they involve risks and uncertainties, which may cause actual performance and results to differ materially from the performance implied in such forward-looking statements. Dundee REIT has identified certain factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors 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; and interest and currency rate functions, all as set forth in the MD&A of the Trust's 2003 Annual Report, as well as in the Trust's Annual Information Form for the year ended December 31, 2003.

These forward-looking statements are made as of November 1, 2004, and Dundee REIT assumes no obligation to update or revise them to reflect new events or circumstances.

Our Objectives

We are committed to:

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

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit or $2.20 on an annual basis. The Trust has a Distribution Reinvestment and Unit Purchase Plan ("DRIP"). Unitholders who take advantage of the distribution reinvestment feature of the plan receive a bonus distribution of 4% with each reinvestment. At September 30, 2004, approximately 10.7% of REIT Units, Series A outstanding were enrolled in the DRIP.

	December 2003	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	July 2004	August 2004	September 2004
Cash Distribution	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183
Month End Closing Price	$ 23.40	$ 24.50	$ 25.25	$ 25.05	$ 23.09	$ 23.45	$ 23.35	$ 23.80	$ 23.51	$ 24.35

Our Strategy

Our strategy is to become Canada's leading provider of affordable business premises. Our methodology to meet our strategy and objectives remains unchanged from the second quarter and year-end and includes:

- Effectively managing our business;
- Building and maintaining a diversified portfolio;
- Meeting the needs of our tenants; and
- Pursuing external growth.

Our Assets

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

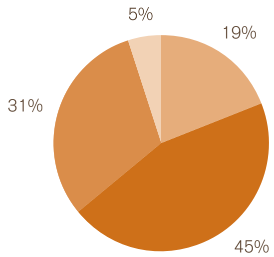
During the first nine months of this year, a number of key acquisitions were completed in three of our target markets. These acquisitions encompass approximately 2.1 million square feet of high quality fully leased space with long-term commitments and have added $276 million of assets to the portfolio.

In the first quarter, we completed the acquisition of the Pauls Portfolio, adding approximately 1.6 million square feet of state-of-the-art facilities to our industrial portfolios in both Calgary and Toronto. During the second quarter, our Toronto office portfolio grew by 124,000 square feet with the acquisition of a 50% interest in 720 Bay Street and our Calgary industrial portfolio grew by 36,000 square feet with the acquisition of the Geo-X Building. In late June, our Montréal office portfolio grew by 323,000 square feet with the acquisition of a 13-building portfolio with reputable technology and pharmaceutical tenants. In the third quarter the Trust completed the sale of 2000 Rue Halpern in Montréal.

The net book value of segmented rental properties is diversified geographically and by asset type.

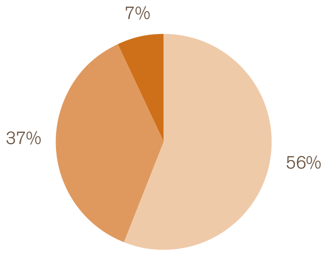
	as at September 30, 2004					as at December 31, 2003	
($000's)	Office	Industrial	Retail[1]	Total	%	Total	%
Québec	$ 102,005	$ 101,003	$ –	$ 203,008	19	$ 154,742	17
Ontario	328,460	140,146	8,646	477,252	45	374,159	41
Western Canada	165,969	155,625	4,958	326,552	31	328,727	36
Total Canada	596,434	396,774	13,604	1,006,812	95	857,628	94
United States	–	–	56,150	56,150	5	57,422	6
Total at September 30, 2004	$ 596,434	$ 396,774	$ 69,754	$1,062,962	100	$ 915,050	100
Percentage	56%	37%	7%	100%			
Total at December 31, 2003	$ 527,072	$ 252,521	$ 135,457	$ 915,050			
Percentage	58%	27%	15%	100%			

(1) Excludes discontinued operations as at September 30, 2004: Northgate Mall, Regina under contract for sale.



Geographic Distribution of Rental Properties by Net Book Value at September 30, 2004

- Québec
- Ontario
- Western Canada
- United States



Portfolio Asset Type by Net Book Value at September 30, 2004

- Office
- Industrial
- Retail

	Owned Gross Leasable Area (in square feet)						
	as at September 30, 2004					as at December 31, 2003	
	Office	Industrial	Retail[1]	Total	%	Total	%
Québec	1,077,321	2,712,228	–	3,789,549	29	3,572,197	31
Ontario	2,639,339	2,245,169	128,367	5,012,875	38	3,995,285	34
Western Canada	1,006,672	2,558,353	46,140	3,611,165	27	3,311,581	28
Total Canada	4,723,332	7,515,750	174,507	12,413,589	94	10,879,063	93
United States	–	–	795,390	795,390	6	795,390	7
Total at September 30, 2004	4,723,332	7,515,750	969,897	13,208,979	100	11,674,453	100
Percentage	36%	57%	7%	100%			
Total at December 31, 2003	4,207,399	6,076,778	1,390,276	11,674,453			
Percentage	36%	52%	12%	100%			

(1) Excludes discontinued operations as at September 30, 2004: Northgate Mall, Regina under contract for sale.

Office Rental Properties

Dundee REIT owns 58 office properties (71 buildings) comprising approximately 4.7 million square feet located in Montréal, Ottawa, Toronto, Calgary, Edmonton and Vancouver.

The Canadian national office market continued on a positive trend with vacancy levels decreasing for the fourth consecutive quarter. The occupancy rate in our office portfolio has increased to 94.3% from 92.4% at December 31, 2003, well ahead of the most recently available national industry average of about 88.9% (Royal LePage Commercial Inc. National Market Intelligence Report 3rd Quarter 2004). Our occupancy rate includes leases for space that is currently being readied for occupancy but for which rent is not yet being received.

Industrial Rental Properties

We own 116 prime suburban industrial and flex space properties (130 buildings) comprising approximately 7.5 million square feet, concentrated in Montréal, Toronto, Calgary and Edmonton. Flex space properties are similar to industrial properties but have an office component that is greater than the 10–15% that is normally used in industrial properties. Some of the advantages of flex space are flexible work environments, ample parking and significantly lower costs for tenants. Our strategy of owning clusters of properties allows us to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce.

At September 30, 2004, the average occupancy rate across our industrial portfolio increased to 94.4% from 93.1% at December 31, 2003, however, remains below the most recently available national industry average of about 95.2% (Royal LePage Commercial Inc. National Market Intelligence Report 3rd Quarter 2004). Canada's industrial market has performed very well with occupancy rates above 94% for the last several years.

The acquisitions completed in the first half of 2004 have brought newly built industrial flex space to our portfolio that, combined with the existing assets, will allow us to offer more leasing options to tenants to suit their business requirements. During the third quarter, the Trust completed the sale of its 20% interest in an industrial asset in Montréal.

Retail Rental Properties

Our retail assets total approximately 1.0 million square feet. As of September 30, 2004, the portfolio had an occupancy rate of 92.9%. During the second quarter we committed to the sale of Northgate Mall in Regina, which has been excluded from our gross leasable area and occupancy rates. The decision to dispose of this asset is in keeping with our longer term goals which include focusing purely on office and industrial properties. The remaining retail assets include Greenbriar Mall, a 795,390 square foot regional mall in Atlanta, and two smaller malls in Ontario and Alberta.

Our Background

Dundee REIT was formed in connection with the reorganization (the "Reorganization") of the business of Dundee Realty Corporation ("Dundee Realty" or "DRC") on June 30, 2003. Following the Reorganization, the majority of Dundee Realty's commercial real estate division, including senior management, and a joint interest in its property management business, were transferred to Dundee REIT.

Our discussion and analysis of the financial position and results of operations of Dundee REIT is based primarily on the consolidated financial statements of Dundee REIT for the three months and nine months ended September 30, 2004 and the three months ended September 30, 2003. It is also based on the combined financial statements of the commercial real estate division of DRC ("the Division") for the six months ended June 30, 2003. This discussion should be read in conjunction with those financial statements.

The Division is not a legal entity and is used only as a method of presenting historical financial information. The combined financial statements of the Division are not necessarily indicative of the results that would have been attained had the Division been operated as a separate legal entity during the periods presented. Therefore, these results are not necessarily indicative of future operating results. No adjustments have been made to the Divisional financial statements to reflect possible incremental changes to the cost structure as a result of the Reorganization.

All dollar amounts in our tables are presented in thousands with the exception of unit and per unit amounts.

Prime Numbers We Watch

Key Performance Drivers

While many factors contribute to the operation of our business, our key performance drivers include:

- Occupancy Level:
  - Tenant retention
  - Attracting new tenants
  - Tenant maturity profile and average term to maturity
- Rental Rates:
  - In-place rental rates
  - Increasing rental rates as conditions permit
  - Reducing operating costs
- Debt Management:
  - Average interest rate
  - Level of debt
  - Debt maturity profile and average term to maturity
- Capital Management:
  - Tenant inducement costs
  - Building maintenance
  - Investment in rental properties

Performance Indicators

Performance as measured by these and other key indicators:

($000's except rental rates and per unit amounts)	Dundee REIT Consolidated **Three Months Ended September 30, 2004**	 Three Months Ended September 30, 2003	Dundee REIT Consolidated **Nine Months Ended September 30, 2004**	Dundee REIT and Division of DRC[7] Nine Months Ended September 30, 2003
Operating Results				
Revenues	**$ 48,072**	$ 34,986	**$ 137,354**	$ 104,953
Net operating income [1] ("NOI")	**27,044**	18,821	**75,793**	52,654
Income before discontinued operations	**6,269**	6,176	**16,798**	10,322
Net income	**7,302**	6,282	**454**	10,395
Funds from operations [2] ("FFO")	**15,568**	10,239	**44,947**	23,363
FFO excluding straight-line rent	**14,428**	10,239	**41,572**	23,363
Occupancy rate (period end)	**94.3%**	93.6%		
In-place rent per square foot	**9.17**	7.90		
Weighted average interest rate (period end)	**6.65%**	7.14%		
Interest expense	**11,761**	8,481	**31,671**	25,229
Interest coverage ratio [6]	**2.25 times**	2.12 times	**2.34 times**	1.95 times
Debt-to-gross book value	**55.8%**	55.5%		
Distributions				
FFO payout ratio	**86.2%**	87.7%	**86.9%**	
Distributable income [3]	**13,459**	10,459	**39,529**	
Reinvested distributions [5]	**5,119**	4,295	**15,452**	
Reinvestment to distribution ratio [4][5]	**38.1%**	47.8%	**39.6%**	
Per unit amounts				
Basic:				
Net income	**$ 0.30**	$ 0.38	**$ 0.02**	
FFO	**0.64**	0.63	**1.92**	
FFO excluding straight-line rent	**0.59**	0.63	**1.78**	
Distributable income	**0.55**	0.64	**1.69**	
Distribution rate (monthly)	**0.183**	0.183	**0.183**	
Diluted: [8]				
Net income	**$ 0.30**	$ 0.38	**$ 0.02**	
FFO	**0.62**	0.63	**1.89**	
FFO excluding straight-line rent	**0.57**	0.63	**1.76**	
Distributable income	**0.54**	0.64	**1.67**	
Units outstanding (period end)				
REIT Units, Series A	**16,776,929**	9,433,671		
LP Class B Units, Series 1	**7,745,994**	7,029,252		
Total units outstanding	**24,522,923**	16,462,923		

(1) NOI – rental property revenues less operating expenses (excluding discontinued operations). The reconciliation of NOI to net income can be found on page 13.
(2) FFO – net income, adjusted for future income tax, depreciation and amortization, and gain (loss) on sale and provision for diminution in value of assets. The reconciliation of FFO to net income can be found on page 12.
(3) The reconciliation of distributable income to net income can be found on page 12.
(4) These percentages do not include the additional 4% distributions available under the DRIP.
(5) Includes October 15, 2004 reinvestment of distributions declared in September 2004.
(6) Interest coverage is calculated using total interest expense as the denominator and the numerator is calculated as net income (loss) adding back all discontinued operations, income taxes, gain (loss) on disposal of rental property, depreciation, amortization and interest expense.
(7) Includes results from Dundee REIT for the three months ended September 30, 2003 and Division of DRC for the six months ended June 30, 2003.
(8) Diluted net income per unit amounts exclude the impact of the convertible debentures because they are not dilutive to net income. Diluted per unit amounts for FFO and distributable income include the impact of the convertible debentures, which are dilutive.

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

Executing the Strategy

Our Resources and Financial Condition

Liquidity and Capital Resources

In broad terms, Dundee REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, equity issues and proceeds of asset dispositions. 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 and property acquisitions.

($000's)	Dundee REIT Consolidated: Three Months Ended September 30, 2004	Dundee REIT Consolidated: Three Months Ended September 30, 2003	Dundee REIT Consolidated: Nine Months Ended September 30, 2004	Dundee REIT Consolidated: Three Months Ended September 30, 2003	Division of DRC Combined: Six Months Ended June 30, 2003
Cash generated from operating activities	**$ 10,605**	$ 9,557	**$ 36,967**	$ 9,557	**$ 9,582**
Cash utilized in investing activities	**(334)**	(929)	**(165,082)**	(929)	**(5,276)**
Cash generated from (utilized in) financing activities	**(12,572)**	(4,426)	**135,782**	(4,426)	**(5,375)**
Increase (decrease) in cash and cash equivalents	**$ (2,301)**	$ 4,202	**$ 7,667**	$ 4,202	**$ (1,069)**

At September 30, 2004, cash and short-term deposits were $11.6 million, a $7.7 million increase over year-end. The increase was a result of the cash flows indicated above including the residual proceeds from various financing activities and asset dispositions that have not yet been reinvested. In addition to these balances, Dundee REIT also has a $55.0 million credit facility, of which approximately $52.5 million is available to provide funding for working capital or as a bridge facility to fund acquisitions.

Management expects to be able to meet all of Dundee REIT's ongoing obligations through current cash and cash equivalents, cash flows from operations, conventional mortgage refinancings and, as growth requires, through new equity or debt issues.

