DUNDEE REIT *2007 Third Quarter Report*

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Letter to unitholders

Our business changed significantly in the third quarter. Following four years of impressive acquisition activity and creating considerable unitholder value, we completed the $2.3 billion sale of two thirds of our portfolio to GE Real Estate ("GE"). In addition to the portfolio acquisition, GE also invested $165 million in Dundee REIT, acquiring 3.5 million units, or a 16% equity interest. The total cash proceeds of both transactions were $1.6 billion, all of which were returned to our unitholders through the acquisition of 33.4 million outstanding units.

The completion of this transaction changed not only the physical composition of our portfolio but also dramatically improved its organic growth potential. We are well positioned to benefit from the continued strength of the Alberta market and also the growing strength of the market in Saskatchewan. With in-place rental rates across our portfolio well below market rates, we expect strong internal growth over the next few years, fuelling continued growth in our key financial metrics.

The transaction also provided us with the opportunity to make certain structural changes to our business that will afford us many benefits over the longer term. In order to complete the transaction with GE, we agreed to qualify for the REIT Exception by the end of 2007, three years ahead of when required. Should Dundee REIT qualify for the REIT Exception, we will no longer be subject to the Normal Growth Guidelines, which will enable us to continue to grow at the pace we deem best. Qualifying early should also help eliminate risk that investors may have or perceive about what may be necessary in order to qualify. With all of the restrictions that this new tax legislation brings to our industry, we saw little need for additional, self-imposed restrictions in our Declaration of Trust and therefore amended it to remove them. We now have more flexibility to grow and to finance our business in more creative and opportunistic ways in order to achieve the highest risk-adjusted returns. We intend to remain conservative in the operation of our business but not constrained.

During the first nine months of the year we completed $613 million of acquisitions, including $244 million of assets in Western Canada that are part of our ongoing portfolio. Subsequent to quarter end, we bought a $36 million property and have developed a healthy acquisition pipeline. In addition we have sold $2.3 billion of assets. As a result, our business today is remarkably different from how we began the year.

Each of our key financial metrics demonstrated continued growth. Net operating income for the quarter is up 36% to $26 million, primarily fuelled by acquisitions, which contributed $5 million. Funds from operations and adjusted funds from operations per unit are both up 4% for the quarter to $0.77 and $0.58 per unit, respectively. However, the balance sheet, our leasing profile and comparative property growth are very important for understanding our performance going forward. We continue to maintain a conservative balance sheet with a very low debt-to-enterprise value of 42.7%. Our average portfolio occupancy remains high at 97% and our average in-place rents have increased, yet are still well below market rents. The performance of our comparative properties exceeded our expectations, producing an impressive 11% increase in comparative net operating income – the ninth consecutive quarterly increase and our largest to date.

The real estate industry is in very good shape. Rents are improving in almost all markets and occupancy is increasing. The market in Calgary remains very strong – we are presently renewing and re-leasing space for around $32 per square foot that is expiring at $15 per square foot. This bodes very well for us as one-third of all of our space comes up for renewal in the next 24 months and we are confident that we will continue to realize on the gap between our contract and market rents over this time.

We would like to continue growing our portfolio and diversify into other markets. Our portfolio is performing very well and every month we are capturing the difference between market rent and contract rent on more than 1% of our space. With such strong internal growth, our business is very valuable. Because of our increased value, our cost of capital has increased. Given the current valuations in the stock market, issuing equity to grow is not attractive; however, we have excess debt capacity and will selectively grow our portfolio by optimizing our debt level.

It is hard to imagine that our business could be in better shape than it is now. The transaction that we completed in the quarter was very well received and provided $1.6 billion of liquidity during a liquidity crunch. Our internal growth rate is the highest that we have ever had. With a much smaller, Western-based portfolio that possesses tremendous potential for organic growth, a more nimble organizational structure and a strong management team, we are well positioned to take advantage of opportunities as they arise.

MICHAEL J. COOPER
Vice Chairman and Chief Executive Officer

Management's discussion and analysis

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

Section I – Objectives and financial highlights

Basis of presentation

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

This Management's Discussion and Analysis has been dated as at October 31, 2007, except where otherwise noted. For simplicity, throughout this discussion we may use "REIT A Units" in reference to our REIT Units, Series A, "REIT B Units" in reference to our REIT Units, Series B and "LP B Units" in reference to our LP Class B Units, Series 1 or collectively as "Units". Certain market information has been obtained from CB Richard Ellis Market View, 3rd Quarter 2007, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

On August 24, 2007, Dundee REIT completed the sale of its portfolio of real estate assets located principally in Ontario, Québec and Newfoundland (the "Eastern Portfolio") to GE Real Estate ("GE") for a total purchase price of approximately $2.3 billion, including the assumption of liabilities by GE relating to the Eastern Portfolio (the "Transaction"). Dundee REIT's portfolio now comprises office and industrial properties located primarily in Western Canada with an estimated market value of approximately $1.5 billion. As a result of this Transaction, Dundee REIT has transformed into a more growth-oriented, opportunistic real estate investment trust. Dundee REIT continues to own the property manager that manages the assets of the REIT. The cash proceeds received on closing were used to redeem approximately 29.9 million outstanding units for $47.50 per unit (the "Redemption"). In addition, GE purchased approximately 3.5 million outstanding units at a purchase price of $47.50 per unit (the "Transfer").

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

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

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

Our objectives

We are committed to:

- Managing our activities to provide growing cash flow, and stable and sustainable returns through adapting our strategy and tactics to changes in the real estate industry and the economy;
- Building a diversified, growth-oriented portfolio of office and industrial properties in Canada, based on an established platform in Western Canada;
- Providing predictable and sustainable cash distributions to unitholders and prudently increasing distributions over time allowing investors to benefit from the growth in its real estate operations; and
- Maintaining a REIT that satisfies the REIT Exception in order to be more competitive in the real estate industry than REITs which have not satisfied the REIT Exception.

Distributions

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

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

	Oct/06	Nov/06	Dec/06	Jan/07	Feb/07	Mar/07	Apr/07	May/07	Jun/07	**July/07**	**Aug/07**	**Sept/07**
Distribution rate	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	**$0.183**	**$0.183**	**$0.183**
Month-end closing price	$34.99	$36.45	$38.65	$39.95	$40.68	$39.70	$40.10	$39.64	$46.00	**$43.35**	**$37.23**	**$38.73**

Our strategy

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

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

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

Effectively managing our business

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

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

Pursuing growth

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

Meeting the needs of our tenants

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

Our assets

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

During the quarter we acquired the Airport Corporate Centre, a 148,000 square foot office building in Calgary, Alberta for approximately $38.2 million. For the nine months, we have completed $613.0 million of acquisitions comprising 3.5 million square feet of office and industrial properties.

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

	September 30, 2007				December 31, 2006	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**390,059**	**–**	**390,059**	**6**	213,632	1
Alberta	**2,656,907**	**1,955,136**	**4,612,043**	**74**	3,952,545	21
Saskatchewan & NWT	**848,858**	**–**	**848,858**	**14**	844,955	5
Ontario	**408,152**	**–**	**408,152**	**6**	406,631	2
Sold properties	**–**	**–**	**–**	**–**	13,015,703	71
Total as at September 30, 2007	**4,303,976**	**1,955,136**	**6,259,112**	**100**	18,433,466	100
Percentage	**69%**	**31%**	**100%**			
Total as at December 31, 2006	10,121,765	8,311,701	18,433,466			
Percentage	55%	45%	100%			

[1] Excludes redevelopment properties and discontinued operations.

Office rental properties

Dundee REIT owns 38 office properties (40 buildings) comprising approximately 4.3 million square feet, excluding redevelopment properties, located in Vancouver, Calgary, Edmonton, Regina, Saskatoon, Yellowknife and Toronto. These office properties can generally be categorized as high-quality, affordable, suburban and downtown buildings. At September 30, 2007, the average occupancy rate across our office portfolio was 98.3%. Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized. The national industry average occupancy rate was 93.0% (CB Richard Ellis, Canadian Office Market View, 3rd Quarter 2007).

Industrial rental properties

Our industrial portfolio consists of 37 prime suburban industrial properties (41 buildings) comprising approximately 2.0 million square feet, concentrated in Calgary and Edmonton. Dundee REIT's strategy is to own clusters of properties, allowing it to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. At September 30, 2007, the average occupancy rate across our industrial portfolio was 94.0%. The market availability rate in both Calgary and Edmonton as at September 30, 2007 was 1.7% and 1.9% respectively (CB Richard Ellis, Canadian Industrial Market View, 3rd Quarter 2007).

Development and redevelopment properties

We were partners in two joint ventures to develop office and prestige industrial properties in major Canadian markets. Effective November 1, 2007, we disposed of our interest in these two joint venture projects to the project co-owner for approximately $16.8 million. As part of the transaction, the Trust has agreed to provide mortgage financing totalling $11.7 million, a portion of which matures on December 31, 2008, and the balance of which matures by December 31, 2009. The financing bears interest at 11%. In addition, the Trust has agreed to acquire, on completion, a 63,000 square foot office building with a long-term lease to a multi-national tenant.

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

Our equity

						Unitholders' equity
	September 30, **2007**			December 31, 2006		
	Number of units		**Amount**	Number of units		Amount
REIT Units, Series A	**17,027,880**	**$**	**284,398**	34,854,553	$	745,348
REIT Units, Series B	**476,316**		**13,938**	–		–
LP Class B Units, Series 1	**3,315,349**		**97,064**	8,565,095		147,879
Cumulative foreign currency translation adjustment	**–**		**(6,319)**	–		(5,116)
Total	**20,819,545**	**$**	**389,081**	43,419,648	$	888,111

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

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

Amendments to Declaration of Trust and other governing documents

Together with the Transaction, we made certain amendments to our Declaration of Trust and to other governing documents of the Trust and its subsidiaries. In general, the Trust and its subsidiaries cannot take any action that would prevent it from qualifying as a "real estate investment trust" and the Trust cannot take any action that at any time prior to January 1, 2008, would cause it to exceed "normal growth" as determined by the Normal Growth Guidelines pertaining to specified investment flow-through trusts or partnerships ("SIFTs"), or to be subject to tax under paragraph 122(1) (b) of the *Income Tax Act*, which specifies taxes payable by a SIFT entity. Also, amendments have been made to provide for the surrender, exchange for purchase or cancellation, or transfer of LP Class A Units, Series 1 and LP Class B Units, Series 2 in connection with the Redemption and Transfer.

Other amendments made to the Declaration of Trust included:

- Dundee Corporation has the right to appoint up to a majority of Trustees less one provided it owns at least an aggregate of 2,000,000 REIT A Units, REIT B Units and/or LP B Units.
- Provision of pre-emptive rights on the issuance of REIT A Units or any securities convertible or exchangeable for or into REIT A Units to both Dundee Corporation and GE to maintain their same proportionate interest in the Trust.

Amendments made to the Partnership Agreement of Dundee Properties Limited Partnership ("DPLP") included:

- The business of DPLP must be located exclusively in Canada.
- DPLP may only invest in equity interests in office and industrial revenue producing properties.
- DPLP may invest in up to 25% of equity of non-qualifying investments subject to meeting the general Trust qualifications discussed above.
- Certain restrictions regarding acquisitions, investments in joint ventures, holding securities, investments in operating businesses, investments in partnerships and investments in mortgages or mortgage bonds have been removed.
- DPLP is permitted to undertake construction and development activities for the maintenance of real property or enhancing the revenue stream from real property provided it is not on a brownfield site.
- Removal of limitations on the maximum amount of total debt as a percentage of the Trust's gross book value, the maximum amount of floating rate debt as a percentage of total debt and the limitation of the maximum amount of new debt as a percentage of the market value of a specific property.
- DPLP will maintain an interest coverage ratio of no less than 1.4 times.

Key performance indicators

Performance is measured by these and other key indicators:

	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
Operations				
Occupancy rate (period-end)[1]	**97.0%**	96.2%		
In-place rent per square foot (office and industrial)[1]	**$ 13.27**	$ 9.71		
Operating results				
Rental properties revenue	**$ 39,633**	$ 29,478	**$ 109,563**	$ 65,483
Net operating income ("NOI")[2]	**25,770**	18,930	**71,549**	41,391
Funds from operations ("FFO")[3]	**29,332**	26,890	**98,412**	68,101
Adjusted funds from operations ("AFFO")[4]	**22,079**	20,169	**76,430**	52,450
Distributions				
Distributable income[5]	**$ 25,034**	$ 23,869	**$ 86,985**	$ 62,350
Reinvestment to distribution ratio[6]	**n/a%**	30.1%	**17.4%**	32.3%
Cash distribution ratio[7]	**100%**	69.9%	**82.6%**	67.7%
Financing				
Weighted average interest rate (period-end)	**5.87%**	5.96%		
Interest coverage ratio	**2.59 times**	2.50 times		
Per unit amounts				
Basic:				
FFO	**$ 0.77**	$ 0.74	**$ 2.24**	$ 2.08
Distributable income	**0.66**	0.66	**1.98**	1.91
Distribution rate	**0.55**	0.55	**1.65**	1.65
Total distributions as a % of distributable income	**64.2%**	85.5%	**78.8%**	88.3%
AFFO	**0.58**	0.56	**1.74**	1.60
Diluted:[8]				
FFO	**$ 0.76**	$ 0.70	**$ 2.20**	$ 1.97
Distributable income	**0.65**	0.63	**1.95**	1.82

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

[1] Excludes redevelopment properties.

[2] NOI – Rental property revenues less operating expenses, excluding redevelopment and discontinued operations. Prior year comparatives have been restated as a result of discontinued operations. The reconciliation of NOI to net income can be found on page 28.

[3] FFO – The reconciliation of FFO to net income can be found on page 17.

[4] AFFO – The reconciliation of AFFO to distributable income can be found on page 19.

[5] The reconciliation of distributable income to cash generated from operating activities can be found on page 18.

[6] These percentages do not include the additional 4% distributions available under the DRIP.

[7] Cash distribution ratio represents the amount of distribution paid in cash and not reinvested through the DRIP. The ratio calculation can be found on page 18.

[8] Diluted amounts assume the conversion of the 6.5% and 5.7% Debentures.

Financial overview

Overall occupancy remains very strong at 97.0%, with lease rollover activity allowing us to take advantage of generally higher market rental rates, especially in our Calgary office portfolio. Our average office portfolio occupancy rate remains well above the national industry average. Details of our leasing profile are provided on page 9.