Cash Generated from Operating Activities

($000's)	Dundee REIT Consolidated: Three Months Ended September 30, 2004	Dundee REIT Consolidated: Three Months Ended September 30, 2003	Dundee REIT Consolidated: Nine Months Ended September 30, 2004	Dundee REIT Consolidated: Three Months Ended September 30, 2003	Division of DRC Combined: Six Months Ended June 30, 2003
Net income	**$ 7,302**	$ 6,282	**$ 454**	$ 6,282	$ 4,113
Non-cash items:					
Depreciation of rental properties	**6,605**	2,266	**19,579**	2,266	4,439
Amortization of deferred leasing costs and intangibles	**3,764**	1,392	**9,161**	1,392	2,897
Amortization of marked-to-market adjustment on acquired debt	**(315)**	(75)	**(1,123)**	(75)	(155)
Provision for impairment in value of rental property	**–**	–	**19,729**	–	–
Gain on disposal of rental properties	**(443)**	–	**(3,016)**	–	–
Future income taxes	**(1,946)**	(33)	**(1,988)**	(33)	1,675
Straight-line rent adjustment	**(1,140)**	–	**(3,375)**	–	–
	13,827	9,832	**39,421**	9,832	12,969
Deferred leasing costs incurred	**(4,868)**	(1,551)	**(9,123)**	(1,551)	(2,921)
Change in non-cash working capital	**1,646**	1,276	**6,669**	1,276	(466)
Cash generated from operating activities	**$ 10,605**	$ 9,557	**$ 36,967**	$ 9,557	$ 9,582

Certain of the key performance drivers previously identified influence the cash generated from operating activities:

- Occupancy Level:
  - Tenant retention
  - Attracting new tenants
  - Tenant maturity profile and average term to maturity
- Debt Management:
  - Average interest rate
- Rental Rates:
  - In-place rental rates
  - Increasing rental rates as conditions permit
  - Reducing operating costs
- Capital Management:
  - Tenant inducement costs
  - Building maintenance

Occupancy levels and rental rates are discussed under our results of operations on page 18. Debt management is discussed later in this section starting on page 9.

Leasing costs incurred during the quarter increased to $4.9 million (September 30, 2003 – $1.6 million). The additional costs reflect amounts spent on tenant improvements to maintain or increase occupancy levels, including retaining a major tenant at our Ontario mall as well as substantial improvements to space in office properties in Vancouver and Ottawa. These costs are capitalized and amortized over the life of the lease. The amount of inducements varies across the portfolio and from year to year depending on the maturity and termination of leases, existing vacancies and market requirements.

Since the inception of the REIT, acquisitions have helped to decrease the average age of our portfolio and lengthen the average lease term. As a result, we anticipate that the costs per square foot required to maintain our buildings and attract and retain tenants, while dependant on market conditions, will decrease over time.

As part of operating expenses, there are certain property repair and maintenance costs that are recoverable from tenants. These costs are recovered in the year of expenditure or, in the case of a major expenditure, are deferred and amortized to recoverable expense over a period of years. The amount deferred remaining at the end of the quarter for recovery in future periods was $8.5 million (December 31, 2003 – $9.4 million).

Cash Generated (Utilized) in Investing Activities

	Dundee REIT Consolidated		Dundee REIT Consolidated	Dundee REIT Consolidated	Division of DRC Combined
($000's)	**Three Months Ended September 30, 2004**	Three Months Ended September 30, 2003	**Nine Months Ended September 30, 2004**	Three Months Ended September 30, 2003	Six Months Ended June 30, 2003
Investment in rental properties – building improvements	**$ (1,100)**	$ (1,353)	**$ (5,751)**	$ (1,353)	$ (3,628)
Investment in rental properties – development	**–**	–	**–**	–	(681)
Acquisition of rental properties	**(60)**	–	**(153,990)**	–	(861)
Investment in mezzanine loan	**–**	–	**(10,476)**	–	–
Proceeds from disposal of rental properties	**742**	–	**5,772**	–	–
Change in restricted cash, net	**84**	424	**(637)**	424	(106)
Cash utilized in investing activities	**$ (334)**	$ (929)	**$(165,082)**	$ (929)	$ (5,276)

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

- Capital Management:
  - Investment in rental properties

Year-to-date, the Trust has acquired $276 million of rental property and related intangible assets. The Trust continues to seek investment opportunities that are consistent with our objectives, however, no acquisitions were completed in the third quarter.

During the second quarter, Dundee REIT completed purchases totalling $97.4 million. Of this amount, $75.8 million was paid in cash with the remainder paid through the assumption of existing mortgages. Acquisitions in the second quarter included 720 Bay Street in Toronto, the Geo-X Systems Building in Calgary and the 13-building portfolio in Montréal's Technoparc Saint-Laurent. During the first quarter, the Trust completed the purchase of the Pauls Portfolio for $169.5 million and the remaining 16.4% interest in Capitol Square, Ottawa for $6.0 million.

Purchase Option

As part of the Pauls Portfolio transaction, we have provided a mezzanine loan of approximately $10.9 million to a private developer to assist in the development and leasing of additional buildings. We have also agreed to guarantee additional third-party loans necessary to complete the project. To date, we have provided no guarantees in relation to this development.

Pursuant to the agreements, we have an option to acquire, at a discount to the market value at the time of the transaction, up to 400,000 square feet of additional flex industrial buildings in Mississauga upon their completion and being 85% leased.

Capital Expenditures

Capital expenditures for rental property building improvements and equipment were $1.1 million for the three-month period (September 30, 2003 – $1.4 million). These expenditures include both recurring items as well as non-recurring one-time projects. Recurring items are capital expenditures that are expected to occur on a regular basis and are part of the ongoing maintenance and upgrading of the rental property portfolio. Non-recurring items are capital expenditures that are incurred for major renovations and do not regularly occur in the normal operation of our rental properties.

($000's)							Dundee REIT Consolidated			
							Three Months Ended September 30, 2004		Three Months Ended September 30, 2003	
($000's)		Total Investment		Non-cash Working Capital Adjustment			**Net Cash Investment**		Net Cash Investment	
Building improvements:										
Recurring	**$**	**136**	**$**	**(71)**	**$**		**65**	$	949	
Non-recurring		**1,248**		**(213)**			**1,035**		404	
Total	**$**	**1,384**	**$**	**(284)**	**$**		**1,100**	$	1,353	

($000's)					Dundee REIT Consolidated		Dundee REIT Consolidated		Division of DRC Combined
					Nine Months Ended September 30, 2004		Three Months Ended September 30, 2003		Six Months Ended June 30, 2003
($000's)		Total Investment		Non-cash Working Capital Adjustment	**Net Cash Investment**		Net Cash Investment		Net Cash Investment
Building improvements:									
Recurring	**$**	**927**	**$**	**865**	**$ 1,792**	$	949	$	1,551
Non-recurring		**4,199**		**(240)**	**3,959**		404		2,077
Total	**$**	**5,126**	**$**	**625**	**$ 5,751**	$	1,353	$	3,628

Non-recurring improvements during the quarter reflect the costs of the repositioning of industrial buildings in Edmonton and Montréal. The repositioning of the Edmonton property was extensive and included the reconfiguration of the building to allow for access by larger transportation vehicles. This property is now 100% leased and occupied. During the quarter, $0.4 million was spent completing the building improvements on the Montréal property, which is 64% leased to a government tenant who took occupancy during the third quarter.

Non-recurring costs for the same quarter in 2003 include some of the costs of a major exterior renovation for a Toronto office property and repositioning of the industrial property in Edmonton.

A number of recurring property improvements, such as roof replacement and parking lot structural repair, are generally completed each year. A major roof replacement program is ongoing at Greenbriar Mall in Atlanta for which $1.4 million was spent during the current year to date. Approximately $0.7 million will be incurred over the next quarter and 2005 to complete this project.

Cash Generated from (Utilized in) Financing Activities

($000's)	Dundee REIT Consolidated		Dundee REIT Consolidated	Dundee REIT Consolidated	Division of DRC Combined
	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	**Nine Months Ended September 30, 2004**	Three Months Ended September 30, 2003	Six Months Ended June 30, 2003
Mortgage principal repayments	**$ (3,658)**	$ (2,150)	**$ (11,286)**	$ (2,150)	$ (7,094)
Mortgages placed	**–**	–	**71,912**	–	50,918
Mortgage lump sum repayments	**–**	–	**(49,802)**	–	(32,411)
Term debt placed	**–**	–	**60,553**	–	–
Term debt principal repayments	**(202)**	(230)	**(679)**	(230)	(1,071)
Term debt lump sum repayment	**–**	–	**(79,994)**	–	–
Convertible debentures issued, net of costs	**(517)**	–	**71,432**	–	–
Demand revolving credit facility, net	**–**	–	**(7,026)**	–	–
Distributions paid	**(8,242)**	(3,297)	**(22,710)**	(3,297)	–
Units issued net of costs	**47**	1,251	**103,382**	1,251	–
Net funds transferred from the Division	**–**	–	**–**	–	(15,717)
Cash generated from (utilized in) financing activities	**$ (12,572)**	$ (4,426)	**$ 135,782**	$ (4,426)	$ (5,375)

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

Debt Management:

- Level of debt
- Debt maturity profile and average term to maturity
- Average interest rate

Our weighted average interest rate has been reduced to 6.65% (December 31, 2003 – 6.93%, September 30, 2003 – 7.14%) and our average term to maturity has been extended to 5.6 years (December 31, 2003 – 4.5 years, September 30, 2003 – 4.3 years). Our debt strategy includes fixing the rates on as high a proportion of our debt as possible to protect against interest rate volatility. As a result of the refinancing activity, variable interest rate debt as a percentage of total debt has decreased to 4.2% from 5.7% at December 31, 2003.

	as at September 30, 2004			as at December 31, 2003		
($000's)	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages	**$ 591,143**	**$ –**	**$ 591,143**	$ 480,858	$ –	$ 480,858
Term debt	**318**	**23,101**	**23,419**	65,461	19,204	84,665
Convertible debenture	**74,415**	**–**	**74,415**	–	–	–
Demand revolving credit facility	**–**	**–**	**–**	–	7,026	7,026
Demand non-revolving credit facility	**–**	**6,332**	**6,332**	–	6,619	6,619
Total	**$ 665,876**	**$ 29,433**	**$ 695,309**	$ 546,319	$ 32,849	$ 579,168
Percentage	**96%**	**4%**	**100%**	94%	6%	100%

We have historically maintained a very conservative debt ratio. Although our Declaration of Trust allows for 65% debt-to-gross book value, our current ratio is 55.8%, a slight decrease compared to 55.9% at December 31, 2003.

($000's)	**as at September 30, 2004**	as at December 31, 2003
Total assets	**$1,237,066**	$ 997,177
Accumulated depreciation	**54,418**	39,360
Discontinued operations	**(43,732)**	–
Gross book value	**$1,247,752**	$1,036,537
Outstanding debt	**$ 695,309**	579,168
Unamortized portion of convertible debenture included in equity	**585**	–
Total debt	**$ 695,894**	$ 579,168
Debt-to-gross book value	**55.8%**(1)(2)	55.9%(2)

(1) Continuing operations.

(2) Interest accrued has been reclassified to amounts payable and accrued liabilities in the amount of $4,952 at September 30, 2004 ($3,324 at December 31, 2003).

Our target level of debt is between 55% and 60%. This debt level provides us with the flexibility to acquire more properties without the need for additional equity. Given our target debt level, we have the capacity to acquire in excess of $100 million of properties. As we acquire further properties without issuing new equity, we believe that we will be able to increase our funds from operations.

Changes in debt levels since December 31, 2003 resulting from:

($000's)	Mortgages	Term Debt	Demand Revolving Credit Facility	Demand Non-revolving Credit Facility	Convertible Debentures	Total
Debt as at December 31, 2003	$480,858	$ 84,665	$ 7,026	$ 6,619	$ –	$ 579,168
New debt assumed on rental property acquisitions	**100,210**	**–**	**–**	**–**	**–**	**100,210**
New debt placed	**71,912**	**60,553**	**–**	**–**	**75,000**	**207,465**
Scheduled repayments	**(11,286)**	**(679)**	**(7,026)**	**–**	**–**	**(18,991)**
Lump sum repayments	**(49,802)**	**(79,994)**	**–**	**–**	**–**	**(129,796)**
Lump sum repayment on property disposition	**(1,905)**	**(6,362)**	**–**	**–**	**–**	**(8,267)**
Marked-to-market adjustments	**1,519**	**–**	**–**	**–**	**(585)**	**934**
Foreign exchange adjustment	**(363)**	**–**	**–**	**(287)**	**–**	**(650)**
Discontinued operations	**–**	**(34,764)**	**–**	**–**	**–**	**(34,764)**
Debt as at September 30, 2004	**$ 591,143**	**$ 23,419**	**$ –**	**$ 6,332**	**$ 74,415**	**$ 695,309**

($000's)	Debt Maturities Amount	%	Scheduled Principal Repayments on Non-matured Debt Amount	**September 30, 2004**	December 31, 2003
Remainder of 2004	$ 15,248	3	$ 4,299	**$ 19,547**	$ 154,505
2005	6,539	1	17,712	**24,251**	23,135
2006	47,801	8	17,681	**65,482**	51,273
2007	55,926	9	15,562	**71,488**	48,122
2008	74,531	13	14,691	**89,222**	85,919
2009 and thereafter	389,388	66	35,931	**425,319**	216,214
Total	$ 589,433	100	$ 105,876	**$ 695,309**	$ 579,168

Convertible Debentures

At September 30, 2004, the Trust had $75.0 million principal amount of convertible unsecured debentures (the "Debentures") outstanding. The Debentures bear interest at 6.5% per annum, payable semi-annually on June 30th and December 31st each year, and mature on June 30, 2014. Each debenture is convertible into 40 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of $25.00 per unit. On or after June 30, 2008, but prior to June 30, 2010, the Debentures may be redeemed at par plus accrued and unpaid interest, provided that the market price for the Trust's units is not less than $31.25.

In accordance with recent amendments to Section 3860 of the CICA Handbook, the convertible debentures have been recorded on the balance sheets as debt of $74.4 million and equity of $0.6 million. Issue costs related to the offering are amortized to interest expense over the ten-year term.

Purchase Obligation

With the acquisition of the 13-building portfolio in Montréal, the Trust has acquired leases that provide, in certain circumstances, for some tenants to require the Trust to expand their existing premises through building construction on certain adjacent lands. The terms of these leases contain various provisions including renewal obligations of the tenants' existing premises and agreement on the terms of the new space. Furthermore, certain of the leases include provisions that would allow us to charge rents to recover a reasonable return on our investment. The Trust has negotiated purchase options from the owner of the subject lands to allow these obligations to be met. In addition, three buildings in the portfolio have leases that allow the tenant, subject to various conditions, to purchase the building they occupy from the Trust at contractually agreed upon prices. In each case the agreed price is at or above our cost.

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

Equity

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special REIT Units. The Special REIT Units may only be issued to holders of LP Class B Units, Series 1, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1. The LP Class B Units, Series 1 are held by a related party of Dundee REIT.

Both the REIT Units and Special REIT Units entitle the holder to one vote for each unit held.