During the second quarter, we made the strategic decision to focus our operations on our Portfolio in Western Canada and in the third quarter disposed of properties located primarily in Ontario, Québec and Newfoundland. Our continuing operations demonstrate strong financial results as evidenced by NOI growth of $6.8 million or 36% compared to the same period in 2006. For the nine-month period, NOI increased $30.2 million or 73% compared to the same period in 2006. The office portfolio now generates nearly 88% of our continuing property NOI. Details of our NOI are provided on page 28.

For the quarter, distributable income increased 5% to $25.0 million, on which we declared distributions of $16.1 million. For the nine-month period, distributable income increased 40% to $87.0 million, on which we declared distributions of $68.1 million. As a result of the high level of participation in our DRIP, our year-to-date cash payout ratio is 83% of declared distributions. Details of our distributions and distributable income begin on page 17.

For the quarter, AFFO increased $22.1 million or 0.58 per unit, a 4% improvement over the prior year period. This marks the fifth quarter that AFFO has met or exceeded our declared distributions. For the nine-month period, AFFO increased $76.4 million or $1.74 per unit, a 9% gain over the prior year period. The improvement reflects our commitment to grow our AFFO through acquisitions and effectively managing our leasing and capital costs. Details of our AFFO are provided on page 19.

Outlook

Our third quarter results are very strong. During the first nine months of the year we completed $613.0 million of acquisitions, including $243.9 million of assets in Western Canada that are part of our ongoing portfolio. Subsequent to quarter-end, we completed another $35.7 million and have a number of acquisitions in the pipeline. In addition, we have sold $2.3 billion of assets in the third quarter. As a result, our business today is remarkably different from how we began the year.

Each of our key financial metrics demonstrated continued strength. The balance sheet, our leasing profile and comparative property growth are very important for understanding our performance going forward. We continue to maintain a conservative balance sheet with a very low debt-to-enterprise value of 42.7%. Our average portfolio occupancy remains high at 97% and our average in-place rents have increased, yet are still well below market rents. The performance of our comparative properties exceeded our expectations, producing an impressive 11% growth in comparative NOI – the ninth consecutive quarterly improvement and our largest increase to date.

It is our intention to qualify for the REIT Exception by the end of 2007, three years ahead of when required. Should Dundee REIT qualify for the REIT Exception, we will no longer be subject to the Normal Growth Guidelines, which will enable us to continue to grow at the pace we deem best. Qualifying early should also help eliminate risk that investors may have or perceive about what may be necessary in order to qualify. This, coupled with the changes made to our Declaration of Trust, will afford us more flexibility to grow and to finance our business in more creative and opportunistic ways allowing us to achieve the highest risk-adjusted returns.

The outlook for the balance of the year is very positive. Overall, the real estate industry is in great shape and the fundamentals of Dundee REIT are very strong. The completion of our transaction with GE changed not only the physical composition of our portfolio but also dramatically improved its organic growth potential. We are well positioned to benefit from the continued strength of the Alberta market and also the growing strength of the market in Saskatchewan. With in-place rental rates across our portfolio well below market rates and approximately one third of our portfolio rolling over the next 24 months, we expect our internal growth to continue over the next few years.

Section II – Executing the strategy

Our resources and financial condition

Rental properties

During the quarter, we sold our real estate assets located principally in Ontario, Québec and Newfoundland to GE. Our portfolio now consists of office and industrial properties located primarily in Western Canada with a book value of $946.5 million. As a result of this Transaction, Dundee REIT has transformed into a more growth-oriented, opportunistic real estate investment trust.

Also, during the quarter, we purchased an office rental property located in Calgary for $38.2 million. The acquisition added 148,000 square feet of space to our portfolio.

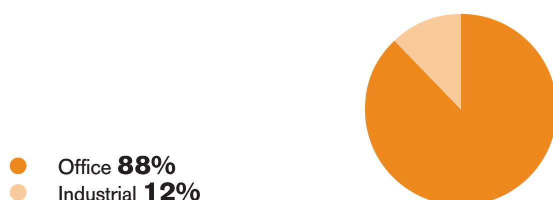
The net book value of segmented rental properties by geography and asset type is set out below.

			September 30, 2007[1]		December 31, 2006[1]	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**$ 79,758**	**$ –**	**$ 79,758**	**8**	$ 51,594	3
Alberta	**577,466**	**110,609**	**688,075**	**73**	501,772	28
Saskatchewan & NWT	**111,813**	**–**	**111,813**	**12**	112,910	6
Ontario	**66,824**	**–**	**66,824**	**7**	66,799	4
Sold properties	**–**	**–**	**–**	**–**	1,052,116	59
Total as at September 30, 2007	**$ 835,861**	**$ 110,609**	**$ 946,470**	**100**	$ 1,785,191	100
Percentage	**88%**	**12%**	**100%**			
Total as at December 31, 2006	$ 1,381,034	$ 404,157	$ 1,785,191			
Percentage	77%	23%	100%			

[1] Excludes $0.8 million related to other redevelopment properties (December 31, 2006 – $31.6 million).

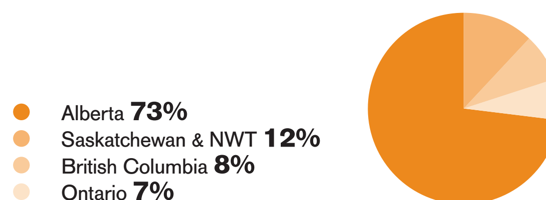
Portfolio asset type by net book value

At September 30, 2007



Geographic distribution of rental properties by net book value

At September 30, 2007



Leasing profile

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

Performance indicators[1]	**September 30, 2007**	December 31, 2006
Operating activities (office and industrial average)		
Occupancy level	**97.0%**	96.4%
Tenant maturity profile – average term to maturity (years)	**4.1 years**	4.6 years
In-place rental rates	**$ 13.27**	$ 10.00

[1] Excludes properties under redevelopment and discontinued operations.

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

	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Office	**98.3%**	96.5%	97.0%	97.0%	96.4%	96.1%	96.1%	96.3%
Industrial	**94.0%**	95.8%	97.0%	95.6%	95.9%	95.7%	95.2%	96.3%
Overall	**97.0%**	96.2%	97.0%	96.4%	96.2%	95.9%	95.6%	96.3%

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

The overall percentage of occupied and committed space across our rental properties portfolio was 97.0% at quarter-end. Our average office portfolio occupancy rate increased to 98.3%, well ahead of the national industry average of 93%. The average occupancy rate across our industrial portfolio declined slightly to 94.0%, primarily reflecting a vacancy in one of our Calgary properties, and has fallen slightly below the industry average. The market availability rates for industrial space in Calgary and Edmonton, were 1.7% and 1.9%, respectively (CB Richard Ellis, Canadian Office and Industrial Market Views, 3rd Quarter 2007). The Dundee REIT occupancy rates discussed in this report include occupied and committed space at September 30, 2007, and exclude space to which the rent supplement is applied.

	Total portfolio			Comparative properties		
(%)	**Sept. 30, 2007**	Dec. 31, 2006	Sept. 30, 2006	**Sept. 30, 2007**	Dec. 31, 2006	Sept. 30, 2006
Office						
British Columbia	**97.1**	99.6	99.0	**99.9**	99.6	99.0
Alberta	**99.2**	99.4	98.2	**99.4**	99.4	98.2
Saskatchewan & NWT	**97.0**	95.5	95.4	**97.0**	95.5	95.4
Ontario	**97.0**	97.4	97.4	**97.0**	97.4	97.4
Sold properties	**–**	96.4	95.8	**–**	–	–
Total office	**98.3**	97.0	96.4	**98.5**	98.2	97.4
Industrial						
Alberta	**94.0**	99.6	96.9	**94.0**	99.6	96.9
Sold properties	**–**	94.3	95.6	**–**	–	–
Total industrial	**94.0**	95.6	95.9	**94.0**	99.6	96.9
Overall	**97.0**	96.4	96.2	**96.9**	98.7	97.2

Excludes redevelopment properties.

The percentage of occupied and committed space across our portfolio remains strong. Rates across most of our office portfolio represent virtually full economic occupancy, both for the total portfolio as well as for the comparative properties.

Summary of leasing activity to September 30, 2007:

The following tables focus on the results of our continuing portfolio.

(In square feet)	Office	Industrial	Total
Vacant space available – July 1, 2007	396,481	435,043	831,524
Net impact of sale of Eastern Portfolio	(318,386)	(318,575)	(636,961)
	78,095	116,468	194,563
Remeasurements	315	–	315
Acquisitions	360	–	360
Leases terminated/expiring	137,895	63,192	201,087
Total space available for lease	216,665	179,660	396,325
New tenants	64,135	9,638	73,773
Renewals	81,474	52,166	133,640
Total space leased	145,609	61,804	207,413
Total space available for lease – September 30, 2007	71,056	117,856	188,912
Net (increase) decrease in vacant space	7,039	(1,388)	5,651

(In square feet)	Office	Industrial	Total
Vacant space available – January 1, 2007	301,707	367,202	668,909
Net impact of sale of Eastern Portfolio	(240,726)	(360,106)	(600,832)
	60,981	7,096	68,077
Remeasurements	6,536	(1,370)	5,166
Acquisitions	26,359	–	26,359
Leases terminated/expiring	286,047	351,556	637,603
Total space available for lease	379,923	357,282	737,205
New tenants	151,026	67,404	218,430
Renewals	157,841	172,022	329,863
Total space leased	308,867	239,426	548,293
Total space available for lease – September 30, 2007	71,056	117,856	188,912
Net increase in vacant space	(10,075)	(110,760)	(120,835)

During the third quarter, approximately 201,000 square feet of leases expired or were terminated and we completed approximately 207,000 square feet of renewals and new leasing, resulting in a net decrease in vacant space of 6,000 square feet.

Year-to-date, approximately 638,000 square feet of leases expired or were terminated, 26,000 square feet of vacant space was acquired and we completed 548,000 square feet of renewals and new leasing, resulting in a net increase in vacant space of 121,000 square feet.

Lease maturity profile as at September 30, 2007, by asset type and geographic segment:

(In square feet)	Current vacancy	Current monthly tenancies	2007	2008	2009	2010	2011 and thereafter	Total
Office	71,056	43,516	109,263	544,134	599,895	613,396	2,322,716	4,303,976
Industrial	117,856	2,400	118,205	262,224	293,513	218,106	942,832	1,955,136
Total	188,912	45,916	227,468	806,358	893,408	831,502	3,265,548	6,259,112
Percentage	3.0%	0.7%	3.6%	12.9%	14.3%	13.3%	52.2%	100%

Excludes redevelopment properties.

(In square feet)	Current vacancy	Current monthly tenancies	2007	2008	2009	2010	2011 and thereafter	Total
British Columbia	11,277	6,356	–	38,459	119,676	24,248	190,043	390,059
Alberta	140,155	26,978	184,444	481,268	550,407	707,580	2,521,211	4,612,043
Saskatchewan & NWT	25,367	12,284	14,270	264,178	75,386	84,678	372,695	848,858
Ontario	12,113	298	28,754	22,453	147,939	14,996	181,599	408,152
Total	188,912	45,916	227,468	806,358	893,408	831,502	3,265,548	6,259,112
Percentage	3.0%	0.7%	3.6%	12.9%	14.3%	13.3%	52.2%	100%

Excludes redevelopment properties.

Throughout the remainder of 2007, 3.6% of our leases will be up for renewal of which 78,000 square feet has already been re-leased. We have a long and successful track record in managing our lease rollovers. With average market rents increasing across our portfolio, our lease maturity profile affords us the opportunity to take advantage of buoyant economic conditions. As a result, we anticipate generating increased cash flow as space is re-leased.

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

	Current monthly tenancies	2007	2008	2009	2010	2011 and thereafter
Expiring rents						
Office	$ 16.22	$ 14.72	$ 12.87	$ 15.28	$ 14.76	$ 19.14
Industrial	7.25	6.00	5.91	5.57	8.58	7.18
Portfolio average	15.75	10.19	10.60	12.09	13.14	15.69
Market rents[1]						
Office	$ 23.11	$ 28.24	$ 20.75	$ 21.56	$ 26.52	$ 26.65
Industrial	8.50	6.54	8.18	7.17	10.47	8.09
Market rent average	22.34	16.96	16.66	16.84	22.31	21.29

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

	Current monthly tenancies	2007	2008	2009	2010	2011 and thereafter
Expiring rents						
British Columbia	$ 7.94	$ –	$ 14.34	$ 20.42	$ 15.60	$ 14.70
Alberta	15.83	8.09	8.54	8.55	12.58	14.86
Saskatchewan & NWT	20.03	17.63	13.62	19.58	17.90	18.14
Ontario	–	19.96	13.06	14.69	8.87	23.23
Portfolio average	15.75	10.19	10.60	12.09	13.14	15.69
Market rents[1]						
British Columbia	$ 14.00	$ –	$ 14.42	$ 20.88	$ 18.94	$ 17.95
Alberta	23.69	15.45	17.67	15.66	22.94	21.83
Saskatchewan & NWT	24.00	22.34	15.67	22.38	20.10	18.19
Ontario	10.50	24.00	10.50	15.11	10.50	23.75
Market rent average	22.34	16.96	16.66	16.84	22.31	21.29

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

Our estimate of the current average market rental rate is approximately 34% higher than our 2007 expiring rental rate. While this is a positive indicator, the marketplace remains competitive and any uplift in our overall average rent will depend on the specific market and the amount of space rolling into the higher net rental rates.

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

	September 30, 2007			December 31, 2006		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**[1]	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)[1]
Office	**4.23**	**9,470**	**$ 16.18**	4.72	8,554	$ 13.67
Industrial	**3.88**	**8,058**	**$ 6.56**	4.36	13,024	$ 5.47
Portfolio average	**4.13**	**8,993**	**$ 13.27**	4.56	10,105	$ 10.00

All amounts exclude redevelopment properties and discontinued operations.