	REIT Units, Series A	LP Class B Units, Series 1	Total
Units issued and outstanding on June 30, 2004	16,727,655	7,564,418	24,292,073
Units issued pursuant to DRIP	44,562	181,576	226,138
Units issued pursuant to deferred unit incentive plan	4,712	–	4,712
Total units outstanding on September 30, 2004	16,776,929	7,745,994	24,522,923
Percentage of all units	68.4%	31.6%	
Units issued pursuant to DRIP on October 15, 2004	14,501	59,181	73,682
Total units outstanding on October 15, 2004	16,791,430	7,805,175	24,596,605
Percentage of all units	68.3%	31.7%	

Funds from Operations

Management believes that FFO is an important measure of the Trust's operating performance and is indicative of its cash generating activities. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations, however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs. Additionally, FFO does not have a standard meaning and may not be comparable with other industries or income trusts.

The following table outlines the computation of funds from operations of Dundee REIT:

	Dundee REIT Consolidated		Dundee REIT Consolidated	Dundee REIT and Division of DRC
($000's except per unit amounts)	**Three Months Ended September 30, 2004**	Three Months Ended September 30, 2003	**Nine Months Ended September 30, 2004**	Nine Months Ended September 30, 2003[1]
Net income	**$ 7,302**	$ 6,282	**$ 454**	$ 10,395
Add (deduct):				
Depreciation of rental properties	**6,605**	2,266	**19,579**	6,705
Amortization of deferred leasing costs and intangibles	**3,764**	1,392	**9,161**	4,289
Imputed amortization of leasing costs related to the rent supplement	**286**	332	**1,028**	332
Gain on disposal of rental properties	**(443)**	–	**(3,016)**	–
Provision for impairment in value of rental property	**–**	–	**19,729**	–
Future income tax expense (recovery)	**(1,946)**	(33)	**(1,988)**	1,642
FFO	**$ 15,568**	$ 10,239	**$ 44,947**	$ 23,363
FFO per unit – basic	**$ 0.64**	$ 0.63	**$ 1.92**	
FFO per unit – diluted	**$ 0.62**	$ 0.63	**$ 1.89**	

(1) Includes results from Dundee REIT for the three months ended September 30, 2003 and Division of DRC for the six months ended June 30, 2003.

For 2004, FFO includes rental revenue recognized on a straight-line basis. For the three months ended September 30, 2004, FFO excluding straight-line rent is $14.4 million or $0.59 per unit. For the nine-month period this amount is $41.6 million or $1.78 per unit. Diluted FFO per unit amounts assume the conversion of the Debentures. The assumed conversion of all of the Debentures would decrease debt-to-gross book value to 49.8%, further improving the Trust's capacity to acquire additional properties.

Distributable Income

Distributable income is not a measure defined by GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust to facilitate the determination of distributions.

Distributable income on a per unit basis is declining as a result of the amortization of leasing costs incurred since the inception of the Trust. This trend will continue until the leasing costs have been accumulated for a period of time that is comparable to the average remaining lease term of our properties.

As discussed in more detail on page 14, the Trust has adopted the straight-line method of rental revenue recognition. As this revenue is not yet billed, this amount, net of existing free rent amortization, has been deducted from the computation of distributable income.

The following table outlines the distributable income of Dundee REIT.

($000's except per unit amounts)	**Three Months Ended September 30, 2004**	Three Months Ended September 30, 2003	**Nine Months Ended September 30, 2004**
Net income	**$ 7,302**	$ 6,282	**$ 454**
Adjust for:			
Depreciation of rental properties	**6,605**	2,266	**19,579**
Amortization of deferred leasing costs and intangibles	**3,764**	1,392	**9,161**
Future income tax recovery	**(1,946)**	(33)	**(1,988)**
Imputed amortization of leasing costs related to the rent supplement	**286**	332	**1,028**
Amortization of fair value debt adjustments included in interest expense	**(315)**	(75)	**(1,123)**
Compensation expense, deferred unit incentive plan	**107**	9	**318**
Gain on disposal of rental property	**(443)**	–	**(3,016)**
Provision for impairment in value of rental property	**–**	–	**19,729**
Straight-line rent	**(1,140)**	–	**(3,375)**
Amortization of deferred costs incurred prior to June 30, 2003	**117**	329	**484**
Amortization of deferred costs incurred subsequent to June 30, 2003	**(796)**	(43)	**(1,648)**
Other amortization	**(82)**	–	**(74)**
Distributable income	**$ 13,459**	$ 10,459	**$ 39,529**
Distributable income per unit – basic	**$ 0.55**	$ 0.64	**$ 1.69**
Distributable income per unit – diluted	**$ 0.54**	$ 0.64	**$ 1.67**

Distributions

Our distribution policy requires us to make cash distributions to our unitholders, payable monthly, equal to at least 80% of distributable income on an annual basis. We also have a distribution reinvestment and unit purchase plan that entitles unitholders to reinvest all cash distributions made by us in additional units. Unitholders who choose to do so, receive an additional distribution of 4% of each cash distribution that is reinvested.

Distributions declared in the quarter amounted to $13.4 million, a small increase over the previous three-month period, mainly as a result of an increase in units generated through the DRIP. Of this amount, $5.1 million or 38% was reinvested in additional units of Dundee REIT.

The following table summarizes the distributions paid and reinvested for the nine months ended September 30, 2004:

($000's)	Declared Distributions	Additional Distributions	Total
2004 Distributions			
Paid in cash or reinvestment in units	$ 34,564	$ 548	$ 35,112
Payable at September 30, 2004	4,488	67	4,555
Total distributions	$ 39,052	$ 615	$ 39,667
2004 Reinvestment			
Reinvested in 2004	$ 13,707	$ 548	$ 14,255
Reinvested on October 15, 2004	1,745	67	1,812
Total distributions reinvested	$ 15,452	$ 615	$ 16,067
Distributable income	$ 39,529		
Distribution payout ratio	98.8%		
Reinvestment to distribution ratio	39.6%		

Our Results of Operations

	Dundee REIT Consolidated		Dundee REIT Consolidated	Dundee REIT and Division of DRC
($000's)	**Three Months Ended September 30, 2004**	Three Months Ended September 30, 2003	**Nine Months Ended September 30, 2004**	Nine Months Ended September 30, 2003[(1)]
Rental properties				
Revenues	**$ 48,072**	$ 34,986	**$ 137,354**	$104,953
Operating expenses	**21,028**	16,165	**61,561**	52,299
Net operating income	**27,044**	18,821	**75,793**	52,654
Other expenses				
Interest	**11,761**	8,481	**31,671**	25,229
Depreciation of rental properties	**6,605**	2,111	**18,804**	6,263
Amortization of deferred leasing costs and intangibles	**3,764**	1,267	**8,900**	3,809
General and administrative	**1,145**	994	**3,302**	4,333
	23,275	12,853	**62,677**	39,634
Other income				
Interest and fee income, net	**583**	190	**1,595**	846
Income before gain on asset disposal	**4,352**	6,158	**14,711**	13,866
Gain on disposal of rental property	**–**	–	**166**	–
Income before income and large corporations taxes	**4,352**	6,158	**14,877**	13,866
Income taxes				
Current income and large corporations taxes	**29**	15	**67**	1,902
Future income taxes	**(1,946)**	(33)	**(1,988)**	1,642
	(1,917)	(18)	**(1,921)**	3,544
Income before discontinued operations	**6,269**	6,176	**16,798**	10,322
Discontinued operations	**1,033**	106	**(16,344)**	73
Net income	**$ 7,302**	$ 6,282	**$ 454**	$ 10,395

(1) Includes results from Dundee REIT for the three months ended September 30, 2003 and Division of DRC for the six months ended June 30, 2003.

Revenues

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs, property taxes, parking revenues and other miscellaneous revenues from tenants.

The $13.1 million increase in revenue on the three-month basis over the prior year is primarily a result of acquisitions completed in 2003 and 2004, which account for approximately $12.5 million of the growth. The revenue increase for the nine-month period is mainly a result of acquisitions in late 2003 and in 2004, which contributed $30.2 million, and the rent supplement as described on page 16, which contributed $2.7 million.

Effective January 1, 2004, the Trust adopted the accounting policy with respect to straight-line revenue recognition. This policy requires that contractual rent increases be recognized evenly or averaged over the term of the lease. Accordingly, a receivable from tenants is recorded for the current difference between the straight-line rent and the rent that is contractually due from the tenant. Prior to January 1, 2004, the Trust recorded only free rental periods on a straight-line basis.

Included in revenues for the nine-month period is $3.4 million resulting from the recognition of contractual rent increases on a straight-line basis over the term of the applicable leases. This includes $1.8 million of straight-line rent on our comparative properties and $1.3 million on our acquisitions.

Operating Expenses

Operating expenses are mainly comprised of occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing of the properties. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, repairs and maintenance. We attempt to reduce these costs where possible to lessen the burden on tenants and increase the probability of higher occupancies and net rental income. We actively monitor property taxes and appeal such taxes where appropriate to ensure the most favourable rates are attained.

The increase in operating expenses for both the three- and nine-month periods was mainly a result of the property acquisitions in 2003 and 2004.

Interest Expense

Interest expense for the quarter increased by $3.3 million or 38.7% over the prior year, mainly as a result of increased debt levels from acquisitions completed in 2003 and 2004. On a comparative debt basis, interest expense declined by $0.5 million and $1.3 million for the three- and nine-month periods respectively as a result of refinancing at lower rates.

Depreciation of Rental Properties

Depreciation increased $4.5 million for the quarter and $12.5 million for the nine months ended September 30, 2004. The Trust adopted the straight-line method of depreciation effective January 1, 2004, which contributed $3.6 million and $10.9 million for the three- and nine-month periods respectively.

Amortization of Deferred Leasing Costs and Intangibles

Amortization increased $2.5 million and $5.1 million over the respective three- and nine-month periods in 2003 largely as a result of allocating a portion of the purchase price on new acquisitions to intangibles as discussed in changes in accounting policies on page 23. As a result of adopting this new policy, amortization increased $1.9 million and $3.9 million for the respective three- and nine-month periods.

General and Administrative

General and administrative expenses are primarily comprised of the expenses related to corporate management, trustees' fees and expenses, and investor relations for the Trust and its subsidiaries. Expenses for the three-month period were $1.1 million, an increase of $0.2 million compared to the same three months in 2003 mainly due to the timing of initial expenses during the first quarter of the Trust's operations. Expenses for the nine-month period were $3.3 million. These costs are not comparable year-over-year as the costs for the Division, which comprised the first six months of 2003, are an allocation of costs and are not representative of costs under the existing structure.

Interest and Fee Income, net

Interest and fee income represents amounts for items such as fees earned from managing properties owned by others, including management, construction and leasing fees, and interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary year-over-year.

Discontinued Operations

Discontinued operations include assets that have been identified as held for sale or sold and meet specific criteria as discontinued assets in accordance with Canadian GAAP. These assets and operations are disclosed separately on the balance sheet and income statement. Discontinued operations of the Trust include an industrial building that was sold during the second quarter, our share of an industrial building that was sold in the third quarter and Northgate Mall which is scheduled to close by the end of the year. These assets contributed to the year-to-date results of the Trust. The Trust will continue to report discontinued assets to the extent that resources are redeployed through asset sales.

The Trust reviews asset disposal opportunities in accordance with its strategy, target asset class and the management of key performance drivers including future capital and potential tenant inducement costs.

During the quarter, the discontinued operations included $0.6 million of income from operations and a gain on sale of $0.4 million. The nine-month period included income from operations of $0.5 million, a $19.7 million impairment provision and a $2.8 million gain on the sale of rental properties.

Income Tax Expense

Dundee REIT distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation for tax rests with each unitholder and no tax provision is currently required on the majority of Dundee REIT's income. Certain Canadian and U.S. subsidiaries of Dundee REIT attract a tax cost, which is reflected in the income statement and balance sheet.

During the quarter, the trust recorded a $1.9 million future income tax recovery related to its U.S. property. The recovery reflects an adjustment to the estimated tax basis of this property to amounts reported in recently filed tax returns.

Net Operating Income ("NOI") – Comparative Portfolio

Net operating income is an important measure used by management to evaluate the operating performance of the properties. Management does not evaluate performance based on margins. We define NOI as the total of rental property revenues less operating expenses. For the purpose of comparing the nine-month results in 2004 with the same period in 2003, the results of Dundee REIT for three months ended September 30, 2003 have been added to the results of the Division for the six months ended June 30, 2003.

NOI shown below highlights comparative and non-comparative items to assist in understanding the impact each component has on NOI. The discontinued operations that contributed to NOI are shown separately to conform with the required income statement presentation. NOI for the nine-month period comparative properties excludes $1.8 million of straight-line rent and is disclosed in aggregate with straight-line rent on acquisitions. Straight-line rent will fluctuate based on the lease agreements entered into by the Trust. Generally when leases contain contractual rent increases, also known as step rents, straight-line rent will increase revenue at the beginning of the lease term and decrease revenue in the latter periods as compared to accounting for rents as they become due. Management anticipates the impact of straight-line rent to decrease over time. The significant impact of straight-line rent in the current year was mainly a result of the prospective adoption of this accounting policy.