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

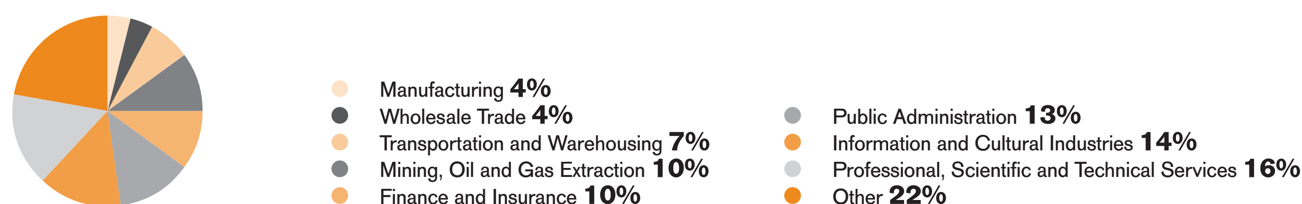
Our tenant maturity profile has remained consistent over a long period of time. The small decrease in the average term to maturity in the office and industrial portfolios reflects the impact of month-to-month tenancies as well as the time elapsed since year-end, partially offset by new leasing activity. The sale of the Eastern Portfolio and the change in the composition of our portfolio had the most significant impact on average in-place rents and also impacted the average remaining lease term. We view the lease maturity profile as an opportunity to capture an uplift on below-market rents as the leases roll over.

Our tenant base includes a wide range of high-quality tenants, including government, large international corporations and small entrepreneurial businesses across the country. With 675 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 9,500 and 8,100 square feet, respectively, placing us at the lower end of our peer group. Effectively managing this diverse tenant base has become a key strength and has helped us to maintain consistently high occupancy levels.

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

Tenant base by percentage contribution to total contract rent

At September 30, 2007



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

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
Telus Communications	311,479	5.0%	7.1%	2013–2016
Government of Canada	288,537	4.6%	6.0%	2007–2016
Government of British Columbia	164,463	2.6%	3.5%	2008–2014
Government of Ontario	123,872	2.0%	3.0%	2009
Government of Northwest Territories	108,701	1.7%	3.0%	2007–2012
State Street Trust Company	93,589	1.5%	2.9%	2012
International Financial Data Services	96,017	1.5%	2.7%	2007–2013
SNC Lavalin	87,382	1.4%	2.2%	2012
Government of Saskatchewan	139,529	2.2%	1.8%	2008
Hatch Optima Ltd.	68,691	1.1%	1.5%	2011–2016
Total	1,482,260	23.6%	33.7%	

Land

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

	September 30, 2007	December 31, 2006
Land under development	**$ –**	$ 18,607
Land held for future development	**–**	1,021
Land held for sale	**14,900**	21,767
Total	**$ 14,900**	$ 41,395

As required by the SIFT Rules, development activities will be kept to a minimum. As a result, we intend to dispose of our significant development interests by December 31, 2007.

Liquidity and capital resources

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Cash generated from operating activities	**$ 6,794**	$ 22,058	**$ 74,015**	$ 63,859
Cash generated (utilized) in investing activities	**1,443,085**	(73,865)	**955,791**	(377,335)
Cash generated (utilized) from financing activities	**(1,452,542)**	41,748	**(1,092,840)**	310,073
Decrease in cash and cash equivalents	**$ (2,663)**	$ (10,059)	**$ (63,034)**	$ (3,403)

At September 30, 2007, cash and cash equivalents from continuing operations were $7.7 million, a decrease of $2.9 million compared to the second quarter, and a decrease of $63.0 million compared to December 31, 2006. The decrease was a result of the cash flows indicated above, including the impact of acquisitions, new financing activity, equity issues and the impact of the Transaction with GE. We have a total of $80.0 million in revolving credit facilities, of which approximately $43.1 million is available to provide further funding for working capital or as a bridge facility to fund acquisitions.

Operating activities

The following table details the cash generated from operating activities:

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Net income	**$ 752,450**	$ 6,823	**$ 733,078**	$ 3,266
Non-cash items:				
Amortization of market rent adjustments on acquired leases	**(3,191)**	(1,895)	**(8,440)**	(2,502)
All other depreciation and amortization	**21,565**	19,929	**69,766**	50,001
Provision for impairment in value of rental properties	**7,650**	–	**7,650**	–
Internalization of property manager	**–**	(27)	**1,230**	13,063
Gain (loss) on disposal of rental properties and land	**(727,374)**	415	**(728,848)**	(3,013)
Deferred unit compensation expense	**293**	276	**1,177**	816
Future income taxes	**(25,198)**	(202)	**14,716**	2,425
Straight-line rent adjustment	**(963)**	(911)	**(2,746)**	(2,397)
Non-controlling interest	**–**	–	**–**	1,876
	25,232	24,408	**87,583**	63,535
Deferred leasing costs incurred	**(2,026)**	(972)	**(4,938)**	(3,745)
Change in non-cash working capital	**(16,412)**	(1,378)	**(8,630)**	4,069
Cash generated from operating activities	**$ 6,794**	$ 22,058	**$ 74,015**	$ 63,859

The change in cash generated from operations for the nine-month period increased as a result of acquisitions, offset by the loss of contribution from the Eastern Portfolio from August 24, 2007, to September 30, 2007.

The gain on disposal of rental properties and land is primarily due to the sale of our Eastern Portfolio, which resulted in a gain on sale of $721.9 million.

The amortization of market rent adjustments on acquired leases represents the impact of leases with below-market rents, mainly related to certain properties acquired in Alberta during 2006 and 2007. Below-market leases are recorded as intangible liabilities and are amortized to rental property revenue over the terms of the related leases.

As of June 12, 2007, amendments were made to the *Income Tax Act*, modifying the tax treatment of certain publicly traded trusts and partnerships that are SIFTs, such that certain distributions and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes. Certain real estate investment trusts that satisfy specified conditions are excluded from the SIFT definition and therefore will not be subject to the SIFT Rules (the "REIT Exception"). As the Trust did not meet the technical REIT Exception we recorded a future income tax liability of $40.0 million for the three and six months ended June 30, 2007, based on the temporary differences that are expected to reverse on or after January 1, 2011. As a result of the sale of the Eastern Portfolio, $25.0 million of the future tax liability has been reversed, leaving $15.0 million for the period ended September 30, 2007. In the fourth quarter of this year, we expect to complete the reorganization of the Trust in order to meet SIFT requirements by January 1, 2008.

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

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

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

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

Leasing costs and tenant improvements

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

For the ongoing properties, leasing costs for the nine months ended September 30, 2007 increased 34% to $3.8 million, while leasing activity more than doubled and resulted in 548,000 square feet of leasing commitments. While both the office and industrial portfolios experienced a doubling of leasing activity, the majority of the cost increases occurred in the industrial portfolio and was mainly related to a new tenant lease at a mixed use building in Edmonton. The expenditures related to the office component of the building and resulted in a significant increase in NOI compared to the previous tenant.

Performance indicators	Office[1]	Industrial	Total
Operating activities (ongoing portfolio)			
Portfolio size (sq. ft.)	4,303,976	1,955,136	6,259,112
Occupied and committed	98.3%	94.0%	97.0%
Square footage leased and occupied in 2007	156,111	77,584	233,695
Leasing costs	$ 1,051	$ 385	$ 1,436
Tenant improvements	$ 657	$ 1,728	$ 2,385

[1] Excludes redevelopment properties.

The table below provides our annualized estimates of expected leasing activity and leasing costs over a two- to three-year time horizon. These estimates are based on our portfolio at September 30, 2007, and assume that market conditions remain consistent with our current experience.

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

Other assets and liabilities

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

The net decrease in deferred costs during the quarter was $46.3 million. This change includes an approximate $47.3 million decrease related to dispositions, a $2.0 million increase in deferred charges related to acquisitions and a $4.2 million increase in additional deferred expenditures, less $4.3 million in amortization. The year-to-date net decrease in deferred costs is $43.4 million. This change includes an approximate $48.0 million decrease related to dispositions, a $14.3 million increase in deferred charges related to acquisitions and a $11.3 million increase in additional deferred expenditures, less $14.0 million in amortization and $7.0 million of deferred financing costs that was transferred to the related debt upon adopting new accounting policies for financial instruments in the first quarter of 2007. Complete details of deferred costs are provided in Note 5 of the financial statements.

Intangible assets and liabilities include the value of above- and below-market leases, in-place leases, lease origination costs and tenant relationships. Complete details of these assets and liabilities are provided in Note 9 of the financial statements. During the quarter, net intangible liabilities decreased by $16.4 million, mainly comprising a $13.4 million reduction related to dispositions and $3.5 million of amortization, offset by $0.5 million related to acquisitions. Net intangible assets decreased $74.9 million during the quarter, comprising approximately $71.1 million related to dispositions and $7.6 million in amortization expense, offset by $3.8 million in acquisitions.

As at September 30, 2007, we had $4.7 million in mezzanine loans outstanding related to our joint venture developments, as discussed in Note 8 of the financial statements.

Deposits of $3.6 million represent cash amounts held for repayment of tenant security deposits as required by various lending agreements and deposits for potential acquisitions. As of September 30, 2007, the balance is $3.6 million, down $0.4 million from December 31, 2006.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages. As of September 30, 2007, the balance is $3.6 million, down $2.0 million from December 31, 2006.

Commitments and contingencies

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

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

	Operating lease payments	Capital lease payments
Year ending December 31, 2007	$ 275	$ 34
2008	922	135
2009	738	135
2010	662	135
2011	660	101
2012 and thereafter	1,300	–
Total	**$ 4,557**	**$ 540**

Funds from operations

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Net income	**$ 752,450**	$ 6,823	**$ 733,078**	$ 3,266
Add (deduct):				
Depreciation of rental properties	**10,960**	10,824	**36,791**	28,648
Amortization of deferred leasing costs, tenant improvements and intangibles	**10,825**	9,007	**33,656**	21,259
Imputed amortization of leasing costs related to the rent supplement	**61**	68	**228**	613
Internalization of property manager	**–**	(27)	**1,230**	13,063
(Gain) loss on disposal of rental property and land	**(727,374)**	415	**(728,848)**	(3,013)
Provision for impairment in value of rental property	**7,650**	–	**7,650**	–
Future income tax	**(25,198)**	(202)	**14,716**	2,425
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(42)**	(18)	**(89)**	(36)
Non-controlling interest	**–**	–	**–**	1,876
FFO	**$ 29,332**	$ 26,890	**$ 98,412**	$ 68,101
FFO per unit – basic	**$ 0.77**	$ 0.74	**$ 2.24**	$ 2.08
FFO per unit – diluted	**$ 0.76**	$ 0.70	**$ 2.20**	$ 1.97

The 4% increase in FFO per unit compared to the same quarter last year is primarily due to additional revenue generated by acquisitions, offset by the loss of earnings from disposed properties, as well as growth in occupancy and rising rental rates. Below-market rents, which result in a non-cash amortization to our operating results, positively impact FFO. The impact of market rent adjustments on FFO per unit for the three-month period was $0.08, and year-to-date was $0.19.

Diluted FFO per unit amounts assume the conversion of the 6.5% and 5.7% Debentures. The weighted average number of Units outstanding for basic and diluted FFO calculations for the quarter are 37,961,439 and 39,020,277, respectively. Diluted FFO includes interest and amortization adjustments of $0.5 million. Year-to-date, the weighted average number of Units outstanding for basic and diluted FFO calculations are 43,984,733 and 45,931,259, respectively. Diluted FFO includes interest and amortization adjustments of $2.6 million.

Distributions and distributable income

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

We also exclude the impact of deferred leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. Additionally, we exclude the impact of the amortization of deferred financing and non-recoverable costs that were incurred prior to the formation of the Trust, but deduct amortization of non-real estate assets such as software, office equipment and building improvement costs incurred after the formation of Trust.

For the nine months ended September 30, 2007, distributable income per unit was $1.98 and declared distributions were $1.65, representing an 83% payout ratio. In the prior year comparative period, distributable income per unit was $1.91 and declared distributions were $1.65, representing an 86% payout ratio.

Distributable income

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Cash generated from operating activities	**$ 6,794**	$ 22,058	**$ 74,015**	$ 63,859
Add (deduct):				
Deferred leasing costs incurred	**2,026**	972	**4,938**	3,745
Amortization of deferred financing costs incurred prior to June 30, 2003	**67**	81	**248**	270
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**5**	17	**34**	58
Amortization of tenant inducement	**31**	–	**90**	–
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(42)**	(18)	**(89)**	(36)
Amortization of deferred financing costs	**(259)**	(619)	**(881)**	(1,477)
Change in non-cash working capital	**16,412**	1,378	**8,630**	(4,069)
Distributable income	**$ 25,034**	$ 23,869	**$ 86,985**	$ 62,350
Distributable income per unit – basic	**$ 0.66**	$ 0.66	**$ 1.98**	$ 1.91
Distributable income per unit – diluted	**$ 0.65**	$ 0.63	**$ 1.95**	$ 1.82
Distributions	**$ 0.55**	$ 0.55	**$ 1.65**	$ 1.65

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

Distributable income exceeds distributions paid and payable by $9.0 million and $18.4 million for the quarter and year-to-date. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

Distributions

The distributions presented in the table below comprise $56.9 million relating to REIT A Units, $0.2 million relating to REIT B Units and $11.5 million relating to LP B Units. Prior to June 28, 2007, cash distributions were only paid to holders of the REIT A Units as there were no REIT B Units outstanding and all of the LP B Units were enrolled in the DRIP. As of June 28, 2007, the DRIP was temporarily suspended in connection with the anticipated sale of the Eastern Portfolio to GE. As a result, all distributions paid on July 15, 2007, and thereafter, are paid in cash. It is anticipated that the DRIP will be reinstated in January 2008.

	Declared distributions	4% additional distributions	Total
2007 distributions			
Paid in cash or reinvested in units	$ 64,274	$ 474	$ 64,748
Payable at September 30, 2007	3,810	–	3,810
Total distributions	$ 68,084	$ 474	$ 68,558
2007 reinvestment			
Reinvested to September 30, 2007	$ 11,844	$ 474	$ 12,318
Reinvested on October 15, 2007	–	–	–
Total distributions reinvested	$ 11,844	$ 474	$ 12,318

Distributions paid in cash	$ 56,240
Reinvestment to distribution ratio	17.4%
Cash distribution payout ratio	82.6%

Distributions declared in the nine months ended September 30, 2007, totalled $68.1 million, an increase of $13.7 million over the comparative period. Of this amount, $11.8 million or 17% was reinvested in additional units. As a result of the high level of participation in the DRIP, our cash payout ratio for our distributions is 83%. The amount of declared distributions was impacted by an incremental increase in units generated through the DRIP, REIT A Units issued as part of public offerings completed in April, June and December 2006 and March 2007, as well as REIT A Units issued on the conversion of debentures offset by the impact of the redemption that occurred prior to the record date of the payment in August.

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

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Net income	**$ 752,450**	$ 6,823	**$ 733,078**	$ 3,226
Cash flow from operating activities	**6,794**	22,058	**74,015**	63,859
Distributions paid and payable	**16,073**	20,415	**68,558**	55,076
Excess/(shortfall) of cash flow from operating activities over cash distributions	**(9,279)**	1,643	**5,457**	8,783
Excess/(shortfall) of net income over cash distributions	**736,377**	(13,592)	**664,520**	(51,850)

Cash flow from operating activities exceeded distributions paid and payable by $5.5 million year-to-date, reflecting our ability to fund distributions from cash from operating activities. During the quarter, distributions paid and payable exceeded cash flow from operating activities by $9.3 million mainly due to the timing of working capital expenditures. This shortfall was funded by our revolving credit facilities. We do not expect cash distributions to exceed cash flow from operating activities in the future, other than for the timing of the payment and receipt of working capital items. In 2006, distributions paid and payable exceeded net income by $13.6 million and $51.9 million for the quarter and year-to-date, respectively. This shortfall was a result of non-cash depreciation and amortization expense, which is not considered in determining our cash distribution policy.

Adjusted funds from operations

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Distributable income	**$ 25,034**	$ 23,869	**$ 86,985**	$ 62,350
Adjusted for:				
Normalized leasing costs and tenant improvements	**(2,683)**	(3,350)	**(9,583)**	(8,850)
Normalized non-recoverable recurring capital expenditures	**(272)**	(350)	**(972)**	(1,050)
AFFO	**$ 22,079**	$ 20,169	**$ 76,430**	$ 52,450
AFFO per unit – basic	**$ 0.58**	$ 0.56	**$ 1.74**	$ 1.60

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

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

Investing activities

The following table details our cash utilized in investing activities:

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Investment in rental properties	**$ (4,517)**	$ (2,745)	**$ (9,648)**	$ (6,514)
Investment in tenant improvements	**(2,107)**	(494)	**(5,768)**	(4,005)
Investment in land development	**(1,229)**	(764)	**(2,973)**	(1,056)
Acquisition of rental properties and land	**(38,598)**	(67,928)	**(517,320)**	(386,527)
Acquisition deposit on rental properties	**(639)**	600	**(900)**	–
Investment in mezzanine loan	**(103)**	(1,420)	**(468)**	(3,655)
Net proceeds from disposal of rental properties and land	**1,489,359**	(337)	**1,491,645**	25,000
Change in restricted cash, net	**919**	(777)	**1,223**	(578)
Cash generated from (utilized) in investing activities	**$ 1,443,085**	$ (73,865)	**$ 955,791**	$ (377,335)

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

	For the three months ended September 30		For the nine months ended September 30	
Performance indicators	**2007**	2006	**2007**	2006
Investing activities				
Acquisition of rental properties	**$ 38,573**	$ 77,944	**$ 613,017**	$ 494,871
Building improvements	**$ 4,240**	$ 1,382	**$ 8,960**	$ 5,584
Development of land	**$ 1,229**	$ 653	**$ 2,973**	$ 945

Acquisitions and dispositions

During the quarter, we sold our Eastern Portfolio to GE for a total purchase price of approximately $2.3 billion, including the assumption of liabilities by GE relating to the Eastern Portfolio. Our operating portfolio now comprises office and industrial properties located primarily in Western Canada. Further detail on the Transaction is provided on page 25.

During the third quarter of 2007, we acquired $38.6 million of rental properties, land and related intangible assets fully funded in cash. Year-to-date, we have completed acquisitions totalling $613.0 million, funded by $517.3 million in cash. Acquisitions completed during 2006 and 2007, net of sold properties have increased net operating income by approximately $4.8 million for the three-month period and $21.8 million for the nine-month period.

For the nine months ended September 30, 2007	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
30 and 55 St. Clair Avenue West, Toronto*	Office	100%	426,000	96%	$ 110,798	$ –	January 9, 2007
625 Agnes Street, New Westminster, British Columbia	Office	100%	83,000	88%	14,587	–	January 24, 2007
Aspen Portfolio, Calgary	Office	100%	543,000	99%	172,130	29,225	March 13, 2007
HCI Portfolio, Vaughan, Burlington and Mississauga, Ontario*	Industrial	100%	2,100,000	98%	237,721	56,528	May 1, 2007
501 Applewood Crescent, Vaughan, Ontario*	Industrial	100%	76,000	100%	6,787	–	May 1, 2007
154 University Avenue, Toronto*	Office	100%	67,000	100%	13,784	5,487	May 10, 2007
4400 Dominion Street, Burnaby, British Columbia	Office	100%	91,000	93%	18,637	–	June 27, 2007
Airport Corporate Centre, Calgary	Office	100%	148,000	100%	38,207	–	July 6, 2007
Development property, Yellowknife	Office	100%	–	–	366	–	August 30, 2007
Total			3,534,000	98%	$ 613,017	$ 91,240	

* Disposed of as a part of the Eastern Portfolio.

Acquisitions and dispositions subsequent to quarter-end

Subsequent to quarter-end, we acquired an 89,000 square foot office building in Calgary, Alberta for approximately $35.7 million.

Effective October 31, 2007 we completed the sale of 2705-2737 57th Avenue SE, a 109,000 square foot industrial building in Calgary Alberta, for net proceeds of approximately $8.0 million.

Effective November 1, 2007, we sold our interest in two joint venture projects. The Barker Business Park (Phase II) in Richmond Hill, Ontario and Tullamore Business Park in Caledon, Ontario for proceeds of approximately $16.8 million.

Building improvements

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Building improvements:				
Recurring recoverable	**$ 1,868**	$ 719	**$ 3,832**	$ 2,760
Recurring non-recoverable	**528**	99	**1,560**	197
Non-recurring	**1,844**	564	**3,568**	2,627
Total	**$ 4,240**	$ 1,382	**$ 8,960**	$ 5,584

For the three-month period, capital expenditures or expenditures accrued for rental property building improvements and equipment were $4.2 million (September 30, 2006 – $1.4 million). Of the $1.9 million recurring recoverable costs incurred in the quarter, $0.6 million relates to our ongoing portfolio. Costs include $0.3 million for various roof repairs, and $0.3 million in general building maintenance required throughout the portfolio. Of the $0.5 million in recurring non-recoverable costs, almost all relates to the Eastern Portfolio. Non-recurring expenditures of $1.8 million in the quarter include approximately $0.5 million that relates to the ongoing portfolio, comprising $0.4 million to re-clad an office property and $0.1 million for general maintenance and construction costs.

For the nine-month period, expenditures on building improvements totalled $9.0 million (September 30, 2006 – $5.6 million). Recurring non-recoverable costs totalled $3.8 million, of which $1.8 million relates to the ongoing portfolio, comprising $0.7 million for air conditioning work, $0.3 million for various roof replacements, and $0.8 million for general building maintenance. Year-to-date, $1.6 million in recurring non-recoverable costs were incurred, of which only $0.1 million relates to the ongoing portfolio. Non-recurring expenditures of $3.6 million for the year include approximately $0.9 million that relates to the ongoing portfolio, comprising approximately $0.7 million to re-clad an office property and $0.2 million for general maintenance and construction costs.

As part of our acquisition due diligence, we endeavour to identify any near-term capital expenditure requirements and factor those costs into our investment analysis and purchase price negotiations. Such potential expenditures are approved in the acquisition process and will be identified as incurred. Anticipated non-recoverable capital expenditures associated with both the current quarter and year-to-date acquisitions are expected to be approximately $1.5 million and will be incurred over the next two to three years. These expenditures were factored into the purchase price paid for our acquisitions.

Financing activities

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

As part of the Transaction with GE, the cash proceeds received on the sale of our Eastern Portfolio were used to redeem 29,915,284 million outstanding Units for $47.50 per Unit. In addition, GE purchased 3,473,687 outstanding units at a purchase price of $47.50 per unit.

The following table details our cash generated from financing activities:

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Mortgages placed, net of costs	**$ (415)**	$ 86,322	**$ 236,173**	$ 246,662
Mortgage principal repayments	**(6,942)**	(6,875)	**(22,112)**	(18,463)
Mortgage lump sum repayments	**(2,316)**	(34,131)	**(21,778)**	(47,057)
Term debt principal repayments	**(29)**	(84)	**(86)**	(298)
Term debt lump sum repayments	**–**	–	**–**	(14,957)
Term debt placed, net of costs	**17**	203	**78**	6,095
Demand revolving credit facility	**5,571**	10,362	**36,901**	10,362
Distributions paid on REIT Units	**(21,954)**	(13,846)	**(59,092)**	(34,936)
Redemption of units	**(1,420,980)**	–	**(1,420,980)**	–
Deferred trust and income deferred units cancelled	**(5,492)**	–	**(5,492)**	–
Units issued, net of costs	**(2)**	(203)	**163,548**	162,665
Cash generated from (utilized in) financing activities	**$ (1,452,542)**	$ 41,748	**$ (1,092,840)**	$ 310,073

Debt

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

	September 30, 2007	December 31, 2006
Financing activities		
Average interest rate	**5.87%**	5.95%
Level of debt (debt-to-enterprise value)	**42.7%**	41.8%
Interest coverage ratio	**2.59 times**	2.46 times
Proportion of total debt due in the remainder of 2007	**5.8%**	4.7%
Debt – average term to maturity (years)	**5.8**	5.8
Variable rate debt as percentage of total debt	**7.1%**	2.2%

Our Amended Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. This ratio is calculated by dividing NOI from continuing operations plus interest and fee income, less general and administrative expenses by interest expense from continuing operations. The interest coverage ratio replaces the limit on our overall debt-to-gross book value in our Declaration of Trust as a key metric in evaluating the management of our debt. The interest coverage ratio is 2.59 times as at September 31, 2007, and reflects our ability to cover interest expense requirements. The slight decline in the interest coverage ratio from the 2.88 times achieved in the second quarter reflects the impact of the sale of the Eastern Portfolio as well as a slight increase in the average interest rate.

Our average interest rate as at September 30, 2007, was 5.87%. This is a slight increase over the prior quarter, but still an improvement over the 5.95% experienced as at December 31, 2006.

As a result of accessing our credit facilities during the third quarter, the proportion of total debt due in the remainder of 2007 has increased from December to 5.8%. Our variable rate debt as a percentage of total debt also increased during the quarter as a result of drawing $36.9 million from our revolving credit facilities.

	September 30, 2007			December 31, 2006		
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 537,448**	**$ –**	**$ 537,448**	$ 1,036,909	$ 19,402	$ 1,056,311
Term debt	**2,230**	**5,526**	**7,756**	2,238	5,526	7,764
Demand revolving credit facilities	**–**	**36,901**	**36,901**	–	–	–
Debenture – 6.5%	**3,995**	**–**	**3,995**	24,438	–	24,438
Debenture – 5.7%	**9,073**	**–**	**9,073**	65,281	–	65,281
Total	**$ 552,746**	**$ 42,427**	**$ 595,173**	$ 1,128,866	$ 24,928	$ 1,153,794
Percentage	**92.9%**	**7.1%**	**100%**	97.8%	2.2%	100%

Mortgages payable include a $5.1 million fair value adjustment (December 31, 2006 – $9.6 million) reflecting the fair value of mortgages assumed in connection with acquisitions. During the year, $76.8 million of debentures were converted into 2,695,649 REIT A Units. Amounts recorded as at September 30, 2007, for the 6.5% and 5.5% Debentures are net of the $0.1 million premiums allocated to their conversion features. The fair value adjustment and premium are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method. Further details on the conversions are provided on page 25.

Debt financing activity

During the year we secured approximately $236.6 million in new mortgage financing. The new financing was completed with an average term to maturity of 9.8 years and an average interest rate of 5.3%. As a result, our overall average interest rate decreased to 5.87% and our average term to maturity was extended to 5.8 years.

A demand revolving credit facility is available up to $50.0 million, bearing interest generally at the bank prime rate (6.25% as at September 30, 2007) plus 0.375% or bankers' acceptance rates. The facility expires on February 28, 2009, and is secured by a first ranking collateral mortgage on four of the Trust's properties and a second ranking collateral mortgage on one property. As at September 30, 2007, $6.9 million was drawn. As at September 30, 2007, the amount still available under this facility was $43.1 million.

A temporary demand revolving credit facility is available up to $30.0 million, bearing interest at bankers' acceptance plus 1.85% (4.94% as at September 30, 2007). This facility expires on November 26, 2007, and is secured by three first ranking collateral mortgages. At September 30, 2007, the entire $30.0 million was drawn.

Changes in debt levels are as follows:

	Mortgages	Term debt	Revolving credit facilities[1]	Convertible debentures	Total
Debt as at June 30, 2007	$ 1,343,780	$ 7,768	$ 31,330	$ 45,605	$ 1,428,483
Transferred to liabilities related to assets held for sale	(16,411)	–	–	–	(16,411)
New debt placed	–	17	112,865	–	112,882
Scheduled repayments	(6,942)	(29)	–	–	(6,971)
Lump sum repayments	(2,316)	–	(107,294)	–	(109,610)
Assumed by purchaser on property dispositions	(774,735)	–	–	–	(774,735)
Conversion to unit equity	–	–	–	(34,255)	(34,255)
Amortization and other adjustments	(5,928)	–	–	1,718	(4,210)
Debt as at September 30, 2007	**$ 537,448**	**$ 7,756**	**$ 36,901**	**$ 13,068**	**$ 595,173**

[1] Our credit facilities have not exceeded their $80.0 million maximum at any time during the year.

	Mortgages	Term debt	Revolving credit facilities[1]	Convertible debentures	Total
Debt as at December 31, 2006	$ 1,056,311	$ 7,764	$ –	$ 89,719	$ 1,153,794
Adjustment on adoption of new financial instrument accounting standard	(3,596)	–	–	(3,746)	(7,342)
Transferred to liabilities related to assets held for sale	(16,411)	–	–	–	(16,411)
New debt assumed on rental property acquisitions	91,240	–	–	–	91,240
New debt placed	236,588	78	237,562	–	474,228
Scheduled repayments	(22,112)	(86)	–	–	(22,198)
Lump sum repayments	(21,778)	–	(200,661)	–	(222,439)
Assumed by purchaser on property dispositions	(774,735)	–	–	–	(774,735)
Conversion to unit equity	–	–	–	(76,819)	(76,819)
Amortization and other adjustments	(8,059)	–	–	3,914	(4,145)
Debt as at September 30, 2007	**$ 537,448**	**$ 7,756**	**$ 36,901**	**$ 13,068**	**$ 595,173**

[1] Our credit facilities have not exceeded their $80.0 million maximum at any time during the year.