	Three Months Ended September 30				Nine Months Ended September 30			
			Growth				Growth	
($000's)	**2004**	2003	**Amount**	%	**2004**	2003	**Amount**	%
Office	**$ 9,719**	$ 10,253	**$ (534)**	**(5)**	**$ 28,805**	$ 29,238	**$ (433)**	**(1)**
Industrial	**5,711**	5,683	**28**	**–**	**17,115**	16,816	**299**	**2**
Retail	**1,307**	1,468	**(161)**	**(11)**	**4,165**	4,418	**(253)**	**(6)**
Comparative properties	**16,737**	17,404	**(667)**	**(4)**	**50,085**	50,472	**(387)**	**(1)**
Acquisitions	**8,178**	–	**8,178**		**19,023**	–	**19,023**	
Rent supplement	**814**	1,098	**(284)**		**2,690**	1,098	**1,592**	
Straight-line rent	**1,106**	107	**999**		**3,274**	368	**2,906**	
Under development	**164**	13	**151**		**154**	(9)	**163**	
Lease surrenders	**26**	30	**(4)**		**501**	267	**234**	
Dispositions	**19**	169	**(150)**		**66**	458	**(392)**	
NOI before discontinued operations	**27,044**	18,821	**8,223**	**44**	**75,793**	52,654	**23,139**	**44**
Discontinued operations	**987**	1,132	**(145)**	**(13)**	**3,207**	3,346	**(139)**	**(4)**
NOI	**$ 28,031**	$ 19,953	**$ 8,078**	**40**	**$ 79,000**	$ 56,000	**$ 23,000**	**41**

($000's)	Three Months Ended September 30				Nine Months Ended September 30			
			Growth				Growth	
	2004	2003	**Amount**	%	**2004**	2003	**Amount**	%
Québec	**$ 3,908**	$ 4,118	**$ (210)**	**(5)**	**$ 11,547**	$ 11,328	**$ 219**	**2**
Ontario	**7,743**	8,080	**(337)**	**(4)**	**23,388**	23,351	**37**	**–**
Western Canada	**4,100**	4,067	**33**	**1**	**11,923**	12,358	**(435)**	**(4)**
Total Canada	**15,751**	16,265	**(514)**	**(3)**	**46,858**	47,037	**(179)**	**–**
United States	**986**	1,139	**(153)**	**(13)**	**3,227**	3,435	**(208)**	**(6)**
Comparative properties	**16,737**	17,404	**(667)**	**(4)**	**50,085**	50,472	**(387)**	**(1)**
Acquisitions	**8,178**	–	**8,178**		**19,023**	–	**19,023**	
Rent supplement	**814**	1,098	**(284)**		**2,690**	1,098	**1,592**	
Straight-line rent	**1,106**	107	**999**		**3,274**	368	**2,906**	
Under development	**164**	13	**151**		**154**	(9)	**163**	
Lease surrenders	**26**	30	**(4)**		**501**	267	**234**	
Dispositions	**19**	169	**(150)**		**66**	458	**(392)**	
NOI before discontinued operations	**27,044**	18,821	**8,223**	**44**	**75,793**	52,654	**23,139**	**44**
Discontinued operations	**987**	1,132	**(145)**	**(13)**	**3,207**	3,346	**(139)**	**(4)**
NOI	**$ 28,031**	$ 19,953	**$ 8,078**	**40**	**$ 79,000**	$ 56,000	**$ 23,000**	**41**

Property NOI generally varies period-to-period as a result of the timing of revenues and expenses that do not fluctuate directly with occupancy such as parking revenue, bad debt provisions and extra tenant services. Overall NOI for the three-month period mainly reflects the impact of acquisitions completed in late 2003 and to date in 2004. The Montréal properties acquired in June 2004 contributed approximately $1.5 million to NOI. The rent supplement from DRC described below and the impact of straight-line recognition of rent contributed $0.8 million and $1.1 million for the three months.

The rent supplement represents amounts funded by DRC based on specific vacancies as previously agreed to upon the formation of Dundee REIT and as included in the property management agreement. This rent supplement will fluctuate as leasing of supplemented space occurs. The supplement commenced July 1, 2003 and is effective for five years on office and retail space and three years for industrial space. If at any time any of the spaces to which the supplement applies is either leased, sold or ceases to be managed by Dundee Realty Management Corp., the amount of the rent supplement will be permanently reduced by the amount attributed to that space.

Comparative Office Portfolio

For the three months ended September 30, 2004, NOI decreased 5% mainly as a result of increased vacancies in Montréal and Toronto. In Montréal, the buildings experiencing increased vacancy are located in the eastern metropolitan area and have been affected by amalgamation of tenancies and migration to the city centre. Interest in these buildings has been reasonably strong and leasing is anticipated in 2005. In Toronto, the vacancy is primarily a result of the departure of a large tenant at an uptown building. The building remains 57% leased and is well situated in proximity to the city's central transit line and leasing is anticipated in mid- to late 2005.

For the nine months, NOI for the comparative office portfolio decreased 1% reflecting a small decline in average occupancy for the comparative office portfolio. The decrease in Québec also reflects a decline in occupancy. Year-to-date results in Ontario reflect strong leasing which offset new vacancies.

($000's)	Three Months Ended September 30				Nine Months Ended September 30			
			Growth				Growth	
	2004	2003	**Amount**	%	**2004**	2003	**Amount**	%
Québec	**$ 1,446**	$ 1,760	**$ (314)**	**(18)**	**$ 4,254**	$ 4,483	**$ (229)**	**(5)**
Ontario	**6,155**	6,411	**(256)**	**(4)**	**18,511**	18,512	**(1)**	**–**
Western Canada	**2,118**	2,082	**36**	**2**	**6,040**	6,243	**(203)**	**(3)**
Comparative properties	**9,719**	10,253	**(534)**	**(5)**	**28,805**	29,238	**(433)**	**(1)**
Acquisitions	**4,697**	–	**4,697**		**10,860**	–	**10,860**	
Rent supplement	**459**	643	**(184)**		**1,481**	643	**838**	
Straight-line rent	**786**	48	**738**		**2,261**	153	**2,108**	
Lease surrenders	**6**	(1)	**7**		**404**	166	**238**	
Office NOI	**$ 15,667**	$ 10,943	**$ 4,724**	**43**	**$ 43,811**	$ 30,200	**$ 13,611**	**45**

Acquisitions contributing to our results include the Telus Tower and the Palladium Office Campus acquired in the fourth quarter of 2003, 720 Bay Street acquired in the second quarter of 2004 and the Montréal portfolio, completed at the end of the second quarter of 2004.

Comparative Industrial Portfolio

NOI from the comparative industrial portfolio for the three months was flat. In Québec, some rental rate and occupancy increases as well as year-over-year variances in the timing of non-recoverable items led to a 4% increase in NOI quarter-over-quarter and 7% for the comparative nine-month period. These strong results for the nine-month period were offset by those of Western Canada, which experienced a slight decrease in occupancy due to two unplanned vacancies in the second quarter. These spaces have now been re-leased for occupancy in the fourth quarter.

	Three Months Ended September 30				Nine Months Ended September 30			
			Growth				Growth	
($000's)	2004	2003	Amount	%	2004	2003	Amount	%
Québec	$ 2,462	$ 2,358	$ 104	4	$ 7,293	$ 6,845	$ 448	7
Ontario	1,409	1,441	(32)	(2)	4,390	4,208	182	4
Western Canada	1,840	1,884	(44)	(2)	5,432	5,763	(331)	(6)
Comparative properties	5,711	5,683	28	–	17,115	16,816	299	2
Acquisitions	3,481	–	3,481		8,163	–	8,163	
Rent supplement	357	456	(99)		1,218	456	762	
Straight-line rent	289	64	225		877	175	702	
Under development	164	13	151		154	(9)	163	
Lease surrenders	20	–	20		97	5	92	
Industrial NOI before discontinued operations	10,022	6,216	3,806	61	27,624	17,443	10,181	58
Discontinued operations	13	134	(121)	(90)	295	400	(105)	(26)
Industrial NOI	$ 10,035	$ 6,350	$ 3,685	58	$ 27,919	$ 17,843	$ 10,076	56

Acquisitions in the industrial portfolio include the Pauls Portfolio acquired in the first quarter and the Geo-X Building acquired in the second quarter, which contributed $7.9 million and $0.2 million respectively to NOI during 2004.

Comparative Retail Portfolio

	Three Months Ended September 30				Nine Months Ended September 30			
			Growth				Growth	
($000's)	2004	2003	Amount	%	2004	2003	Amount	%
Ontario	$ 179	$ 228	$ (49)	(21)	$ 487	$ 631	$ (144)	(23)
Western Canada	142	101	41	41	451	352	99	28
Total Canada	321	329	(8)	(2)	938	983	(45)	(5)
United States	986	1,139	(153)	(13)	3,227	3,435	(208)	(6)
Comparative properties	1,307	1,468	(161)	(11)	4,165	4,418	(253)	(6)
Rent supplement	(2)	(1)	(1)		(9)	(1)	(8)	
Straight-line rent	31	(5)	36		136	40	96	
Lease surrenders	–	31	(31)		–	96	(96)	
Dispositions	19	169	(150)		66	458	(392)	
Retail NOI before discontinued operations	1,355	1,662	(307)	(18)	4,358	5,011	(653)	(13)
Discontinued operations	974	998	(24)	(2)	2,912	2,946	(34)	(1)
Retail NOI	$ 2,329	$ 2,660	$ (331)	(12)	$ 7,270	$ 7,957	$ (687)	(9)

Comparative retail NOI decreased by 11% quarter-over-quarter. The decline in NOI from our mall in Ontario is due to a decrease in average occupancy coupled with a net increase in non-recoverable items in the three- and nine-month periods. Improved results from our remaining retail asset in Western Canada stem from significant leasing over the past nine months; however, this mall only represents leasable area of 46,140 square feet and therefore has a relatively small impact on overall NOI. NOI from our U.S. asset decreased 13% for the quarter or 6% for the nine-month period, largely as a result of the appreciation of the Canadian dollar versus its U.S. counterpart. Some fluctuations in NOI are a result of occupancy costs and our ability to recover them, which are dependent on a number of factors including the nature and timing of the costs and tenant lease agreements.

Leasing Profile

The overall percentage of occupied and committed space across our stabilized rental properties portfolio remains strong at 94.3%. Occupancy rates discussed in this report include actual and committed space at September 30, 2004 and exclude space to which the rent supplement is applied.

	September 30, 2004 (1)(3)	December 31, 2003 (1)(2)	September 30, 2003 (2)
Office			
Québec	**91.1%**	87.9%	90.1%
Ontario	**93.6%**	92.7%	93.9%
Western Canada	**99.6%**	94.8%	92.4%
	94.3%	92.4%	92.9%
Industrial (1)(2)			
Québec	**90.2%**	89.5%	90.9%
Ontario	**97.6%**	99.7%	99.8%
Western Canada	**96.1%**	93.7%	95.0%
	94.4%	93.1%	94.2%
Retail(3)			
Ontario	**88.6%**	92.9%	93.3%
Western Canada	**100.0%**	90.7%	90.0%
US	**93.1%**	93.3%	94.3%
	92.9%	92.5%	93.0%
Overall	**94.3%**	92.7%	93.6%

Excludes:
(1) 11 Place du Commerce, Longueuil, under redevelopment
(2) 15303-128th Avenue, Edmonton, under redevelopment
(3) Northgate Mall, Regina, under contract for sale

Our portfolio in Western Canada has experienced solid growth with increased occupancy in all markets mainly as a result of a strong Alberta economy. Overall occupancy, although relatively unchanged from the second quarter, has improved since year-end.

Summary of leasing activity to September 30, 2004:

(square feet)	Office	Industrial(1)	Retail(2)	Total
Vacant space available – July 1, 2004	255,623	435,811	70,071	761,505
Remeasurements	5,132	–	–	5,132
Leases terminated	30,331	34,971	–	65,302
Leases expiring	130,095	178,762	28,289	337,146
Total space available for lease	421,181	649,544	98,360	1,169,085
New tenants	32,845	130,671	3,022	166,538
Renewals	117,789	103,826	26,161	247,776
Total space leased	150,634	234,497	29,183	414,314
Total space available for lease – September 30, 2004	270,547	415,047	69,177	754,771
Net (increase) decrease in vacant space	(14,924)	20,764	894	6,734

(1) Excludes 11 Place du Commerce, Longueuil, under redevelopment
(2) Excludes Northgate Mall, Regina, under contract for sale

An important component of our growth strategy is to acquire assets that present an opportunity to improve the overall quality of our portfolio. In the first and second quarters of 2004 we acquired approximately 2.1 million square feet of high quality properties, with high occupancy rates and which lengthen our average lease term. The above table shows a net decrease in vacant space of 6,734 square feet at quarter-end. The overall percentage of occupied and committed space has improved 1.6% since year-end as a result of leasing activity and the acquisition of 100% leased properties in the first and second quarters.

During the third quarter, occupancy remained flat with 337,146 square feet of leases expiring offset by 414,314 square feet of new leases and renewals. During the remainder of 2004, leases totalling approximately 0.6 million square feet will mature.

Lease maturity profile as at September 30, 2004 by asset type:

(square feet)	Current Vacancy	Current Monthly Tenancies	2004	2005	2006	2007	2008 and thereafter	Total
Office	267,864	57,247	164,806	494,520	484,355	382,618	2,871,922	4,723,332
Industrial(1)	417,730	181,856	378,043	1,343,135	1,150,812	917,428	3,086,215	7,475,219
Retail(2)	69,177	17,337	14,102	94,731	48,260	89,948	636,342	969,897
Total	754,771	256,440	556,951	1,932,386	1,683,427	1,389,994	6,594,479	13,168,448
Percentage	5.7%	1.9%	4.2%	14.7%	12.8%	10.6%	50.1%	
Properties under redevelopment								40,531
Total								13,208,979

(1) Excludes 11 Place du Commerce, Longueuil under redevelopment
(2) Excludes Northgate Mall, Regina, under contract for sale

Annualized Contract Rent at Expiry (psf):

	Current Monthly Tenancies	2004	2005	2006	2007	2008 and thereafter
Office	$ 12.96	$ 10.87	$ 12.94	$ 15.39	$ 13.23	$ 14.87
Industrial(1)	5.12	4.71	5.36	5.13	5.06	6.56
Retail(2)	17.44	21.89	16.49	12.17	12.13	7.99
Weighted Average	7.71	6.97	7.85	8.28	7.76	10.32

(1) Excludes 11 Place du Commerce, Longueuil, under redevelopment
(2) Excludes Northgate Mall, Regina, under contract for sale

The leasing process continues to be challenging. Management believes that increased leasing inquiries and the increase in committed space in the last three quarters is encouraging. We anticipate the portfolio in Western Canada to remain strong due to strong leasing and a buoyant economy. In the Ontario and Québec markets, we anticipate some decreases due to non-renewals in some of the less active office markets.

Average remaining lease term as at September 30, 2004 and other portfolio information:

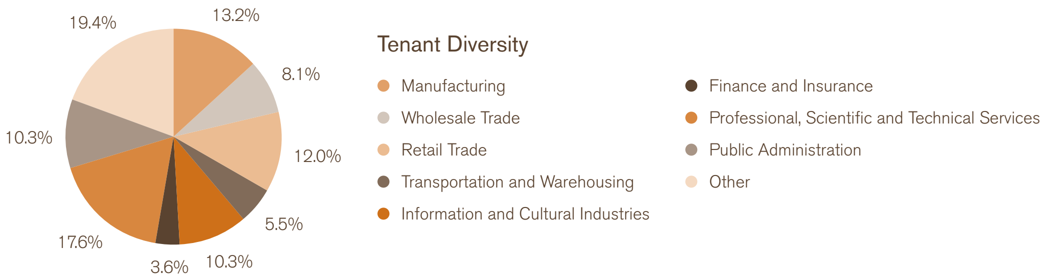
	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-place Net Rent (per sq. ft.)
Office	5.10	8,232	$ 14.40
Industrial(1)	3.30	13,046	5.77
Retail(2)	5.78	6,005	9.92
Overall(1)(2)	4.13	9,957	9.17

(1) Excludes 11 Place du Commerce, Longueuil, under redevelopment
(2) Excludes Northgate Mall, Regina, under contract for sale

Dundee REIT has a broad tenant base with the average tenant occupying approximately 10,000 square feet. The result is a large and diverse tenant base. With approximately 1,300 tenants, lease renewals are frequent and our exposure to any large single lease or tenant is relatively low.