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

In connection with the sale of the Eastern Portfolio, $774.7 million in mortgages were repaid or assumed by GE. During the quarter, we did not assume any mortgages related to acquisitions.

			September 30, 2007			December 31, 2006
	Debt maturities	**Scheduled principal repayments on non-matured debt**	**Amount**	**%**	**Weighted average interest rate on balance due at maturity %**	Amount
Remainder of 2007	**$ 31,395**	**$ 2,975**	**$ 34,370**	**5.8**	**6.73**	$ 52,117
2008	**9,753**	**11,503**	**21,256**	**3.6**	**6.40**	138,521
2009	**47,536**	**10,623**	**58,159**	**9.8**	**6.37**	147,724
2010	**5,867**	**11,097**	**16,964**	**2.9**	**5.24**	60,752
2011	**71,046**	**10,820**	**81,866**	**13.8**	**6.08**	179,286
2012 and thereafter	**350,202**	**29,750**	**379,952**	**64.1**	**5.72**	565,827
Total	**$ 515,799**	**$ 76,768**	**$ 592,567**	**100.0**	**5.90**	1,144,227
Fair value adjustments			**4,951**			9,567
Deferred financing costs			**(2,345)**			–
			$ 595,173			$ 1,153,794

Convertible debentures

In the nine-month period, we issued 2,695,649 REIT A Units upon the conversion of $76.8 million of the principal amount of 6.5% and 5.7% Debentures.

With respect to the 6.5% Debentures, we issued 810,000 REIT A Units upon the conversion of $20.3 million of the principal amount. Subsequent to quarter-end, we issued an additional 3,520 REIT A Units upon the conversion of $0.09 million of the principal amount. The total principal amount outstanding at October 31, 2007, was $4.2 million, and is convertible into 169,800 REIT A Units.

With respect to the 5.7% Debentures, we issued 1,885,649 REIT Units upon the conversion of $56.6 million of the principal amount. Subsequent to quarter-end, we issued an additional 21,698 REIT A Units upon the conversion of $0.7 million of the principal amount. The total principal amount outstanding at October 31, 2007, was $8.7 million, and is convertible into approximately 290,400 REIT A Units.

Equity

The following table summarizes the changes in our outstanding equity:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Units issued and outstanding on December 31, 2006	34,854,553	–	8,565,095	43,419,648
Units issued pursuant to public offerings	4,195,000	–	–	4,195,000
Units issued pursuant to internalization of property manager	–	–	44,674	44,674
Units issued pursuant to DRIP	335,159	–	13,259	348,418
Unit Purchase Plan	1,170	–	–	1,170
Units issued pursuant to Deferred Unit Incentive Plan	30,370	–	–	30,370
Unit redemption	(25,813,362)	(4,102,022)	–	(29,915,384)
Conversion of 6.5% Debentures	810,000	–	–	810,000
Conversion of 5.7% Debentures	1,885,649	–	–	1,885,649
Exchange of Units	729,341	4,578,338	(5,307,679)	–
Total units outstanding on September 30, 2007	**17,027,880**	**476,316**	**3,315,349**	**20,819,545**
Percentage of all units	**81.8%**	**2.3%**	**15.9%**	**100%**
Conversion of 6.5% Debentures	3,520	–	–	3,520
Conversion of 5.7% Debentures	21,698	–	–	21,698
Total units outstanding on October 31, 2007	**17,053,098**	**476,316**	**3,315,349**	**20,844,763**
Percentage of all units	**81.8%**	**2.3%**	**15.9%**	**100%**

Normal course issuer bid

On August 30, 2007, we filed with the Toronto Stock Exchange (“TSX”) a Notice of Intention to make a normal course issuer bid. Under the bid, Dundee REIT has the ability to purchase for cancellation up to a maximum of 1,359,844 of its REIT A Units (representing 10% of the REIT’s public float of 13,598,446 REIT A Units on August 30, 2007) through the facilities of the TSX. The bid commenced on September 5, 2007, and will remain in effect until the earlier of September 4, 2008, or the date on which we have purchased the maximum number of units permitted under the bid. The Trust’s average daily trading volume for the then most recently completed six months was 360,465 REIT A Units. As of September 30, 2007, the number of issued and outstanding REIT A Units is 17,027,880. Based on the closing price on September 30, 2007, we would be committed to purchasing $52.7 million worth of REIT A Units. To date no acquisitions have been made pursuant to this bid.

Dundee REIT applied for the bid because it believes that units may become available during the period of the bid at prices that would make their purchase for cancellation in the best interests of the REIT and its unitholders.

Sale of the Eastern Portfolio to GE Real Estate

On August 24, 2007, we completed the sale of the Eastern Portfolio to GE for a total purchase price of $2.3 billion, including the assumption of liabilities by GE relating to this portfolio (the “Transaction”). Dundee REIT continues to own a portfolio of office and industrial properties located primarily in Western Canada, with an estimated market value of approximately $1.5 billion, and a subsidiary of Dundee REIT continues to perform the property management function.

On closing Dundee REIT received cash of approximately $1.5 billion. The cash consideration received was approximately $100 million less than the anticipated $1.6 billion as a result of certain properties that we were not able to transfer to GE on

closing due to the purchase rights of our co-owners or certain tenants ("Holdback Properties"). The cash proceeds received on closing were used to redeem approximately 29.9 million outstanding units for $47.50 per unit (the "Redemption"). In addition, GE purchased approximately 3.5 million outstanding units at a purchase price of $47.50 per unit (the "Transfer"), which gave GE an approximate 16% equity interest in the Trust. Dundee REIT incurred transaction costs of approximately $18.5 million in relation to the Transaction. These costs include $4.3 million related to accelerated vesting of deferred trust units and income deferred trust units, $2.1 million relating to the purchase and cancellation of deferred trust units and income trust units from trustees, senior officers and transferring employees who had elected such purchases, and $3.9 million related to the special award of deferred trust units in connection with the Transaction.

On closing, Dundee REIT entered into an asset management agreement with DRC pursuant to which DRC provides asset management services to Dundee REIT with respect to the Western Portfolio. The asset management agreement is for an initial term of five years and is renewable for further five-year terms in accordance with the Termination and Term provisions of the agreement. Also on closing, DRC and GE entered into an asset management agreement pursuant to which DRC provides asset management services to GE with respect to the Eastern Portfolio.

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

The Transaction was approved by more than 99% of the votes cast by unitholders, including over 99% of the votes cast by minority unitholders, at a special unitholder meeting held on August 15, 2007. Unitholders also approved various amendments to the governing documents of Dundee REIT and its subsidiaries in respect of the governance and operation of the Trust, including the modification of Dundee Corporation's existing board appointment rights and changes to the investment guidelines and operating policies of Dundee REIT's operating subsidiary, DPLP.

Our results of operations

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Revenues				
Rental properties revenue	**$ 39,633**	$ 29,478	**$ 109,563**	$ 65,483
Interest and fee income	**574**	1,032	**1,918**	2,379
	40,207	30,510	**111,481**	67,862
Expenses				
Rental properties operating expenses	**13,863**	10,560	**38,014**	24,112
Interest	**9,259**	9,253	**26,026**	23,770
Depreciation of rental properties	**6,003**	4,828	**16,768**	10,718
Amortization of deferred leasing costs, tenant improvements and intangibles	**5,842**	4,450	**15,979**	8,545
General and administrative	**1,887**	1,687	**6,066**	4,951
	36,854	30,778	**102,853**	72,096
Income (loss) before the undernoted item	**3,353**	(268)	**8,628**	(4,234)
Internalization of property manager	**–**	27	**(1,230)**	(13,063)
Gain on disposal of rental property and land	**854**	–	**2,328**	–
Income (loss) before income taxes	**4,207**	(241)	**9,726**	(17,297)
Income taxes				
Current income	**7**	(82)	**22**	40
Future income taxes	**107**	120	**15,176**	369
	114	38	**15,198**	409
Income (loss) before non-controlling interest and discontinued operations	**4,093**	(279)	**(5,472)**	(17,706)
Income attributable to non-controlling interest	**–**	–	**–**	(610)
Income (loss) before discontinued operations	**4,093**	(279)	**(5,472)**	(18,316)
Discontinued operations	**748,357**	7,102	**738,550**	21,582
Net income	**$ 752,450**	$ 6,823	**$ 733,078**	$ 3,266

Rental properties revenue

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs, property taxes, parking revenues and other miscellaneous revenues from tenants. The $10.2 million or 34% increase in rental property revenue is primarily a result of additional revenues generated by acquisitions.

Interest and fee income

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

Rental properties operating expenses

Operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, repairs and maintenance. The $3.3 million or 31% increase in operating expenses over the comparative quarter mainly reflects the additional costs associated with acquired properties, and is less than the 34% increase in rental properties revenue.

Interest expense

The $9.3 million in interest expense for the three-month period is flat compared with the same quarter in 2006. Although additional debt incurred in connection with acquisitions increased expense, the overall impact on interest expense was mitigated by debenture conversions since 2006.

Depreciation of rental properties

Depreciation increased by $1.2 million or 24% compared with the same quarter in 2006 mainly as a result of acquisitions.

Amortization of deferred leasing costs, tenant improvements and intangibles

Amortization for the quarter was $5.8 million, an increase of $1.4 million or 31% over the comparative period. The increase is largely due to the allocation of a portion of the purchase price to intangibles on new acquisitions since 2006.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations. Expenses for the quarter were $1.9 million, an increase of $0.2 million or 12% over the comparative period reflecting the growth of our business.

Income tax expense

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

As of June 2007, amendments were made to the *Income Tax Act*, modifying the tax treatment of certain publicly traded trusts and partnerships that are SIFTs, such that certain distributions and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes. Certain real estate investment trusts that satisfy specified conditions are excluded from the SIFT definition and therefore will not be subject to the SIFT Rules (the "REIT Exception"). As the Trust did not meet the technical REIT Exception as of June 30, 2007, a future income tax liability of $40.0 million was recorded, based on the temporary differences that were expected to reverse on or after January 1, 2011. During the third quarter, $25.0 million was reversed as a result of the sale of properties to GE, and is shown as part of discontinued operations.

Discontinued operations

Discontinued operations include assets that have been categorized as held for sale or sold and meet specific criteria as discontinued assets in accordance with GAAP. These assets and operations are disclosed separately on the income statement and balance sheet. Discontinued operations include the Eastern Portfolio sold to GE, and Greenbriar Mall, the latter of which is expected to be disposed of in the fourth quarter of this year, and includes the net gain recorded on the sale.

Related-party transactions

From time to time Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. As of August 24, 2007, Dundee REIT has entered into an Asset Management Agreement with DRC. Prior to May 1, 2006, Dundee REIT, DPLP (an indirect subsidiary of Dundee REIT), DMLP (an indirect subsidiary of Dundee REIT), and DRC were parties to a property management agreement and an administrative services agreement (the "Management Agreement" and the "Services Agreement"). In addition, DMLP and DRC are parties to a separate administrative services agreement. Effective May 1, 2006, the Trust acquired DRC's 50% interest in DMLP. As a result, DRC is no longer party to the Management Agreement, other than to its rent supplement obligation, and the Services Agreement. DMLP and DRC have extended the term of the DRC Services Agreement until June 30, 2013.

During the quarter, we received $0.1 million in fees related to the rent supplement and $0.5 million related to the DRC Services Agreement and paid $0.4 million related to the Asset Management Agreement.

Net operating income

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

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Net income	**$ 752,450**	$ 6,823	**$ 733,078**	$ 3,266
Add (deduct):				
Interest expense	**9,259**	9,253	**26,026**	23,770
Depreciation of rental properties	**6,003**	4,828	**16,768**	10,718
Amortization of deferred leasing costs, tenant improvements and intangibles	**5,842**	4,450	**15,979**	8,545
General and administrative expenses	**1,887**	1,687	**6,066**	4,951
Gain on disposal of rental property and land	**(854)**	–	**(2,328)**	–
Internalization of property manager	**–**	(27)	**1,230**	13,063
Interest and fee income	**(574)**	(1,032)	**(1,918)**	(2,379)
Income taxes	**114**	38	**15,198**	409
Non-controlling interest	**–**	–	**–**	610
Depreciation, amortization, interest, provision for impairment, future income taxes, gain or loss on disposition, and non-controlling interest included in discontinued operations	**(727,556)**	19,324	**(655,042)**	55,920
NOI including redevelopment and discontinued operations	**$ 46,571**	$ 45,344	**$ 155,057**	$ 118,873

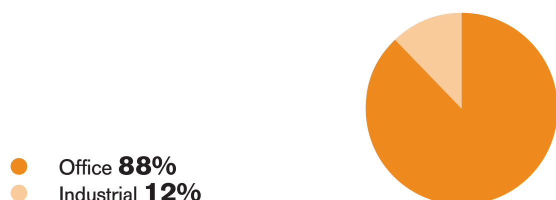
We define NOI as the total of rental property revenues less rental property operating expenses. NOI, before redevelopment and discontinued operations, for the quarter increased 36% over the comparative period, primarily due to income generated by properties acquired in 2006 and 2007. NOI generated by our comparative portfolio increased $1.0 million or 11% for the quarter and $3.0 or 10% for the year, largely driven by increased occupancy and higher rental rates achieved on renewals and new leasing. Discontinued operations mainly reflects the results of the Eastern Portfolio, which was sold on August 24, 2007.

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Office	**$ 22,569**	$ 16,105	$ 6,464	40	**$ 62,127**	$ 33,397	$ 28,730	86
Industrial	**3,201**	2,825	376	13	**9,422**	7,994	1,428	18
NOI	**25,770**	18,930	6,840	36	**71,549**	41,391	30,158	73
Redevelopment	**–**	(12)	12		**–**	(20)	20	
Discontinued operations	**20,801**	26,426	(5,625)		**83,508**	77,502	6,006	
NOI including redevelopment and discontinued operations	**$ 46,571**	$ 45,344	$ 1,227	3	**$ 155,057**	$ 118,873	$ 36,184	30

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
British Columbia	**$ 1,837**	$ 1,180	$ 657	56	**$ 4,773**	$ 3,525	$ 1,248	35
Alberta	**18,266**	12,540	5,726	46	**50,075**	26,755	23,320	87
Saskatchewan & NWT	**3,687**	3,311	376	11	**10,696**	5,306	5,390	102
Ontario	**1,980**	1,899	81	4	**6,005**	5,805	200	3
NOI	**25,770**	18,930	6,840	36	**71,549**	41,391	30,158	73
Redevelopment	**–**	(12)	12		**–**	(20)	20	
Discontinued operations	**20,801**	26,426	(5,625)		**83,508**	77,502	6,006	
NOI including redevelopment and discontinued operations	**$ 46,571**	$ 45,344	$ 1,227	3	**$ 155,057**	$ 118,873	$ 36,184	30

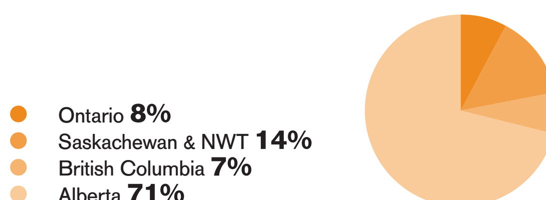
NOI by segment

Three months ended September 30, 2007



NOI by region

Three months ended September 30, 2007



NOI comparative portfolio

NOI shown below highlights comparative and non-comparative items to assist in understanding the impact each component has on NOI. The Eastern Portfolio and Greenbriar Mall have been classified as discontinued operations. The discontinued operations that contributed to NOI are shown separately to conform to the required income statement presentation. The following review of operations focuses on our go-forward portfolio. Comparative NOI and acquisitions exclude GAAP adjustments that relate to straight-line rents and amortization of market rent adjustments on acquired leases.

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Office	**$ 7,899**	$ 7,219	$ 680	9	**$ 23,519**	$ 21,581	$ 1,938	9
Industrial	**2,849**	2,481	368	15	**8,369**	7,317	1,052	14
Comparative properties	**10,748**	9,700	1,048	11	**31,888**	28,898	2,990	10
Acquisitions	**11,824**	7,015	4,809		**31,170**	9,417	21,753	
Rent supplement	**17**	26	(9)		**64**	21	43	
GAAP adjustments	**3,181**	2,189	992		**8,427**	3,055	5,372	
NOI	**25,770**	18,930	6,840	36	**71,549**	41,391	30,158	73
Redevelopment	**–**	(12)	12		**–**	(20)	20	
Discontinued operations	**20,801**	26,426	(5,625)		**83,508**	77,502	6,006	
NOI including redevelopment and discontinued operations	**$ 46,571**	$ 45,344	$ 1,227	3	**$ 155,057**	$ 118,873	$ 36,184	30

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Alberta	**$ 7,346**	$ 6,557	$ 789	12	**$ 21,654**	$ 19,281	$ 2,373	12
British Columbia	**1,252**	1,159	93	8	**3,702**	3,490	212	6
Saskatchewan & NWT	**206**	181	25	14	**627**	560	67	12
Ontario	**1,944**	1,803	141	8	**5,905**	5,567	338	6
Comparative properties	**10,748**	9,700	1,048	11	**31,888**	28,898	2,990	10
Acquisitions	**11,824**	7,015	4,809		**31,170**	9,417	21,753	
Rent supplement	**17**	26	(9)		**64**	21	43	
GAAP adjustments	**3,181**	2,189	992		**8,427**	3,055	5,372	
NOI	**25,770**	18,930	6,840	36	**71,549**	41,391	30,158	73
Redevelopment	**–**	(12)	12		**–**	(20)	20	
Discontinued operations	**20,801**	26,426	(5,625)		**83,508**	77,502	6,006	
NOI including redevelopment and discontinued operations	**$ 46,571**	$ 45,344	$ 1,227	3	**$ 155,057**	$ 118,873	$ 36,184	30

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

Comparative office portfolio

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
British Columbia	**$ 1,252**	$ 1,159	$ 93	8	**$ 3,702**	$ 3,490	$ 212	6
Alberta	**4,497**	4,076	421	10	**13,285**	11,964	1,321	11
Saskatchewan & NWT	**206**	181	25	14	**627**	560	67	12
Ontario	**1,944**	1,803	141	8	**5,905**	5,567	338	6
Comparative properties	**7,899**	7,219	680	9	**23,519**	21,581	1,938	9
Acquisitions	**11,558**	6,792	4,766		**30,404**	8,997	21,407	
Rent supplement	**17**	27	(10)		**64**	68	(4)	
GAAP adjustments	**3,095**	2,067	1,028		**8,140**	2,751	5,389	
Office NOI	**$ 22,569**	$ 16,105	$ 6,464	40	**$ 62,127**	$ 33,397	$ 28,730	86

Our comparative office portfolio remains well occupied with all markets boasting virtually full economic occupancy. Strong comparative NOI growth in the office portfolio is largely a result of improved occupancy and higher rental rates achieved on renewals and new leasing. The Alberta office portfolio leads our growth, benefiting from leasing activity and rising rental rates. Occupancy in Alberta is at 99.2% at period-end compared to 98.2% in the prior year comparative period.

Comparative industrial portfolio

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Alberta	**$ 2,849**	$ 2,481	$ 368	15	**$ 8,369**	$ 7,317	$ 1,052	14
Comparative properties	**2,849**	2,481	368	15	**8,369**	7,317	1,052	14
Acquisitions	**266**	223	43		**766**	420	346	
Rent supplement	**–**	(1)	1		**–**	(47)	47	
GAAP adjustments	**86**	122	(36)		**287**	304	(17)	
Industrial NOI	**$ 3,201**	$ 2,825	$ 376	13	**$ 9,422**	$ 7,994	$ 1,428	18

Our comparative industrial portfolio contributed strong results in the third quarter with the impact of higher rental rates achieved on leasing, offsetting slightly weaker average occupancy throughout the quarter in one of our buildings in Calgary compared to the same period in 2006.

NOI prior quarter comparison

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

Overall, comparative properties are maintaining a high level of occupancy, achieving incremental improvements in rental rates and producing modest growth in NOI. Total NOI increased by 4% quarter-over-quarter, largely reflecting the impact of acquisitions as well as the benefits of leasing activity.

For the three months ended	September 30, 2007	June 30, 2007	Growth Amount	Growth %
Office	**$ 18,529**	$ 18,297	$ 232	1
Industrial	**3,116**	3,085	31	1
Comparative properties	**21,645**	21,382	263	1
Acquisitions	**927**	22	905	
Rent supplement	**17**	24	(7)	
GAAP adjustments	**3,181**	3,393	(212)	
NOI	**25,770**	24,821	949	4
Redevelopment	**–**	2	(2)	
Discontinued operations	**20,801**	33,158	(12,357)	
NOI including redevelopment and discontinued operations	**$ 46,571**	$ 57,981	$ (11,410)	(20)

For the three months ended	September 30, 2007	June 30, 2007	Growth Amount	Growth %
Alberta	**$ 14,547**	$ 14,518	$ 29	–
British Columbia	**1,475**	1,288	187	15
Saskatchewan & NWT	**3,624**	3,563	61	2
Ontario	**1,999**	2,013	(14)	(1)
Comparative properties	**21,645**	21,382	263	1
Acquisitions	**927**	22	905	
Rent supplement	**17**	24	(7)	
GAAP adjustments	**3,181**	3,393	(212)	
NOI	**25,770**	24,821	949	4
Redevelopment	**–**	2	(2)	
Discontinued operations	**20,801**	33,158	(12,357)	
NOI including redevelopment and discontinued operations	**$ 46,571**	$ 57,981	$ (11,410)	(20)

NOI from the office portfolio increased $0.2 million. Contributing to this growth were gains in occupancy, the impact of step rents, higher rental rates and parking revenues, prior year operating expense recoveries and realty tax rebates. NOI from the industrial portfolio remains stable with the prior quarter. This is largely due to lower non-recoverable operating expenses and the impact of step rents. British Columbia continues to produce strong operating results as our ability to renew or re-lease space at rates higher than expiring rates.

Quarterly information

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

	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Revenues								
Rental properties revenue	**$ 39,633**	$ 37,446	$ 32,484	$ 30,996	$ 29,478	$ 19,729	$ 16,276	$ 16,819
Interest and fee income	**574**	680	664	1,054	1,032	849	498	396
	40,207	38,126	33,148	32,050	30,510	20,578	16,744	17,215
Expenses								
Rental properties operating expenses	**13,863**	12,621	11,530	11,769	10,560	7,231	6,324	6,630
Interest	**9,259**	8,701	8,066	8,394	9,253	7,599	6,918	7,202
Depreciation of rental properties	**6,003**	5,688	5,077	4,946	4,828	3,307	2,583	2,686
Amortization of deferred leasing costs, tenant improvements and intangibles	**5,842**	5,989	4,148	3,628	4,450	2,328	1,767	1,529
General and administrative	**1,887**	1,975	2,204	1,861	1,687	1,756	1,508	1,640
	36,854	34,974	31,025	30,598	30,778	22,221	19,100	19,687
Income before the undernoted items	**3,353**	3,152	2,123	1,452	(268)	(1,643)	(2,326)	(2,472)
Internalization of property manager	**–**	–	(1,230)	(616)	27	(13,090)	–	–
Gain on disposal of rental property and land held for sale	**854**	1,474	–	–	–	–	–	–
Dilution gain	**–**	–	–	–	–	–	–	296
Income (loss) before income and large corporations taxes	**4,207**	4,626	893	836	(241)	(14,733)	(2,326)	(2,176)
Income taxes								
Current income and large corporations taxes	**7**	10	5	22	(82)	77	45	49
Future income taxes (recovery)	**107**	15,110	(41)	(103)	120	104	145	(4,287)
Income tax expense (recovery)	**114**	15,120	(36)	(81)	38	181	190	(4,238)
Income (loss) before non-controlling interest and discontinued operations	**4,093**	(10,494)	929	917	(279)	(14,914)	(2,516)	2,062
Loss (income) attributable to non-controlling interest	**–**	–	–	–	–	(1,291)	681	762
Income (loss) before discontinued operations	**4,093**	(10,494)	929	917	(279)	(16,205)	(1,835)	2,824
Discontinued operations	**748,357**	(17,296)	7,489	7,035	7,102	9,459	5,024	(7,839)
Net income (loss)	**$752,450**	$ (27,790)	$ 8,418	$ 7,952	$ 6,823	$ (6,746)	$ 3,189	$ (5,015)
Net income (loss) per unit								
Basic	**$ 19.82**	$ (0.57)	$ 0.19	$ 0.24	$ 0.19	$ (0.23)	$ 0.15	$ (0.28)
Diluted[1]	**$ 19.81**	$ (0.57)	$ 0.19	$ 0.24	$ 0.19	$ (0.23)	$ 0.15	$ (0.29)

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

Calculation of funds from operations and distributable income

	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net income (loss)	**$ 752,450**	$ (27,790)	$ 8,418	$ 7,952	$ 6,823	$ (6,746)	$ 3,189	$ (5,015)
Add (deduct):								
Depreciation of rental properties	**10,960**	13,495	12,336	11,259	10,824	9,255	8,570	8,117
Amortization of deferred leasing costs, tenant improvements and intangibles	**10,825**	12,988	9,843	9,384	9,007	6,527	5,725	5,918
Future income tax	**(25,198)**	40,031	(117)	(111)	(202)	2,453	174	(4,286)
Imputed amortization of leasing costs related to the rent supplement	**61**	88	79	81	68	289	256	318
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(42)**	(29)	(18)	(17)	(18)	(13)	(5)	(6)
Dilution gain	**–**	–	–	–	–	–	–	(296)
(Gain) loss on disposal of rental properties and land held for sale	**(727,374)**	(1,474)	–	4	415	(3,453)	24	3,837
Provision for impairment in value of rental property	**7,650**	–	–	–	–	–	–	11,533
Internalization of property manager	**–**	–	1,230	615	(27)	13,090	–	–
Non-controlling interest	**–**	–	–	–	–	527	1,349	(2,281)
Funds from operations	**$ 29,332**	$ 37,309	$ 31,771	$ 29,167	$ 26,890	$ 21,929	$ 19,282	$ 17,839
Funds from operations per unit								
Basic[1]	**$ 0.77**	$ 0.76	$ 0.71	$ 0.74	$ 0.74	$ 0.67	$ 0.67	$ 0.68
Diluted	**$ 0.76**	$ 0.75	$ 0.69	$ 0.71	$ 0.70	$ 0.64	$ 0.63	$ 0.64
Cash generated from operating activities	**$ 6,794**	$ 35,150	$ 32,071	$ 24,003	$ 22,058	$ 24,634	$ 17,167	$ 13,204
Add (deduct):								
Deferred leasing costs incurred	**2,026**	1,554	1,358	2,352	972	1,739	1,034	1,602
Amortization of deferred financing costs incurred prior to June 30, 2003	**67**	94	87	65	81	94	94	94
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**5**	13	16	16	17	19	21	25
Amortization of tenant inducements	**31**	33	26	20	–	–	–	–
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(42)**	(29)	(18)	(17)	(18)	(13)	(5)	(4)
Loss (gain) on disposal of rental property	**–**	–	–	–	–	(25)	24	–
Amortization of deferred financing costs	**(259)**	(316)	(306)	(445)	(619)	(425)	(433)	(415)
Change in non-cash working capital	**16,412**	(3,517)	(4,265)	660	1,378	(5,524)	78	2,040
Distributable income	**$ 25,034**	$ 32,982	$ 28,969	$ 26,654	$ 23,869	$ 20,499	$ 17,980	$ 16,546
Distributable income per unit								
Basic[1]	**$ 0.66**	$ 0.67	$ 0.64	$ 0.67	$ 0.66	$ 0.63	$ 0.62	$ 0.63
Diluted	**$ 0.65**	$ 0.66	$ 0.63	$ 0.65	$ 0.63	$ 0.60	$ 0.59	$ 0.60
Weighted average units outstanding for FFO and DI								
Basic	**37,961,439**	49,115,213	44,954,392	39,588,295	36,350,417	32,727,091	28,968,219	26,266,118
Diluted	**39,020,277**	51,306,940	47,732,198	43,447,393	42,292,776	38,953,240	35,281,362	32,562,042

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

Section III – Disclosure controls and procedures

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

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

Section IV – Risks and our strategy to manage

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

Section V – Critical accounting policies

Critical accounting estimates

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

Income taxes

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

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

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

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

As the Trust did not meet the technical REIT Exception as at June 12, 2007 or as at June 30, 2007, a future income tax liability in the amount of $40.0 million was recorded as at June 30, 2007, based on the temporary differences that are expected to reverse on or after January 1, 2011. The future income tax liability was recorded as a charge to the consolidated statement of net income and comprehensive income, for the quarter and six months ended June 30, 2007. During the quarter, a future income tax liability in the amount of $25 million relating to the assets sold during the quarter was reversed and recorded as a component of discontinued operations. Should the Trust meet the REIT Exception in the future, the future income tax liability will be reversed and recorded as a recovery through the consolidated statement of net income and comprehensive income at that time.