We have extensive experience in managing our lease renewals, as many of the same tenants renew annually and have been doing so for a number of years. Our success is evident in our track record. Despite vacancy rates rising in many markets across Canada, the lease maturity profile of our properties has been consistent and our occupancy levels have fluctuated only within a very narrow range.

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



Our two largest tenants, Government of Ontario and Telus Communications, each comprise approximately 4.5% of our gross rental revenue. The table below sets out the percentage contribution to gross rental revenue (annualized at September 30, 2004) of our ten largest tenants:

Tenant	Owned Area (sq. ft.)	% of Owned Area	% of Gross Rental Revenue	Expiry
Government of Ontario	330,000	2.4%	4.5%	2004–2013
Telus Communications	330,000	2.4%	4.5%	2016
Government of Canada	300,000	2.2%	4.3%	2005–2011
Bell Canada	268,000	2.0%	2.6%	2009
State Street Trust Company	94,000	0.7%	2.0%	2012
International Financial Data Services	96,000	0.7%	1.9%	2013
Government of BC	102,000	0.8%	1.7%	2006–2009
IBM Canada	112,000	0.8%	1.6%	2005–2011
Spirent Communications	81,000	0.6%	1.3%	2011
Epcor Utilities	170,000	1.3%	1.3%	2011
Total	1,883,000	13.9%	25.7%	

Acquisitions during 2004

A component of our growth strategy is to acquire office and industrial properties in our key markets allowing us to capitalize on operational efficiencies, further increase our presence and critical mass in our target markets and to improve the overall quality and rental income stability of our portfolio.

	Property Type	Square Feet	Purchase Price (millions)	% Ownership	Date Acquired
Pauls Portfolio	Office and Flex Industrial	1,598,027	$ 169.5	100%	February 19, 2004
222-230 Queen Street (1)	Office	204,371	$ 6.0	100%	March 1, 2004
720 Bay	Office	247,743	$ 26.0	50%	May 5, 2004
Geo-X	Flex Industrial	36,428	$ 6.6	100%	May 12, 2004
Montréal Portfolio	Office	323,373	$ 64.6	100%	June 21, 2004
Total		2,409,942	$ 272.7		

(1) Represents purchase of remaining 16.4% of the property.

All of the properties acquired compliment Dundee REIT's existing portfolio and align with our strategy of owning and managing office and industrial properties in Montréal, Ottawa, Toronto, Calgary and Edmonton. As with the other acquisitions completed over the past year, the properties add to our current holdings in our key markets, improve the overall quality of our portfolio, lengthen the average lease term, increase the overall occupancy and average net rent, and build upon its existing management platform.

Dispositions during the Quarter

Another important component of our strategy includes the continuous and active analysis of the performance of our properties – identifying strengths and weaknesses of individual properties and our portfolio as a whole; identifying properties for capital improvements or properties for disposal that no longer fit with our investment strategy.

On July 22, 2004, we sold our 20% interest in 2000 rue Halpern, a 527,000 square foot single tenant industrial building in Montréal, Québec for approximately $3.4 million. The proceeds were used to retire approximately $2.5 million of debt and the Trust recorded a net gain of approximately $0.4 million in the third quarter. The sale was consistent with our long-term asset strategy.

We have also agreed to sell Northgate Mall, a 331,241 square foot regional mall in Regina, Saskatchewan. The sale of this asset is consistent with our business strategy to focus on mid-sized urban and suburban office and industrial properties in our Canadian target markets. The Trust will receive proceeds of approximately $44.8 million and will use approximately $35.0 million to retire outstanding debt. An impairment provision of $19.7 million was recorded in the second quarter to reflect the expected loss on disposition of the asset. The transaction is expected to close by year-end.

Subsequent to quarter end, the Trust has agreed to sell its 25% interest in two industrial buildings totalling 204,136 square feet located at 2301 and 2311 Royal Windsor Drive in Toronto. The Trust's share of the proceeds will be approximately $2.3 million, which will be used to retire outstanding debt related to the properties.

Quarterly Information

The following table shows quarterly information since the inception of Dundee REIT at June 30, 2003.

($000's)	**Third Quarter 2004**	Second Quarter 2004	First Quarter 2004	Fourth Quarter 2003	Third Quarter 2003
Rental properties					
Revenues	**$ 48,072**	$ 46,282	$ 43,000	$ 38,638	$ 34,986
Operating expenses	**21,028**	20,449	20,084	18,987	16,165
Net operating income	**27,044**	25,833	22,916	19,651	18,821
Other expenses					
Interest	**11,761**	10,321	9,589	8,895	8,481
Depreciation of rental properties	**6,605**	6,303	5,896	2,434	2,111
Amortization of deferred leasing costs and intangibles	**3,764**	3,366	1,770	1,542	1,267
General and administrative	**1,145**	1,205	952	1,115	994
	23,275	21,195	18,207	13,986	12,853
Other income					
Interest and fee income, net	**583**	429	583	484	190
Income before gain (loss) on disposal of asset	**4,352**	5,067	5,292	6,149	6,158
Gain (loss) on disposal of rental property	**–**	(11)	177	(289)	–
Income before income and large corporations taxes	**4,352**	5,056	5,469	5,860	6,158
Income taxes					
Current income and large corporations taxes	**29**	18	20	35	15
Future income taxes	**(1,946)**	(1)	(41)	65	(33)
	(1,917)	17	(21)	100	(18)
Income before discontinued operations	**6,269**	5,039	5,490	5,760	6,176
Discontinued operations	**1,033**	(17,212)	(165)	131	106
Net income (loss)	**7,302**	(12,173)	5,325	5,891	6,282
Add (deduct):					
Depreciation of rental properties	**6,605**	6,690	6,284	2,588	2,266
Amortization of deferred leasing costs and intangibles	**3,764**	3,494	1,903	1,703	1,392
Future income tax	**(1,946)**	(1)	(41)	65	(33)
Imputed amortization of leasing costs related to the rent supplement	**286**	362	380	375	332
(Gain) loss on disposal of rental properties	**(443)**	(2,396)	(177)	289	–
Provision for impairment in value of rental property	**–**	19,729	–	–	–
Funds from operations	**15,568**	15,705	13,674	10,911	10,239
Add (deduct):					
Amortization of fair value debt adjustments included in interest expense	**(315)**	(484)	(324)	(106)	(75)
Compensation expense related to deferred unit incentive plan	**107**	106	105	104	9
Amortization of deferred costs incurred prior to June 30, 2003	**117**	107	260	361	329
Amortization of deferred costs incurred subsequent to June 30, 2003	**(796)**	(544)	(308)	(419)	(43)
Other amortization	**(82)**	8	–	–	–
Straight-line rent	**(1,140)**	(1,286)	(949)	–	–
Distributable income	**$ 13,459**	$ 13,612	$ 12,458	$ 10,851	$ 10,459
Net income (loss) per unit					
Basic and diluted	**$ 0.30**	$ (0.50)	$ 0.25	$ 0.32	$ 0.38
Funds from operations per unit					
Basic	**$ 0.64**	$ 0.65	$ 0.64	$ 0.59	$ 0.63
Diluted [(1)]	**$ 0.62**	$ 0.65	$ 0.64	$ 0.59	$ 0.63
Distributable income per unit					
Basic	**$ 0.55**	$ 0.56	$ 0.58	$ 0.59	$ 0.64
Diluted [(1)]	**$ 0.54**	$ 0.56	$ 0.58	$ 0.59	$ 0.64
Weighted average number of units outstanding					
Basic	**24,411,074**	24,175,288	21,508,753	18,203,105	16,331,369
Diluted	**24,446,183**	24,200,790	21,532,903	18,213,417	16,331,458
[(1)] Weighted average including conversion of convertible debentures	**27,446,183**	24,530,461	–	–	–

Net Operating Income

($000's)						
	Three Months Ended					
				Growth		
	September 30, 2004		June 30, 2004		Amount	%
Office	$	9,719	$ 9,456	$	263	3
Industrial		5,711	5,678		33	1
Retail		1,307	1,409		(102)	(7)
Comparative properties		16,737	16,543		194	1
Acquisitions		8,178	6,715		1,463	
Rent supplement		814	925		(111)	
Straight-line rent		1,106	1,246		(140)	
Under development		164	22		142	
Lease surrenders		26	388		(362)	
Dispositions		19	(6)		25	
NOI before discontinued operations		27,044	25,833		1,211	
Discontinued operations		987	1,162		(175)	
NOI	$	28,031	$ 26,995	$	1,036	4

Comparative NOI for the three months was up from the prior quarter due to a slight increase in occupied tenancies with a corresponding increase in revenues. Growth in total NOI was driven largely by the acquisition activity in both the first and second quarters. The increase in the third quarter primarily reflects the impact of the Montréal acquisition completed at the end of June.

Quarterly occupied and committed space:

	September 30, 2004 (1)(5)	June 30, 2004 (1)(4)	March 31, 2004 (1)	December 31, 2003 (2)	September 30, 2003 (2)	June 30, 2003 (3)
Office	94.3%	94.6%	93.3%	92.4%	92.9%	93.8%
Industrial (1)(2)(3)(5)	94.2%	94.1%	94.1%	93.1%	94.2%	93.9%
Retail (4)	92.9%	92.8%	92.1%	92.5%	93.0%	93.0%
Overall	94.3%	94.2%	93.6%	92.7%	93.6%	93.8%

Excludes:
(1) 11 Place du Commerce, Longueuil, under redevelopment
(2) 15303-128th Avenue, Edmonton and 11 Place du Commerce, Longueuil, under redevelopment
(3) 15303-128th Avenue, Edmonton, under redevelopment
(4) Northgate Mall, Regina and 2000 Rue Halpern, Montréal, under contract for sale
(5) Northgate Mall, Regina, under contract for sale

Outlook

The leasing process continues to be challenging. New space becomes available in our portfolio every quarter and, should the market improve, we will benefit as future space is leased. As always, waiting for the markets to improve cannot make up the cost of holding vacant space, consequently, we continue to do everything that we can to lease space at the market price. In the near term, we anticipate tenant inducement spending will remain high and rental rates will be flat in most markets.

Both the office and industrial portfolios in Western Canada should remain well leased, as demand for space has been strong given the buoyant oil and gas industry. We anticipate some weakness in our Ontario and Québec office portfolios due to some potential non-renewals in the less active sub-markets. Overall, however, we are confident in our ability to maintain our current occupancy rates but do not anticipate any increases in the near future.

The third quarter was relatively uneventful compared to the three previous quarters of significant acquisition activity, debt refinancings and equity issues. We have a sound capital structure and stock price, both of which position us favourably for future acquisitions. We will continue to look for investment opportunities; however, it remains a challenging market in which to find reasonably priced acquisition opportunities that meet with our criteria. Current competition includes an abundance of potential buyers, both foreign and domestic, with access to low cost capital. With respect to debt, we have been quite successful over the past year and a half securing renewals at low rates. Looking ahead, there is very little debt expiring in the next couple of years and much of it is already at low rates. As a result, we do not anticipate any significant refinancing activity.

We believe the operating environment is poised to improve from where we are now. We believed this to be true two years ago as well, but with growth in the economy over the last couple of years, we think the market is now closer to improving fundamentals that will enhance our results. Our assets are better now than ever before. We have a strong business and are regarded as a credible participant in just about any real estate transaction. We would like to continue to grow and refine our business model but remain patient and focused until the timing is right when we can be more creative in our growth and in adding further value to our business.

Risks and Our Strategy to Manage

Dundee REIT is exposed to various risks and uncertainties. For a list and explanation of these risks and uncertainties, please refer to our 2003 annual report or our Annual Information Form for the year ended December 31, 2003 filed on SEDAR (www.sedar.com).

Critical Accounting Estimates

Management of Dundee REIT believes that certain policies may be subject to estimation and management's judgment. For a list and explanation of these policies, please refer to Note 2 of the interim financial statements and to our 2003 annual report.

Changes in Accounting Policies

Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination

The Canadian Institute of Chartered Accountants ("CICA") has issued new guidance related to the accounting for rental property acquisitions initiated after September 12, 2003 that significantly changes the methodology for allocating the purchase price of all future acquisitions. The Trust must determine the fair value of a number of different components that previously were not considered in the purchase price allocation such as tenant inducements, lease origination costs, above and below market leases, in-place leases and tenant relationships. This guidance will result in a smaller portion of the purchase price being allocated to buildings and effectively accelerate some of the depreciation or amortization of the acquired assets. This new guidance has impacted the allocation of the purchase price of current period acquisitions. The total purchase price of acquisitions has been allocated to land, buildings, and intangible assets. A detailed breakdown of the allocation is included in the consolidated financial statements of the Trust for the nine months ended September 30, 2004.

Generally Accepted Accounting Principles

Section 1100 of the CICA Handbook clarifies the hierarchy of GAAP in Canada. This new section codifies the sources of Canadian GAAP and establishes the authority of sources of GAAP outside the CICA Handbook. The most significant impact is to remove industry precedent as an appropriate source of GAAP. Dundee REIT has adopted the following changes in accounting policies:

Depreciation of Rental Properties
The sinking fund method of depreciating rental properties was discontinued and, effective January 1, 2004, we commenced depreciating our rental properties on a straight-line basis over their remaining estimated useful life. As required, this change was adopted on a prospective basis.

Revenue Recognition
Revenues from leases that include contractual increases in basic rents are accounted for on a straight-line basis. Previously, rents were generally recognized as they became due. In conjunction with the recognition of revenue, a receivable from tenants is recorded to reflect the difference between the straight-line rent recognized for accounting and the amount contractually due. This change was adopted on a prospective basis commencing on January 1, 2004.

Impairment of Long-Lived Assets

This new standard was effective January 1, 2004 and requires a two-step process for determining when an impairment of long-lived assets should be recognized in the financial statements. When impairment is determined to exist, the impaired asset is written down to fair value as opposed to net recoverable amount.

Discontinued Operations

Effective May 1, 2003, the Trust adopted the newly issued accounting pronouncement whereby assets initiated as held for sale are reclassified on the balance sheet and any income/loss or gain/loss on disposal are separately reported as discontinued operations.