Since the SIFT Rules have only recently been enacted, the Canada Revenue Agency's administrative policies regarding the interpretation of the SIFT Rules and their application to the trusts and partnerships in which a publicly traded income fund holds a direct or indirect interest are still under review. As such, there may be a possible interpretation of the legislation under which the Trusts subsidiary partnerships ("Partnerships") would be viewed as SIFTs. Management does not believe this to be the intent of the legislation and believes there to be valid technical arguments supporting the fact that the Partnerships are not SIFTs.

Changes in accounting policies

Financial instruments

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

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

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

In conjunction with Section 3855, the Trust also adopted CICA Handbook Section 1530, "Comprehensive Income", which requires the Trust to disclose Other Comprehensive Income ("OCI") in its financial statements. The Trust has included this disclosure on its statement of net income. Foreign currency translation losses of $1.2 million related to the net investment in Greenbriar Mall are disclosed as OCI. Previously these amounts were disclosed as a component of unitholders' equity. Any change as a result of a reduction in the net investment will be disclosed as comprehensive income. The comparative financial statements were restated by reclassifying the opening cumulative foreign currency translation adjustment of $5.1 million to accumulated other comprehensive income on the statement of unitholders' equity, with 2006 being restated to conform with the new presentation.

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

Consolidated balance sheets

(Unaudited) (In thousands of dollars)	Note	September 30, 2007	December 31, 2006
Assets			
Rental properties	4	**$ 947,309**	$ 1,816,811
Deferred costs	5	**30,105**	73,455
Land	6	**14,900**	41,395
Amounts receivable	7	**8,588**	18,606
Prepaid expenses and other assets	8	**14,303**	20,240
Cash and cash equivalents		**7,673**	70,997
Intangible assets	9	**52,096**	86,416
Assets held for sale	19	**14,886**	–
		$ 1,089,860	$ 2,127,920
Liabilities			
Debt	10	**$ 595,173**	$ 1,153,794
Amounts payable and accrued liabilities	11	**28,148**	40,701
Distributions payable	12	**3,810**	8,013
Future income tax liability	15	**16,495**	3,950
Intangible liabilities	9	**38,589**	33,351
Liabilities related to assets held for sale	19	**18,564**	–
		700,779	1,239,809
Unitholders' equity	13	**389,081**	888,111
		$ 1,089,860	$ 2,127,920

See accompanying notes to the consolidated financial statements

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of net income and comprehensive income

(Unaudited) (In thousands of dollars, except per unit amounts)	Note	For the three months ended September 30 **2007**	2006	For the nine months ended September 30 **2007**	2006
Revenues					
Rental properties revenue		**$ 39,633**	$ 29,478	**$ 109,563**	$ 65,483
Interest and fee income		**574**	1,032	**1,918**	2,379
		40,207	30,510	**111,481**	67,862
Expenses					
Rental properties operating expenses		**13,863**	10,560	**38,014**	24,112
Interest	14	**9,259**	9,253	**26,026**	23,770
Depreciation of rental properties		**6,003**	4,828	**16,768**	10,718
Amortization of deferred leasing costs, tenant improvements and intangibles		**5,842**	4,450	**15,979**	8,545
General and administrative		**1,887**	1,687	**6,066**	4,951
		36,854	30,778	**102,853**	72,096
Income (loss) before the undernoted items		**3,353**	(268)	**8,628**	(4,234)
Internalization of property manager	22	**–**	27	**(1,230)**	(13,063)
Gain on disposition of land		**854**	–	**2,328**	–
Income (loss) before income taxes		**4,207**	(241)	**9,726**	(17,297)
Provision for (recovery of) income taxes	15				
Current income taxes		**7**	(82)	**22**	40
Future income taxes		**107**	120	**15,176**	369
		114	38	**15,198**	409
Income (loss) before non-controlling interest and discontinued operations		**4,093**	(279)	**(5,472)**	(17,706)
Income attributable to non-controlling interest		**–**	–	**–**	(610)
Income (loss) before discontinued operations		**4,093**	(279)	**(5,472)**	(18,316)
Discontinued operations	19	**748,357**	7,102	**738,550**	21,582
Net income		**$ 752,450**	$ 6,823	**$ 733,078**	$ 3,266
Basic income (loss) per unit	16				
Continuing operations		**$ 0.11**	$ (0.01)	**$ (0.12)**	$ (0.63)
Discontinued operations		**19.71**	0.20	**16.79**	0.75
Net income		**$ 19.82**	$ 0.19	**$ 16.67**	$ 0.12
Diluted income (loss) per unit	16				
Continuing operations		**$ 0.11**	$ (0.01)	**$ (0.12)**	$ (0.63)
Discontinued operations		**19.70**	0.20	**16.79**	0.75
Net income		**$ 19.81**	$ 0.19	**$ 16.67**	$ 0.12
Net income		**$ 752,450**	$ 6,823	**$ 733,078**	$ 3,266
Other comprehensive income (loss)					
Cumulative foreign currency translation adjustment		**(431)**	90	**(1,203)**	2,004
Comprehensive income		**$ 752,019**	$ 6,913	**$ 731,875**	$ 5,270

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity

(Unaudited) **(In thousands of dollars, except number of units)**	**Note**	**Number of units**	**Cumulative capital**	**Cumulative net income**	**Cumulative distributions**	**Accumulated other comprehensive loss**	**Total**
Unitholders' equity, January 1, 2007		**43,419,648**	**$ 1,067,125**	**$ 33,388**	**$ (207,286)**	**$ (5,116)**	**$ 888,111**
Adjustment to opening unitholders' equity to comply with new accounting standard	**2**	**–**	**–**	**448**	**–**	**–**	**448**
Unitholders' equity, January 1, 2007 (restated)		**43,419,648**	**1,067,125**	**33,836**	**(207,286)**	**(5,116)**	**888,559**
Net income		**–**	**–**	**733,078**	**–**	**–**	**733,078**
Distributions paid	**12**	**–**	**–**	**–**	**(64,748)**	**–**	**(64,748)**
Distributions payable	**12**	**–**	**–**	**–**	**(3,810)**	**–**	**(3,810)**
Public offering of REIT Units	**13**	**4,195,000**	**170,946**	**–**	**–**	**–**	**170,946**
Distribution Reinvestment Plan	**13**	**348,418**	**14,305**	**–**	**–**	**–**	**14,305**
Unit Purchase Plan	**13**	**1,170**	**51**	**–**	**–**	**–**	**51**
Deferred Unit Incentive Plan	**13**	**30,370**	**6,031**	**–**	**–**	**–**	**6,031**
Conversion of 6.5% Debentures	**13**	**810,000**	**20,250**	**–**	**–**	**–**	**20,250**
Conversion of 5.7% Debentures	**13**	**1,885,649**	**56,569**	**–**	**–**	**–**	**56,569**
Units issued on internalization of property manager	**22**	**44,674**	**1,230**	**–**	**–**	**–**	**1,230**
Issue costs		**–**	**(11,197)**	**–**	**–**	**–**	**(11,197)**
Unit redemptions and transfer	**13**	**(29,915,384)**	**(781,669)**	**–**	**(639,311)**	**–**	**(1,420,980)**
Change in foreign currency translation adjustment		**–**	**–**	**–**	**–**	**(1,203)**	**(1,203)**
Unitholders' equity, September 30, 2007		**20,819,545**	**$ 543,641**	**$ 766,914**	**$ (915,155)**	**$ (6,319)**	**$ 389,081**

(Unaudited) (In thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity, January 1, 2006		20,449,209	$ 446,678	$ 15,844	$ (85,680)	$ (5,100)	$ 371,742
Net income		–	–	3,266	–	–	3,266
Distributions paid		–	–	–	(41,739)	–	(41,739)
Distributions payable		–	–	–	(6,990)	–	(6,990)
Public offering of REIT Units	13	6,080,000	169,966	–	–	–	169,966
Distribution Reinvestment Plan	13	656,248	18,506	–	–	–	18,506
Unit Purchase Plan	13	12,585	342	–	–	–	342
Deferred Unit Incentive Plan	13	16,670	816	–	–	–	816
Conversion of 6.5% Debentures	13	1,758,240	43,956	–	–	–	43,956
Conversion of 5.7% Debentures	13	2,965	89	–	–	–	89
Units issued on internalization of property manager	22	485,016	13,357	–	–	–	13,357
Issue costs		–	(9,654)	–	–	–	(9,654)
Change in foreign currency translation adjustment		–	–	–	–	2,004	2,004
Reclassification of LP Class B Units, Series 1	13	8,337,365	195,884	6,326	(50,504)	(2,373)	149,333
Unitholders' equity, September 30, 2006		37,798,298	$ 879,940	$ 25,436	$ (184,913)	$ (5,469)	$ 714,994

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(Unaudited) (In thousands of dollars)	Note	For the three months ended September 30 **2007**	2006	For the nine months ended September 30 **2007**	2006
Generated from (utilized in) operating activities					
Net income		**$ 752,450**	$ 6,823	**$ 733,078**	$ 3,266
Non-cash items:					
Depreciation of rental properties		**10,960**	10,824	**36,791**	28,648
Amortization of deferred leasing costs, tenant improvements and intangibles		**10,825**	9,007	**33,656**	21,259
Amortization of deferred financing costs		**259**	619	**881**	1,477
Amortization of fair value adjustment on acquired debt		**(479)**	(521)	**(1,562)**	(1,383)
Internalization of property manager		**–**	(27)	**1,230**	13,063
Gain on disposition of rental properties		**(726,520)**	415	**(726,520)**	(3,013)
Gain on disposition of land		**(854)**	–	**(2,328)**	–
Provision for impairment in value of asset held for sale		**7,650**	–	**7,650**	–
Deferred unit compensation expense		**293**	276	**1,177**	816
Future income taxes		**(25,198)**	(202)	**14,716**	2,425
Amortization of market rent adjustments on acquired leases		**(3,191)**	(1,895)	**(8,440)**	(2,502)
Straight-line rent adjustment		**(963)**	(911)	**(2,746)**	(2,397)
Non-controlling interest		**–**	–	**–**	1,876
		25,232	24,408	**87,583**	63,535
Deferred leasing costs incurred		**(2,026)**	(972)	**(4,938)**	(3,745)
Change in non-cash working capital	21	**(16,412)**	(1,378)	**(8,630)**	4,069
		6,794	22,058	**74,015**	63,859
Generated from (utilized in) investing activities					
Investment in rental properties		**(4,517)**	(2,745)	**(9,648)**	(6,514)
Investment in tenant improvements		**(2,107)**	(494)	**(5,768)**	(4,005)
Investment in land development		**(1,229)**	(764)	**(2,973)**	(1,056)
Acquisition of rental properties and land	3	**(38,598)**	(67,928)	**(517,320)**	(386,527)
Acquisition deposit on rental properties		**(639)**	600	**(900)**	–
Investment in mezzanine loan		**(103)**	(1,420)	**(468)**	(3,655)
Net proceeds from disposition of rental properties	19	**1,488,381**	(337)	**1,488,381**	25,000
Net proceeds from disposition of land		**978**	–	**3,264**	–
Change in restricted cash, net		**919**	(777)	**1,223**	(578)
		1,443,085	(73,865)	**955,791**	(377,335)
Generated from (utilized in) financing activities					
Mortgages placed, net of costs		**(415)**	86,322	**236,173**	246,662
Mortgage principal repayments		**(6,942)**	(6,875)	**(22,112)**	(18,463)
Mortgage lump sum repayments		**(2,316)**	(34,131)	**(21,778)**	(47,057)
Term debt principal repayments		**(29)**	(84)	**(86)**	(298)
Term debt lump sum repayments		**–**	–	**–**	(14,957)
Term debt placed, net of costs		**17**	203	**78**	6,095
Demand revolving credit facility		**5,571**	10,362	**36,901**	10,362
Distributions paid on REIT Units and LP B Units	12	**(21,954)**	(13,846)	**(59,092)**	(34,936)
Redemption of Units	13	**(1,420,980)**	–	**(1,420,980)**	–
Deferred trust and income units cancelled	19	**(5,492)**	–	**(5,492)**	–
Units issued for cash, net of costs		**(2)**	(203)	**163,548**	162,665
		(1,452,542)	41,748	**(1,092,840)**	310,073
Decrease in cash and cash equivalents		**(2,663)**	(10,059)	**(63,034)**	(3,403)
Cash and cash equivalents, beginning of period		**10,626**	23,172	**70,997**	16,516
Cash and cash equivalents, end of period		**$ 7,963**	$ 13,113	**$ 7,963**	$ 13,113
Cash and cash equivalents consist of:					
Cash and cash equivalents from continuing operations		**$ 7,673**	$ 13,113	**$ 7,673**	$ 13,113
Cash and cash equivalents from assets held for sale		**290**	–	**290**	–
		$ 7,963	$ 13,113	**$ 7,963**	$ 13,113

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

1.
Organization

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

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

On August 24, 2007, the Trust completed the sale of its portfolio of real estate assets located principally in Ontario, Québec and Newfoundland (the "Eastern Portfolio") to GE Real Estate ("GE") including the assumption of liabilities by GE relating to the Eastern Portfolio (the "Transaction"). Dundee REIT's portfolio now comprises office and industrial properties located primarily in Western Canada, and a subsidiary of Dundee REIT continues to perform the property management function. The cash proceeds received on closing were used to redeem approximately 29.9 million outstanding units for $47.50 per unit (the "Redemption"). In addition, GE purchased approximately 3.5 million outstanding units at a purchase price of $47.50 per unit (the "Transfer"), which gave GE an approximate 16% equity interest in the Trust.

Pursuant to the Transaction, the Trust made certain amendments to its Declaration of Trust and to other governing documents of the Trust and its subsidiaries. In general, the Trust and its subsidiaries cannot take any action that would prevent it from qualifying as a "real estate investment trust" and the Trust cannot take any action that at any time prior to January 1, 2008, would cause it to exceed "normal growth" as determined by the Normal Growth Guidelines pertaining to specified investment flow-through trusts or partnerships ("SIFTs"), or to be subject to tax under paragraph 122(1) (b) of the *Income Tax Act*, which specifies taxes payable by a SIFT entity. Also, amendments have been made to provide for the surrender, exchange for purchase or cancellation, or transfer of LP Class A Units, Series 1 and LP Class B Units, Series 2 in connection with the Redemption and Transfer.