CONSOLIDATED FINANCIAL STATEMENTS

Dundee Real Estate Investment Trust
Consolidated Balance Sheets

(unaudited) (in thousands of dollars)	Note	September 30, 2004	December 31, 2003
Assets			
Rental properties	3,4	**$1,062,962**	$ 915,050
Deferred costs	3,5	**50,137**	38,177
Amounts receivable	6	**7,451**	7,268
Prepaid expenses and other assets	7	**29,238**	32,706
Cash and short-term deposits		**11,643**	3,976
Intangible assets	3,8	**31,903**	–
Discontinued operations assets	18	**43,732**	–
		$1,237,066	$ 997,177
Liabilities			
Debt	9	**$ 695,309**	$ 579,168
Amounts payable and accrued liabilities	10	**25,421**	20,717
Distributions payable	11	**4,555**	3,600
Future income tax liability	12	**5,651**	7,737
Intangible liabilities	3,8	**2,850**	–
Discontinued operations liabilities	18	**35,172**	–
		768,958	611,222
Equity			
Unitholders' equity	13	**468,108**	385,955
		$1,237,066	$ 997,177

See accompanying notes to the consolidated financial statements.

Dundee Real Estate Investment Trust
and Commercial Real Estate Division of Dundee Realty Corporation
Statements of Net Income

		For the Three Months Ended September 30		For the Nine Months Ended September 30		
		2004	2003	**2004**	2003	
		Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
(unaudited) (in thousands of dollars, except per unit amounts)	Note				July 1 to September 30	January 1 to June 30
Rental properties						
Revenues	2	**$ 48,072**	$ 34,986	**$ 137,354**	$ 34,986	$ 69,967
Operating expenses		**21,028**	16,165	**61,561**	16,165	36,134
Net operating income		**27,044**	18,821	**75,793**	18,821	33,833
Other expenses						
Interest	14	**11,761**	8,481	**31,671**	8,481	16,748
Depreciation of rental properties	2	**6,605**	2,111	**18,804**	2,111	4,152
Amortization of deferred leasing costs and intangibles		**3,764**	1,267	**8,900**	1,267	2,542
General and administrative		**1,145**	994	**3,302**	994	3,339
		23,275	12,853	**62,677**	12,853	26,781
Other income						
Interest and fee income, net		**583**	190	**1,595**	190	656
Income before gain on asset disposal		**4,352**	6,158	**14,711**	6,158	7,708
Gain on disposal of rental property	2	**–**	–	**166**	–	–
Income before income and large corporations taxes		**4,352**	6,158	**14,877**	6,158	7,708
Income taxes						
Current income and large corporations taxes		**29**	15	**67**	15	1,887
Future income taxes	12	**(1,946)**	(33)	**(1,988)**	(33)	1,675
		(1,917)	(18)	**(1,921)**	(18)	3,562
Income before discontinued operations		**6,269**	6,176	**16,798**	6,176	4,146
Discontinued operations	18	**1,033**	106	**(16,344)**	106	(33)
Net income		**$ 7,302**	$ 6,282	**$ 454**	$ 6,282	$ 4,113
Income (loss) per unit (basic and diluted)	15					
Continuing operations		**$ 0.26**	$ 0.38	**$ 0.72**	$ 0.38	
Discontinued operations		**0.04**	–	**(0.70)**	–	
Net income		**$ 0.30**	$ 0.38	**$ 0.02**	$ 0.38	

See accompanying notes to the consolidated and combined financial statements.

Dundee Real Estate Investment Trust
Consolidated Statement of Unitholders' Equity

(unaudited) (in thousands of dollars)	Note	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Cumulative Foreign Currency Translation Adjustment	Total
Unitholders' equity, January 1, 2004		$ 396,161	$ 12,173	$ (19,382)	$ (2,997)	$ 385,955
Net income		–	454	–	–	454
Distributions paid	11	–	–	(35,112)	–	(35,112)
Distributions payable	11	–	–	(4,555)	–	(4,555)
Public offering of units	13	110,022	–	–	–	110,022
Distribution Reinvestment Plan		16,002	–	–	–	16,002
Unit Purchase Plan		141	–	–	–	141
Deferred Unit Incentive Plan		318	–	–	–	318
Redemption of Units		(30)	–	–	–	(30)
Issue costs	13	(5,400)	–	–	–	(5,400)
Equity component of convertible debenture	9	600	–	–	–	600
Change in foreign currency translation adjustment		–	–	–	(287)	(287)
Unitholders' equity, September 30, 2004		$ 517,814	$ 12,627	$ (59,049)	$ (3,284)	$ 468,108

(unaudited) (in thousands of dollars)	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Cumulative Foreign Currency Translation Adjustment	Total
Unitholders' equity, July 1, 2003	$ 335,455	$ –	$ –	$ (1,728)	$ 333,727
Net income	–	6,282	–	–	6,282
Distributions	–	–	(8,982)	–	(8,982)
Distribution Reinvestment Plan	2,672	–	–	–	2,672
Unit Purchase Plan	1,251	–	–	–	1,251
Deferred Unit Incentive Plan	9	–	–	–	9
Change in foreign currency translation adjustment	–	–	–	(65)	(65)
Unitholders' equity, September 30, 2003	$ 339,387	$ 6,282	$ (8,982)	$ (1,793)	$ 334,894

Commercial Real Estate Division of Dundee Realty Corporation
Combined Statement of Divisional Equity

(unaudited) (in thousands of dollars)	For the Six Months Ended June 30, 2003
Divisional equity, January 1, 2003	$ 290,594
Net income	4,113
Change in foreign currency translation adjustment	(2,471)
Net funds transferred to Dundee Realty Corporation	(15,717)
Divisional equity, June 30, 2003	$ 276,519

See accompanying notes to the consolidated and combined financial statements.

Dundee Real Estate Investment Trust
and Commercial Real Estate Division of Dundee Realty Corporation
Statements of Cash Flows

		For the Three Months Ended September 30		For the Nine Months Ended September 30		
		2004	2003	**2004**	2003	
		Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
(unaudited) (in thousands of dollars)	Note				July 1 to September 30	January 1 to June 30
Generated from (utilized in) operating activities						
Net income		**$ 7,302**	$ 6,282	**$ 454**	$ 6,282	$ 4,113
Non-cash items:						
Depreciation of rental properties		**6,605**	2,266	**19,579**	2,266	4,439
Amortization of deferred leasing costs and intangibles		**3,764**	1,392	**9,161**	1,392	2,897
Amortization of of marked-to-market adjustment on acquired debt		**(315)**	(75)	**(1,123)**	(75)	(155)
Provision for impairment in value of rental property		**–**	–	**19,729**	–	–
Gain on disposal of rental properties		**(443)**	–	**(3,016)**	–	–
Future income taxes		**(1,946)**	(33)	**(1,988)**	(33)	1,675
Straight-line rent adjustment		**(1,140)**	–	**(3,375)**	–	–
		13,827	9,832	**39,421**	9,832	12,969
Deferred leasing costs incurred		**(4,868)**	(1,551)	**(9,123)**	(1,551)	(2,921)
Change in non-cash working capital	20	**1,646**	1,276	**6,669**	1,276	(466)
		10,605	9,557	**36,967**	9,557	9,582
Generated from (utilized in) investing activities						
Investment in rental properties	4	**(1,100)**	(1,353)	**(5,751)**	(1,353)	(4,309)
Acquisition of rental properties	3	**(60)**	–	**(153,990)**	–	(861)
Investment in mezzanine loan	7	**–**	–	**(10,476)**	–	–
Net proceeds from disposal of rental property		**742**	–	**5,772**	–	–
Change in restricted cash, net		**84**	424	**(637)**	424	(106)
		(334)	(929)	**(165,082)**	(929)	(5,276)
Generated from (utilized in) financing activities						
Mortgage principal repayments		**(3,658)**	(2,150)	**(11,286)**	(2,150)	(7,094)
Mortgages placed		**–**	–	**71,912**	–	50,918
Mortgage lump sum repayments		**–**	–	**(49,802)**	–	(32,411)
Term debt placed		**–**	–	**60,553**	–	–
Term debt principal repayments		**(202)**	(230)	**(679)**	(230)	(1,071)
Term debt lump sum repayments		**–**	–	**(79,994)**	–	–
Convertible debentures issued net of costs		**(517)**	–	**71,432**	–	–
Demand revolving credit facility, net		**–**	–	**(7,026)**	–	–
Distributions paid	11	**(8,242)**	(3,297)	**(22,710)**	(3,297)	–
Units issued net of costs		**47**	1,251	**103,382**	1,251	–
Net funds transferred from the Division		**–**	–	**–**	–	(15,717)
		(12,572)	(4,426)	**135,782**	(4,426)	(5,375)
Increase (decrease) in cash and cash equivalents		**(2,301)**	4,202	**7,667**	4,202	(1,069)
Cash and short-term deposits, beginning of period		**13,944**	1,582	**3,976**	1,582	2,651
Cash and short-term deposits, end of period		**$ 11,643**	$ 5,784	**$ 11,643**	$ 5,784	$ 1,582

See accompanying notes to the consolidated and combined financial statements.

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) (in thousands of dollars, except unit or per unit amounts)

1. Basis of Financial Statement Presentation

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

Dundee REIT was formed in connection with the reorganization of the business of Dundee Realty Corporation ("DRC") on June 30, 2003 pursuant to which substantially all of the commercial real estate division of DRC (the "Division") and a 50% joint interest in its property management business were transferred to Dundee REIT (the "Transfer").

These financial statements present the financial position of Dundee REIT at September 30, 2004 and December 31, 2003 and the results of its operations and cash flows for the three and nine months ended September 30, 2004 and the three months ended September 30, 2003 and the results of operations and cash flows of the Division for the six months ended June 30, 2003.

The assets and liabilities of the Division acquired in the Transfer have been measured by Dundee REIT under the continuity of interests accounting method at DRC's historical carrying amounts at June 30, 2003 as there was no substantive change in the ultimate ownership interests in the Division. Because the continuity of interests method of accounting has been used, results of operations and cash flows of the Division have been presented as comparative information for Dundee REIT.

The combined financial statements of the Division present the results of operations and cash flows of the Division, had the Division been accounted for on a stand-alone basis, and include the Division's proportionate share of the revenues and expenses of joint ventures in which it participates. The Division was not a legal entity. With respect to the Division, management derived all balances except for general and administrative expenses, income taxes and capital and large corporations taxes from the financial records of DRC specific to the properties and entities acquired. Capital, large corporations taxes and general and administrative expenses were allocated to the Division based on the net book value of the properties acquired by Dundee REIT relative to the total net book value of the properties of DRC. Income taxes were determined based on the operation of the Division, as if it were a taxable entity.

The combined financial statements of the Division are not necessarily indicative of the results that would have been attained if the Division had been operated as a separate legal entity during the periods presented and therefore are not necessarily indicative of future operating results. No adjustments were made to the Divisional financial statements to reflect incremental changes to the cost structure as a result of the Transfer.

References herein to the "Trust" refer collectively to Dundee REIT subsequent to June 30, 2003 and to the Division for periods prior to and including June 30, 2003.

2. Summary of Significant Accounting Policies

The disclosure requirements for interim financial statements do not conform in all respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual financial statements. These interim financial statements should be read in conjunction with the financial statements of Dundee REIT as at, and for the six months ended December 31, 2003 and of the Division as at, and for the six months ended June 30, 2003. These statements are in conformity with the requirements of GAAP for interim financial statements as recommended in the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, "Interim Financial Statements."

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

These financial statements follow the same accounting policies and the methods of their application as used in the December 31, 2003 audited consolidated financial statements except as discussed below:

Revenue Recognition

Effective January 1, 2004, the Trust adopted the straight-line method of rental revenue recognition whereby any contractual rent increases over the term of a lease are recognized in income evenly over that term. Previously, rental revenue was recognized as rents became due. The difference between the amount recorded as revenue under the straight-line method and cash rents received is included in amounts receivable. This change in accounting policy has been applied prospectively and had the effect of increasing revenues and net income for the three months ended September 30, 2004 by $1,140 and the nine months ended September 30, 2004 by $3,375.

Rental Properties

Effective January 1, 2004, the Trust adopted the straight-line method of depreciation for rental properties. Previously, rental properties were depreciated using the sinking fund method. The estimated useful life of the properties continues to be between 30 and 40 years. This change in accounting policy has been applied prospectively and had the effect of increasing depreciation of rental properties and reducing net income for the three months ended September 30, 2004 by approximately $3,600 and for the nine months ended September 30, 2004 by approximately $10,900.

In accordance with the CICA Emerging Issues Committee Abstracts No. 137 and No. 140 effective for property acquisitions initiated after September 12, 2003, the purchase price of a rental property is allocated to land, building, deferred leasing costs acquired including tenant improvements and lease origination costs associated with in-place leases, the value of above and below market leases and other intangible lease assets. Other intangible lease assets include the value of in-place leases and the value of tenant relationships, if any.

The values of the above and below market leases are amortized to rental property revenues over the remaining term of the associated lease. The value associated with tenant relationships is amortized over the expected term of the relationship, which includes an estimated probability of the lease renewal and the estimated term. In the event a tenant vacates its leased space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be expensed. The tenant improvements, value of in-place leases and lease origination costs associated with in-place leases are amortized as an expense over the remaining term of the lease or expensed in full in the event the lease is terminated prior to its contractual expiration date.

Impairment of Long-lived Assets

Effective January 1, 2004, Dundee REIT prospectively adopted the recommendations of CICA Handbook Section 3063, "Impairment of Long-lived Assets."

This new standard requires a two-step process for determining when an impairment of rental properties and other long-lived assets should be recognized in the financial statements. When impairment is determined to exist, the impaired asset is written down to fair value. Prior to January 1, 2004, rental properties were stated at the lower of historic cost less accumulated depreciation and net recoverable amount. This change in accounting policy had no impact on adoption.

Discontinued Operations

On May 1, 2003, the Trust adopted the requirements of new CICA Handbook Section 3475, "Disposal of Long-lived Assets and Discontinued Operations." This new standard requires the Trust to reclassify assets initiated as held for sale subsequent to May 1, 2003 and separate any net income/loss and gain/loss on disposal as discontinued operations. Also, assets held for sale are no longer depreciated. The impact of this new standard is described in Note 18.

This standard does not apply to dispositions where the commencement of the sale process was initiated prior to May 1, 2003. This was the case with the March 2004 disposition of Centennial Mall.

Convertible Debentures

Convertible debentures are separated into debt and equity components. These components have been measured at their respective estimated fair values at the date of issuance. The debt component has been estimated as the present value of future interest and principal payments due under the terms of the debenture. The value assigned to the equity component is the estimated fair value ascribed to the holders' option to convert the debentures into units.

3. Acquisitions

On February 19, 2004, the Trust completed the purchase of the Pauls Portfolio for a purchase price of $169,515. This portfolio consists of approximately 1.5 million square feet of newly constructed office, industrial and flex space properties located in Toronto and Calgary. Earnings from the date of acquisition are included in the statements of net income.

The Trust acquired the remaining 16.4% interest in 222-230 Queen Street in Ottawa, increasing its ownership percentage in the building to 100%. The purchase price for this interest was $6,041. Earnings from March 1, 2004 are included at 100% in the statements of net income.

The Trust completed the acquisition of a 50% interest in 720 Bay Street in Toronto for a purchase price of $26,043. The net cash outlay for this transaction was $5,540. This property's operating results are included in these financial statements from April 1, 2004.

The Trust acquired the Geo-X Building in Calgary for a purchase price of $6,565, paid entirely in cash. This property's operating results are included in these financial statements from May 12, 2004.

The Trust acquired a 13-building portfolio of office properties in Montréal for a purchase price of $64,529, paid entirely in cash. This property's operating results are included in these financial statements from June 21, 2004.

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

	For the Nine Months Ended September 30, 2004
Rental properties	
Land	$ 48,816
Buildings	183,136
	231,952
Deferred leasing costs	
Deferred leasing costs acquired	8,965
Intangible assets	
Value of in-place leases	13,255
Lease origination costs	4,399
Value of above market rent leases	3,438
Value of tenant relationships	14,277
	276,286
Intangible liabilities	
Value of below market rent leases	(3,279)
Accounts payable and accrued liabilities	(314)
Total purchase price	$ 272,693
The consideration paid consists of:	
Cash	
Paid in period	$ 153,990
Deposit (Note 7)	14,300
	168,290
Assumed mortgages	102,866
Assumed accounts payable and accrued liabilities	1,537
Total consideration	$ 272,693

As at September 30, 2004, the allocation of the purchase price to fair values of certain assets acquired and liabilities assumed has not been finalized and may be subject to adjustment.

4. Rental Properties

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Land	$ 195,624	$ 159,940
Buildings and building improvements	916,425	788,746
Equipment	5,331	5,724
	1,117,380	954,410
Accumulated depreciation	(54,418)	(39,360)
Total	$1,062,962	$ 915,050

During the nine months ended September 30, 2004, non-cash changes in working capital items related to investment in rental properties amounted to $625 (three months ended September 30, 2003 – $344; six months ended June 30, 2003 – $1,587).

5. Deferred Costs

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Deferred leasing costs	**$ 34,327**	$ 25,605
Deferred recoverable costs	**8,474**	9,431
Deferred financing costs	**6,379**	2,010
Other deferred costs	**957**	1,131
Total	**$ 50,137**	$ 38,177

Deferred leasing costs are net of accumulated amortization of $15,950 at September 30, 2004 (December 31, 2003 – $12,153).

6. Amounts Receivable

Amounts receivable are net of credit adjustments of $3,195 at September 30, 2004 (December 31, 2003 – $1,546). Total U.S. dollar denominated amounts receivable relating to self-sustaining foreign operations are US$280 as at September 30, 2004 (December 31, 2003 – US$995). Amounts receivable include straight-line rents and deferred free rents receivable of $5,559 as at September 30, 2004 (December 31, 2003 – $2,134 relating only to deferred free rents receivable).

7. Prepaid Expenses and Other Assets

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Prepaid expenses	**$ 4,789**	$ 5,711
Mezzanine loan	**10,880**	–
Deposits	**283**	14,315
Restricted cash	**13,286**	12,680
Total	**$ 29,238**	$ 32,706

On February 19, 2004, the Trust provided a mezzanine loan to a third party to finance certain development projects. The loan bears interest at 11% annually and is to be repaid on the earlier of February 19, 2014 or the date the development projects are sold. Interest is accrued monthly and payment is contingent on the cash flows generated by the development. To date, no interest has been received. The loan is subordinate to all third-party debt of the borrower.

Deposits at December 31, 2003 included a $14,300 payment with respect to an agreement to acquire certain rental properties as described in Note 3.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages and bank loans drawn on a line of credit.

8. Intangibles

	Dundee REIT Consolidated	
Intangible assets	**September 30, 2004**	December 31, 2003
Value of above market rent leases	**$ 3,084**	$ –
Value of in-place leases	**11,288**	–
Lease origination costs	**4,020**	–
Value of tenant relationships	**13,511**	–
Total	**$ 31,903**	$ –

Intangible assets are net of accumulated amortization of $3,466 at September 30, 2004 (December 31, 2003 – $nil).

	Dundee REIT Consolidated	
Intangible liabilities	**September 30, 2004**	December 31, 2003
Value of below market rent leases	**$ 2,850**	$ –

Intangible liabilities are net of accumulated amortization of $428 at September 30, 2004 (December 31, 2003 – $nil).

9. Debt

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Mortgages	**$ 591,143**	$ 480,858
Term debt	**23,419**	84,665
Convertible debentures	**74,415**	–
Demand revolving credit facility	**–**	7,026
Demand non-revolving credit facility	**6,332**	6,619
Total	**$ 695,309**	$ 579,168

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

On June 21, 2004, the Trust issued $75,000 of convertible unsecured subordinated debentures. The debentures bear interest at 6.5% per annum, payable semi-annually and mature on June 30, 2014. Each debenture is convertible at any time by the holder into 40 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of $25.00 per unit. The debentures may not be redeemed prior to June 30, 2008. On or after June 30, 2008, but prior to June 30, 2010, the debentures may be redeemed in whole or in part at a price equal to the principal amount plus accrued and unpaid interest provided that the weighted average closing price of a REIT Unit, Series A on the Toronto Stock Exchange for the 20 consecutive days ending five trading days preceding the date on which the notice of redemption is given, is not less than $31.25. On or after June 30, 2010, the debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest.

In accordance with recent amendments to Section 3860 of the CICA Handbook, the convertible debentures have been recorded on the balance sheet as debt of $74,400 and equity of $600. The discount and issue costs related to the offering are amortized to interest expense over ten years.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $55,000, bearing interest generally at the bank prime rate (4.00% as at September 30, 2004) plus 0.75% per annum or bankers' acceptance rates. The facility is secured by a first ranking collateral mortgage on five of the Trust's properties and a second ranking collateral mortgage on two properties. As at September 30, 2004, the maximum amount available under such facility was $54,556, of which $2,076 (December 31, 2003 – $2,925) was utilized in the form of letters of guarantee. As at September 30, 2004, the amount still available on this facility was $52,480.

The demand non-revolving U.S. dollar term loan facility is secured by a Canadian dollar deposit and amounts to US$4,971 at September 30, 2004 (December 31, 2003 – US$4,971). The facility bears interest at the bank's U.S. base rate plus 0.25% per annum, and is due on December 31, 2004 unless otherwise renewed or extended.

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

	Weighted Average Interest Rates as at			Debt Amount	
	September 30, 2004	December 31, 2003	Maturity Dates	**September 30, 2004**	December 31, 2003
Fixed rate					
Mortgages	**6.76%**	6.93%	2004 to 2014	**$ 591,143**	$ 480,858
Term debt	**7.42%**	7.70%	2008	**318**	65,461
Convertible debenture	**6.63%**	–	2014	**74,415**	–
Total fixed rate	**6.74%**	7.02%		**665,876**	546,319
Variable rate					
Term debt	**4.32%**	5.51%	2007	**23,101**	19,204
Demand revolving credit facility	**–**	5.50%	–	**–**	7,026
Demand non-revolving credit facility	**5.25%**	4.75%	2004	**6,332**	6,619
Total variable rate	**4.52%**	5.35%		**29,433**	32,849
Total debt	**6.65%**	6.93%		**$ 695,309**	$ 579,168

Total variable rate term debt outstanding at September 30, 2004 bears interest generally at the rate of one month bankers' acceptance plus 2.15% (December 31, 2003 – plus 2.75%). At September 30, 2004, the rate of one month bankers' acceptance was 2.17% (December 31, 2003 – 2.76%).

Mortgages include US$20,113 of debt at September 30, 2004 (December 31, 2003 – US$20,472) secured by assets located in the United States relating to self-sustaining foreign operations.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term Debt	Convertible Debenture	Demand Non-Revolving Credit Facility	**September 30, 2004 Total**
Remainder of 2004	$ 13,142	$ 73	$ –	$ 6,332	**$ 19,547**
2005	23,721	530	–	–	**24,251**
2006	65,004	478	–	–	**65,482**
2007	49,150	22,338	–	–	**71,488**
2008	89,222	–	–	–	**89,222**
2009 and thereafter	350,904	–	74,415	–	**425,319**
Total	$ 591,143	$ 23,419	$ 74,415	$ 6,332	**$ 695,309**

10. Amounts Payable and Accrued Liabilities

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Trade payables	**$ 1,566**	$ 1,450
Accrued liabilities and other payables	**13,061**	10,682
Accrued interest	**4,952**	3,324
Deposits	**4,947**	3,565
Deferred revenue	**895**	1,696
Total	**$ 25,421**	$ 20,717

Total U.S. dollar denominated amounts payable and accrued liabilities relating to self-sustaining foreign operations are US$684 at September 30, 2004 (December 31, 2003 – US$975).

11. Distributions

The following table sets out Dundee REIT's distributions for the nine months ended September 30, 2004.

	REIT Units, Series A	LP Class B Units, Series 1	Total
Paid in cash	$ 22,710	$ –	$ 22,710
Paid by way of reinvestment in units	3,252	12,750	16,002
Less: Payable at December 31, 2003	(2,227)	(1,373)	(3,600)
Plus: Payable at September 30, 2004	3,081	1,474	4,555
Total	$ 26,816	$ 12,851	$ 39,667

The amount payable at September 30, 2004 was satisfied on October 15, 2004 by way of $2,743 in cash and $1,812 by way of 13,657 REIT Units, Series A and 59,181 LP Class B Units, Series 1. Included in the total distributions is the 4% additional distribution in the amount of $615 (September 30, 2003 – $121) that forms part of the distribution reinvestment plan.

12. Future Income Taxes

During the quarter, the Trust recorded a $1,900 future income tax recovery to adjust its estimate of the tax basis in its U.S. properties to amounts reported in recently filed tax returns.

13. Unitholders' Equity

	REIT Units, Series A		LP Class B Units, Series 1		Cumulative Foreign Currency Translation Adjustment	Total	
	Number of Units	Amount	Number of Units	Amount		Number of Units	Amount
Unitholders' equity, January 1, 2004	12,094,217	$ 242,959	7,211,431	$ 145,993	$ (2,997)	19,305,648	$ 385,955
Net income	–	143	–	311	–	–	454
Distributions paid	–	(23,735)	–	(11,377)	–	–	(35,112)
Distributions payable	–	(3,081)	–	(1,474)	–	–	(4,555)
Public offering of units	4,537,000	110,022	–	–	–	4,537,000	110,022
Distribution Reinvestment Plan	136,569	3,252	534,563	12,750	–	671,132	16,002
Unit Purchase Plan	5,910	141	–	–	–	5,910	141
Deferred Unit Incentive Plan	4,712	318	–	–	–	4,712	318
Redemption of units	(1,479)	(30)	–	–	–	(1,479)	(30)
Issue costs	–	(5,400)	–	–	–	–	(5,400)
Equity component of convertible debenture	–	600	–	–	–	–	600
Change in foreign currency translation adjustment	–	–	–	–	(287)	–	(287)
Unitholders' equity, September 30, 2004	16,776,929	$ 325,189	7,745,994	$ 146,203	$ (3,284)	24,522,923	$ 468,108

Public Offering of Units

On February 19, 2004, Dundee REIT completed a public offering for gross cash proceeds of $110,022 through the issuance of 4,537,000 REIT Units, Series A at a price of $24.25 per unit. Costs relating to the offering totalled $5,400 and were charged directly to unitholders' equity.

Distribution Reinvestment Plan

For the nine months ended September 30, 2004, 136,569 REIT Units, Series A and 534,563 LP Class B Units, Series 1 were issued under the Distribution Reinvestment Plan for $3,252 and $12,750, respectively.

Unit Purchase Plan

For the nine months ended September 30, 2004, 5,910 REIT Units, Series A were issued under the Unit Purchase Plan for $141.

Deferred Unit Incentive Plan

On September 16, 2004, an additional 71,700 Deferred Trust Units were granted with a grant date value of $24.25. At September 30, 2004, a total of 158,600 Deferred Trust Units had been granted with a weighted average grant-date valuea of $22.66 per unit. During the nine months ended September 30, 2004, $318 of compensation expense was recorded and is included in general and administrative expenses. During the nine months ended September 30, 2004, 19,100 Deferred Trust Units, and 1,865 Income Deferred Trust Units vested for which 4,712 REIT Units, Series A were issued under the plan. The remaining 16,253 vested units will be issued at a later date at the discretion of the unitholder, pursuant to the terms of the plan.

14. Interest

Interest incurred and charged to earnings is recorded as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2004	2003	**2004**	2003	
	Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
				July 1 to September 30	January 1 to June 30
Interest expense incurred, at stated rate of debt	**$ 11,770**	$ 8,314	**$ 32,129**	$ 8,314	$ 16,499
Amortization of deferred financing costs	**306**	242	**665**	242	404
Marked-to-market adjustment to rate	**(315)**	(75)	**(1,123)**	(75)	(155)
Interest expense	**$ 11,761**	$ 8,481	**$ 31,671**	$ 8,481	$ 16,748

Certain debt assumed on acquisitions completed in current and prior years has been adjusted to fair value using the market interest rate at the time of the acquisition ("marked-to-market"). This marked-to-market adjustment is amortized to interest expense and principal repayments over the remaining life of the debt.

Cash interest paid in the nine months ended September 30, 2004 is $30,267 (three months ended September 30, 2003 – $5,826; six months ended June 30, 2003 – $19,279).

15. Net Income Per Unit

For the three and nine months ended September 30, 2004, the weighted average number of units outstanding was as follows:

	Dundee REIT Consolidated		
	For the Three Months Ended September 30, 2004	For the Three Months Ended September 30, 2003	**For the Nine Months Ended September 30, 2004**
	Weighted Average Number of Units Outstanding	Weighted Average Number of Units Outstanding	**Weighted Average Number of Units Outstanding**
REIT Units, Series A	16,753,593	9,381,232	15,892,695
LP Class B Units, Series 1	7,657,481	6,950,137	7,476,161
Total weighted average number of units outstanding	24,411,074	16,331,369	23,368,856

For the nine months ended September 30, 2004, Deferred Trust Units and Income Deferred Trust Units resulted in approximately 28,214 and 5,370 incremental units for diluted per unit amount calculations, respectively.

The 1,116,788 incremental units of an assumed conversion of convertible debentures for the nine months ended September 30, 2004 (three months ended September 30, 2004 – 3,000,000 incremental units) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

16. Segmented Information

The Trust's rental properties have been segmented into office, industrial and retail components because of the marketing, leasing and operating strategies unique to each.

The accounting policies of the segments are as described in the summary of significant accounting policies. The Trust does not allocate interest expense to these segments, since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes, and general and administrative expenses are not allocated to the segment expenses. All inter-segment revenues have been eliminated from the financial statements and the following tables.

A. By Activity

Dundee REIT **For the Three Months Ended September 30, 2004**	**Office**	**Industrial**	**Retail**	**Total**
Operations				
Revenues	$ 29,690	$ 15,245	$ 3,137	$ 48,072
Operating expenses	(14,023)	(5,223)	(1,782)	(21,028)
Net operating income	15,667	10,022	1,355	27,044
Depreciation of rental properties	(3,842)	(2,258)	(505)	(6,605)
Amortization of deferred leasing costs and intangibles	(1,712)	(1,837)	(215)	(3,764)
Segment income	$ 10,113	$ 5,927	$ 635	16,675
Interest expense				(11,761)
General and administrative expenses				(1,145)
Interest and fee income, net				583
Income taxes				1,917
Income before discontinued operations				$ 6,269
Segment rental properties	$ 596,434	$ 396,774	$ 69,754	$1,062,962
Capital expenditures				
Investment in rental properties	$ (90)	$ (909)	$ (101)	$ (1,100)
Acquisition of rental properties	(44)	(16)	–	(60)
Deferred leasing costs	(2,866)	(1,047)	(955)	(4,868)
Total capital expenditures	$ (3,000)	$ (1,972)	$ (1,056)	$ (6,028)

Dundee REIT For the Three Months Ended September 30, 2003	Office	Industrial	Retail	Total
Operations				
Revenues	$ 21,918	$ 9,696	$ 3,372	$ 34,986
Operating expenses	(10,975)	(3,480)	(1,710)	(16,165)
Net operating income	10,943	6,216	1,662	18,821
Depreciation of rental properties	(1,243)	(634)	(234)	(2,111)
Amortization of deferred leasing costs	(783)	(378)	(106)	(1,267)
Segment income	$ 8,917	$ 5,204	$ 1,322	15,443
Interest expense				(8,481)
General and administrative expenses				(994)
Interest and fee income, net				190
Income taxes				18
Income before discontinued operations				$ 6,176
Capital expenditures				
Investment in rental properties	$ (745)	$ (303)	$ (305)	$ (1,353)
Deferred leasing costs	(1,306)	(156)	(89)	(1,551)
Total capital expenditures	$ (2,051)	$ (459)	$ (394)	$ (2,904)

Dundee REIT **For the Nine Months Ended September 30, 2004**	**Office**	**Industrial**	**Retail**	**Total**
Operations				
Revenues	**$ 85,187**	**$ 42,517**	**$ 9,650**	**$ 137,354**
Operating expenses	**(41,376)**	**(14,893)**	**(5,292)**	**(61,561)**
Net operating income	**43,811**	**27,624**	**4,358**	**75,793**
Depreciation of rental properties	**(10,912)**	**(6,344)**	**(1,548)**	**(18,804)**
Amortization of deferred leasing costs and intangibles	**(3,826)**	**(4,579)**	**(495)**	**(8,900)**
Segment income	**$ 29,073**	**$ 16,701**	**$ 2,315**	**48,089**
Interest expense				**(31,671)**
General and administrative expenses				**(3,302)**
Interest and fee income, net				**1,595**
Gain on disposal of revenue property				**166**
Income taxes				**1,921**
Income before discontinued operations				**$ 16,798**
Segment rental properties	**$ 596,434**	**$ 396,774**	**$ 69,754**	**$ 1,062,962**
Capital expenditures				
Investment in rental properties	**$ (535)**	**$ (3,696)**	**$ (1,520)**	**$ (5,751)**
Acquisition of rental properties	**(71,519)**	**(82,471)**	**–**	**(153,990)**
Deferred leasing costs	**(4,712)**	**(2,525)**	**(1,886)**	**(9,123)**
Total capital expenditures	**$ (76,766)**	**$ (88,692)**	**$ (3,406)**	**$ (168,864)**

Division of DRC For the Six Months Ended June 30, 2003	Office	Industrial	Retail	Total
Operations				
Revenues	$ 43,254	$ 19,416	$ 7,297	$ 69,967
Operating expenses	(23,997)	(8,189)	(3,948)	(36,134)
Net operating income	19,257	11,227	3,349	33,833
Depreciation of rental properties	(2,442)	(1,238)	(472)	(4,152)
Amortization of deferred leasing costs	(1,562)	(777)	(203)	(2,542)
Segment income	$ 15,253	$ 9,212	$ 2,674	27,139
Interest expense				(16,748)
General and administrative expenses				(3,339)
Interest and fee income, net				656
Income taxes				(3,562)
Income before discontinued operations				$ 4,146
Capital expenditures				
Investment in rental properties	$ (2,086)	$ (1,688)	$ (535)	$ (4,309)
Acquisition of rental properties	–	(3)	(858)	(861)
Deferred leasing costs	(1,314)	(946)	(661)	(2,921)
Total capital expenditures	$ (3,400)	$ (2,637)	$ (2,054)	$ (8,091)

B. By Country

Dundee REIT For the Three Months Ended September 30, 2004	**Canada**	**U.S.**	**Total**
Operations			
Revenues	**$ 45,624**	**$ 2,448**	**$ 48,072**
Operating expenses	**(19,583)**	**(1,445)**	**(21,028)**
Net operating income	**26,041**	**1,003**	**27,044**
Depreciation of rental properties	**(6,183)**	**(422)**	**(6,605)**
Amortization of deferred leasing costs and intangibles	**(3,702)**	**(62)**	**(3,764)**
Segment income	**$ 16,156**	**$ 519**	**$ 16,675**
Segment rental properties	**$ 1,006,812**	**$ 56,150**	**$ 1,062,962**
Capital expenditures			
Investment in rental properties	**$ (1,011)**	**$ (89)**	**$ (1,100)**
Acquisition of rental properties	**(60)**	**–**	**(60)**
Deferred leasing costs	**(4,846)**	**(22)**	**(4,868)**
Total capital expenditures	**$ (5,917)**	**$ (111)**	**$ (6,028)**

Dundee REIT For the Three Months Ended September 30, 2003	Canada	U.S.	Total
Operations			
Revenues	$ 32,506	$ 2,480	$ 34,986
Operating expenses	(14,818)	(1,347)	(16,165)
Net operating income	17,688	1,133	18,821
Depreciation of rental properties	(1,924)	(187)	(2,111)
Amortization of deferred leasing costs	(1,212)	(55)	(1,267)
Segment income	$ 14,552	$ 891	$ 15,443
Capital expenditures			
Investment in rental properties	$ (1,063)	$ (290)	$ (1,353)
Deferred leasing costs	(1,551)	–	(1,551)
Total capital expenditures	$ (2,614)	$ (290)	$ (2,904)

Dundee REIT **For the Nine Months Ended September 30, 2004**	**Canada**	**U.S.**	**Total**
Operations			
Revenues	**$ 129,823**	**$ 7,531**	**$ 137,354**
Operating expenses	**(57,346)**	**(4,215)**	**(61,561)**
Net operating income	**72,477**	**3,316**	**75,793**
Depreciation of rental properties	**(17,516)**	**(1,288)**	**(18,804)**
Amortization of deferred leasing costs and intangibles	**(8,677)**	**(223)**	**(8,900)**
Segment income	**$ 46,284**	**$ 1,805**	**$ 48,089**
Segment rental properties	**$ 1,006,812**	**$ 56,150**	**$ 1,062,962**
Capital expenditures			
Investment in rental properties	**$ (4,250)**	**$ (1,501)**	**$ (5,751)**
Acquisition of rental properties	**(153,990)**	**–**	**(153,990)**
Deferred leasing costs	**(9,029)**	**(94)**	**(9,123)**
Total capital expenditures	**$ (167,269)**	**$ (1,595)**	**$ (168,864)**

Division of DRC For the Six Months Ended June 30, 2003	Canada	U.S.	Total
Operations			
Revenues	$ 64,542	$ 5,425	$ 69,967
Operating expenses	(33,122)	(3,012)	(36,134)
Net operating income	31,420	2,413	33,833
Depreciation of rental properties	(3,773)	(379)	(4,152)
Amortization of deferred leasing costs	(2,437)	(105)	(2,542)
Segment income	$ 25,210	$ 1,929	$ 27,139
Capital expenditures			
Investment in rental properties	$ (3,987)	$ (322)	$ (4,309)
Acquisition of rental property	(861)	–	(861)
Deferred leasing costs	(2,751)	(170)	(2,921)
Total capital expenditures	$ (7,599)	$ (492)	$ (8,091)

17. Related Party Transactions and Arrangements

From time to time Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Prior to June 30, 2003, transactions entered into by the Division were not significant to these financial statements.

Effective June 30, 2003, Dundee REIT, Dundee Properties Limited Partnerships ("DPLP") and Dundee Management Limited Partnership ("DMLP") entered into a property management agreement and an administrative services agreement (the "Management Agreement" and the "Services Agreement"). Effective June 30, 2003, DMLP and DRC entered into an administrative services agreement (the "DRC Services Agreement").

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

Fees Received	**For the Three Months ended September 30, 2004**	For the Three Months ended September 30, 2003	**For the Nine Months ended September 30, 2004**
Rent supplement received by Dundee REIT under the Management Agreement (included in rental properties revenue)	**$ 814**	$ 1,098	**$ 2,690**
Fees and rental income received by Dundee REIT under the DRC Services Agreement	**$ 113**	$ 113	**$ 338**
Fees Paid			
Fees paid by Dundee REIT under the Management Agreement			
Management fees, included in rental properties' operating expenses	**$ 769**	$ 664	**$ 2,287**
Construction fees, capitalized to the related assets	**$ 111**	$ 158	**$ 290**
Lease administration fees, included in deferred leasing costs	**$ 328**	$ 97	**$ 697**
Fees paid by Dundee REIT under the Services Agreement			
Acquisition and financing fees, capitalized to the related assets	**$ 72**	$ 107	**$ 373**

Included in amounts receivable at September 30, 2004 is $43 (December 31, 2003 – $177) relating to the above agreements.

Included in accrued liabilities and other payables at September 30, 2004 is $206 (December 31, 2003 – $444) relating to the above agreements.

Substantially all of Dundee REIT's services are to be provided by DMLP and, accordingly, Dundee REIT relies on DMLP to continue to provide such services.

18. Held for Sale and Discontinued Operations

On June 30, 2004, the Trust disposed of its interest in 6500 Kitimat Road in Mississauga, Ontario for gross proceeds after selling costs of $4,941 of which $1,905 was used to retire outstanding debt. A gain of $2,397 was recognized on the disposition.

The Trust has entered into an agreement to sell Northgate Mall in Regina, Saskatchewan for proceeds of approximately $44,800. A portion of the proceeds will be used to retire approximately $35,000 of debt. An impairment provision of $19,729 was recorded in the period ended June 30, 2004 to reflect the expected loss on disposition. The sale is expected to close in the fourth quarter.

On July 22, 2004 the Trust disposed of its interest in 2000 Rue Halpern, a single tenant industrial building in Montréal, for $3,400. The proceeds were used to retire $2,530 of debt and a gain of $453 was recognized on the disposition.

The operating results of these properties for 2003 and 2004 have been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475.

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2004	2003	**2004**	2003	
	Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
				July 1 to September 30	January 1 to June 30
Revenues	**$ 1,956**	$ 2,180	**$ 6,095**	$ 2,180	$ 4,573
Expenses	**(969)**	(1,048)	**(2,888)**	(1,048)	(2,359)
Net operating income	**987**	1,132	**3,207**	1,132	2,214
Interest	**(397)**	(746)	**(1,636)**	(746)	(1,527)
Depreciation of rental properties	**–**	(155)	**(775)**	(155)	(287)
Amortization of deferred leasing costs	**–**	(125)	**(261)**	(125)	(355)
Current income and large corporations taxes	**–**	–	**–**	–	(78)
Income (loss) from discontinued operations	**590**	106	**535**	106	(33)
Provision for impairment in value of rental property	**–**	–	**(19,729)**	–	–
Gain on sale of rental property	**443**	–	**2,850**	–	–
Net income (loss) from discontinued operations	**$ 1,033**	$ 106	**$ (16,344)**	$ 106	$ (33)

The following are the assets and liabilities of the property held for sale at September 30, 2004:

	September 30, 2004
Assets	
Rental properties	**$ 38,630**
Deferred costs	**5,119**
Prepaid expenses and other assets	**(17)**
	$ 43,732
Liabilities	
Debt	**$ 34,764**
Amounts payable and accrued liabilities	**408**
	$ 35,172

19. Commitments and Contingencies

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

Purchase Obligation

Through the acquisition of the 13-building portfolio in Montréal, the Trust has acquired leases that provide, in certain circumstances, for some tenants to require the Trust to expand their existing premises through building construction on certain adjacent lands. The terms of these leases include various provisions including renewal obligations of the tenants' existing premises and agreement on the terms of the new space. Furthermore, certain of the leases include provisions that would allow us to charge rates to recover a reasonable return on our investment. The Trust has negotiated purchase options with the owner of the lands to allow these obligations to be met. In addition, three buildings in the portfolio have leases that allow the tenant, subject to various conditions, to purchase the building they occupy from the Trust. Proceeds from these sales will, at a minimum, be at or exceed our costs.

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

20. Supplementary Cash Flow Information

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2004	2003	**2004**		2003
	Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
				July 1 to September 30	January 1 to June 30
Decrease (increase) in accounts receivable	**$ 555**	$ (287)	**$ 3,258**	$ (287)	$ (282)
Decrease (increase) in deferred costs (other than leasing costs)	**(145)**	(988)	**(160)**	(988)	(1,917)
Decrease (increase) in prepaid expenses and other assets (excluding restricted cash and mezzanine loan)	**307**	(2,338)	**64**	(2,338)	(2,582)
Increase (decrease) in accounts payable and accrued liabilities	**929**	4,889	**3,507**	4,889	4,315
Change in non-cash working capital	**$ 1,646**	$ 1,276	**$ 6,669**	$ 1,276	$ (466)

21. Comparative Figures

The comparative figures have been reclassified to conform to the current period's financial statement presentation.

22. Subsequent Event

Effective November 1, 2004, the Trust has agreed to sell its 25% interest in 2301 and 2311 Royal Windsor Drive, two industrial buildings totalling 204,136 square feet located in Toronto. The Trust will receive its share of the proceeds of approximately $2,300, which will be used to retire outstanding debt related to the properties.

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