Amendments made to the Declaration of Trust included:

- Dundee Corporation has the right to appoint up to a majority of Trustees less one, provided it owns at least 2,000,000 REIT Units, Series A ("REIT A Units"), REIT Units, Series B ("REIT B Units") and/or LP Class B Units, Series 1 ("LP B Units").
- Pre-emptive rights on the issuance of Units or any securities convertible or exchangeable for or into units provided to both Dundee Corporation and GE Real Estate to maintain their same proportionate interest in the Trust.

Amendments made to the Partnership Agreement of Dundee Properties Limited Partnership ("DPLP") included:

- The business of DPLP must be located exclusively in Canada.
- DPLP may only invest in equity interests in office and industrial revenue producing properties.
- DPLP may invest in up to 25% of equity of non-qualifying investments subject to meeting the general REIT qualifications discussed above.
- Certain restrictions regarding acquisitions, investments in joint ventures, holding securities, investments in operating businesses, investments in partnerships and investments in mortgages or mortgage bonds have been removed.
- DPLP is permitted to undertake construction and development activities for the maintenance of real property or enhancing the revenue stream from real property provided it is not on a brownfield site.
- Removal of limitations on the maximum amount of total debt as a percentage of the Trust's gross book value, the maximum amount of floating rate debt as a percentage of total debt and the limitation of the maximum amount of new debt as a percentage of the market value of a specific property have been removed.
- DPLP will maintain an interest coverage ratio of no less than 1.4 times.

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

At September 30, 2007, Dundee Corporation, the majority shareholder of DRC, held 357,584 REIT Units, Series A, ("REIT A Units") and indirectly held 3,315,349 LP B Units (December 31, 2006 – 127,955 and 8,565,095 units, respectively, including 55,326 units it was entitled to receive on June 30, 2007). Dundee Corporation purchased REIT A Units in the market to satisfy its obligations with respect to its exchangeable debentures.

At September 30, 2007, GE held 2,997,371 REIT A Units and 476,316 REIT B Units, acquired as a result of the Transfer on August 24, 2007.

2.
Summary of significant accounting policies

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

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

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

Financial instruments

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

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

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

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

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

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

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

Income taxes

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

3.
Property acquisitions

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

For the nine months ended September 30, 2007	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
30 and 55 St. Clair Avenue West, Toronto*	**Office**	**100%**	**426,000**	**96%**	**$ 110,798**	**$ –**	**January 9, 2007**
625 Agnes Street, New Westminster, British Columbia	**Office**	**100%**	**83,000**	**88%**	**14,587**	**–**	**January 24, 2007**
Aspen Portfolio, Calgary	**Office**	**100%**	**543,000**	**99%**	**172,130**	**29,225**	**March 13, 2007**
HCI Portfolio, Vaughan, Burlington and Mississauga, Ontario*	**Industrial**	**100%**	**2,100,000**	**98%**	**237,721**	**56,528**	**May 1, 2007**
501 Applewood Crescent, Vaughan, Ontario*	**Industrial**	**100%**	**76,000**	**100%**	**6,787**	**–**	**May 1, 2007**
154 University Avenue, Toronto*	**Office**	**100%**	**67,000**	**100%**	**13,784**	**5,487**	**May 10, 2007**
4400 Dominion Street, Burnaby, British Columbia	**Office**	**100%**	**91,000**	**93%**	**18,637**	**–**	**June 27, 2007**
Airport Corporate Center, Calgary	**Office**	**100%**	**148,000**	**100%**	**38,207**	**–**	**July 6, 2007**
Development property, Yellowknife	**Office**	**100%**	**–**	**–**	**366**	**–**	**August 30, 2007**
Total			**3,534,000**	**98%**	**$ 613,017**	**$ 91,240**	

*Disposed of as a part of the Eastern Portfolio.

For the nine months ended September 30, 2006	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Park 19, Edmonton	Industrial	100%	48,000	100%	$ 2,726	$ –	January 10, 2006
70 Disco Road, Toronto*	Industrial	100%	99,000	100%	7,577	3,117	January 12, 2006
SEC Portfolio, Québec*	Office/industrial	100%	265,000	99%	21,063	6,199	January 27, 2006
2440 Scanlan Street, London*	Industrial	100%	85,000	100%	6,266	3,477	April 20, 2006
Sherwood Place, Regina	Office	100%	182,000	99%	33,090	14,442	April 21, 2006
1400 boul. de la Rive Sud, Québec*	Office	100%	77,000	100%	12,062	–	May 1, 2006
4255 14th Avenue, Markham*	Industrial	100%	57,000	100%	5,914	–	May 1, 2006
Princeton Portfolio, Western Canada	Office/industrial/land	100%	530,000	94%	96,818	43,835	May 17, 2006
10089 Jasper Avenue, Edmonton*	Land	100%	86,000	–	4,160	–	May 29, 2006
Barker Business Park (Phase II), Toronto	Land	60%	–	–	8,994	–	June 7, 2006
Calgary Office Portfolio, Calgary	Office	100%	822,000	98%	218,257	23,339	June 15, 2006
Tullamore Business Park, Brampton	Land	60%	–	–	3,224	–	July 14, 2006
Victoria Tower, Regina	Office	100%	144,000	100%	17,815	8,621	July 21, 2006
100 Legacy Road, Ottawa*	Industrial	100%	103,000	100%	8,906	–	August 1, 2006
10079 Jasper Avenue, Edmonton*	Land	10%	–	–	310	–	August 4, 2006
Aviva Corporate Centre, Toronto*	Office/industrial	100%	440,000	100%	43,961	–	September 13, 2006
Station Tower Lands, Surrey*	Land	100%	–	–	3,728	–	September 21, 2006
Total			2,938,000	100%	$ 494,871	$ 103,030	

*Disposed of as a part of the Eastern Portfolio.

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

For the nine months ended September 30	2007	2006
Rental properties		
Land	**$ 156,054**	$ 52,503
Buildings	**411,664**	378,239
Equipment	**–**	403
Properties under development	**–**	301
	567,718	431,446
Land		
Under development	**–**	29,900
Held for development	**–**	1,015
Held for sale	**–**	8,352
Third-party management contracts	**–**	195
Tenant improvements acquired	**14,301**	8,264
Intangible assets		
Value of in-place leases	**28,840**	20,470
Lease origination costs	**4,975**	3,710
Value of above-market rent leases	**1,431**	1,941
Value of tenant relationships	**23,803**	12,578
	641,068	517,871
Intangible liabilities		
Value of below-market rent leases	**(28,051)**	(23,000)
Total purchase price	**$ 613,017**	$ 494,871

The consideration paid consists of:	2007	2006
Cash		
Paid during the period	**$ 517,320**	$ 386,527
Deposit	**3,600**	710
	520,920	387,237
Assumed mortgages at fair value	**91,240**	103,030
Vendor loan	**–**	1,395
Assumed accounts payable and accrued liabilities	**857**	3,209
Total consideration	**$ 613,017**	$ 494,871

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

4. Rental properties

	September 30, 2007			December 31, 2006		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	**$ 164,544**	**$ –**	**$ 164,544**	$ 300,553	$ –	$ 300,553
Buildings and improvements	**837,654**	**(56,996)**	**780,658**	1,627,185	(119,580)	1,507,605
Fixed assets and equipment	**1,965**	**(697)**	**1,268**	2,040	(773)	1,267
Rental properties under development	**839**	**–**	**839**	7,386	–	7,386
Total	**$ 1,005,002**	**$ (57,693)**	**$ 947,309**	$ 1,937,164	$ (120,353)	$ 1,816,811

5.
Deferred costs

	September 30, 2007			December 31, 2006		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Deferred leasing costs	**$ 6,915**	**$ (4,200)**	**$ 2,715**	$ 20,903	$ (7,490)	$ 13,413
Tenant improvements	**34,015**	**(8,868)**	**25,147**	72,690	(26,733)	45,957
Deferred recoverable costs	**3,954**	**(1,733)**	**2,221**	13,816	(7,409)	6,407
Deferred financing costs	**–**	**–**	**–**	11,705	(4,739)	6,966
Other deferred costs	**507**	**(485)**	**22**	1,847	(1,135)	712
Total	**$ 45,391**	**$ (15,286)**	**$ 30,105**	$ 120,961	$ (47,506)	$ 73,455

Amortization of deferred recoverable costs included in operating expenses for the nine months ended September 30, 2007, was $1,347 (September 30, 2006 – $1,154). Effective January 1, 2007, deferred financing costs are deducted from the specific debt carrying values to which they relate (see Notes 2 and 10).

6.
Land

	September 30, 2007	December 31, 2006
Land under development	**$ –**	$ 18,607
Land held for development	**–**	1,021
Land held for sale	**14,900**	21,767
Total	**$ 14,900**	$ 41,395

7.
Amounts receivable

Amounts receivable include straight-line rents receivable of $5,739 (December 31, 2006 – $12,874) and are net of credit adjustments of $3,020 (December 31, 2006 – $6,659).

8.
Prepaid expenses and other assets

	September 30, 2007	December 31, 2006
Prepaid expenses	**$ 2,364**	$ 6,729
Mezzanine loans	**4,718**	3,893
Deposits	**3,643**	4,020
Restricted cash	**3,578**	5,598
Total	**$ 14,303**	$ 20,240

On May 26, 2006, the Trust entered into a joint venture agreement with a development partner to jointly own and develop prestige industrial and office properties in its target markets. The Trust has a 60% ownership interest in the joint venture. As part of the agreement, the Trust is required to provide mezzanine financing equal to 90% of any funding requirement, up to a maximum of $45,000, not otherwise provided by third-party lenders. The Trust is also required to guarantee, when necessary, 90% of financing obtained from third parties. As at September 30, 2007, the Trust had advanced $10,371 of the funding requirement for the purchase and development of approximately 60 acres of serviced land in suburban Toronto. The amount invested is accounted for and comprises a mezzanine loan of $4,718 and land under development of $14,900, net of term debt of $7,613 and accrued liabilities of $1,633. The Trust has also provided an $8,289 guarantee on the financing provided by a third-party lender of which $5,526 is included in term debt. The Trust has the right to purchase the completed properties, other than any build-to-suit properties that will be sold to third parties. The mezzanine loan to the joint venture bears interest at a rate of 11%, for which no payment has been received to date. As at September 30, 2007, the mezzanine loan comprises $4,148 of principal and $570 of interest, which is receivable by June 7, 2011, unless extended under the terms of the mezzanine loan agreement.

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

9.
Intangible assets and liabilities

	September 30, 2007			December 31, 2006		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	**$ 2,463**	**$ (634)**	**$ 1,829**	$ 7,134	$ (2,190)	$ 4,944
Value of in-place leases	**35,435**	**(12,740)**	**22,695**	53,558	(16,343)	37,215
Lease origination costs	**6,409**	**(1,769)**	**4,640**	13,974	(3,768)	10,206
Value of tenant relationships	**27,758**	**(4,826)**	**22,932**	42,168	(8,117)	34,051
Total	**$ 72,065**	**$ (19,969)**	**$ 52,096**	$ 116,834	$ (30,418)	$ 86,416
Intangible liabilities						
Value of below-market rent leases	**$ 51,425**	**$ (12,836)**	**$ 38,589**	$ 40,049	$ (6,698)	$ 33,351

10.
Debt

	September 30, 2007	December 31, 2006
Mortgages	**$ 537,448**	$ 1,056,311
Convertible debentures	**13,068**	89,719
Term debt	**7,756**	7,764
Demand revolving credit facility	**36,901**	–
Total	**$ 595,173**	$ 1,153,794

Mortgages are secured by charges on specific rental properties. Term debt is secured by charges on specific development lands and rental properties with certain flexibility to repay floating rate debt without incurring a penalty.

Convertible debentures comprise $9,073 of convertible unsecured subordinated debentures issued April 1, 2005 (the “5.7% Debentures”), and $3,995 of convertible unsecured subordinated debentures issued June 21, 2004 (the “6.5% Debentures”).

A demand revolving credit facility is available up to a formula-based maximum not to exceed $50,000, bearing interest generally at the bank prime rate (6.25% as at September 30, 2007) plus 0.375% or bankers’ acceptance rates. The facility expires on February 28, 2009, and is secured by a first ranking collateral mortgage on four of the Trust’s properties and a second ranking collateral mortgage on one property. As at September 30, 2007, the formula-based amount available under this facility was $50,000, of which $6,901 was drawn and $nil was utilized in the form of letters of guarantee (December 31, 2006 – $nil and $733, respectively). As at September 30, 2007, the amount still available under this facility was $43,099.

A temporary demand revolving credit facility is available up to $30,000 and bearing interest at bankers’ acceptance plus 1.85% (4.94% as at September 30, 2007). This facility expires on November 26, 2007, and is secured by three first ranking collateral mortgages. At September 30, 2007, the entire $30,000 was drawn.

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

	Weighted average interest rates			Debt amount	
	September 30, 2007	December 31, 2006	Maturity dates	**September 30, 2007**	December 31, 2006
Fixed rate					
Mortgages	**5.77%**	5.89%	2007–2019	**$ 537,448**	$ 1,036,909
Convertible debentures	**6.58%**	6.08%	2014–2015	**13,068**	89,719
Term debt	**7.31%**	7.17%	2008–2011	**2,230**	2,238
Total fixed rate debt	**5.80%**	5.90%		**552,746**	1,128,866
Variable rate					
Mortgages	**– %**	8.40%	2008	**–**	19,402
Term debt	**7.25%**	7.00%	2007	**5,526**	5,526
Demand revolving credit facilities	**6.76%**	–	2007	**36,901**	–
Total variable rate debt	**6.82%**	8.09%		**42,427**	24,928
Total debt	**5.87%**	5.95%		**$ 595,173**	$ 1,153,794

The variable rate term debt outstanding at September 30, 2007, bears interest at prime plus 1%.

The scheduled principal repayments and debt maturities are as follows:

For the years ending December 31	Mortgages	Term debt	Convertible debentures	Demand revolving credit facilities	Total
Remainder of 2007	$ 2,945	$ 1,425	$ –	$ 30,000	$ 34,370
2008	14,242	113	–	6,901	21,256
2009	52,633	5,526	–	–	58,159
2010	16,964	–	–	–	16,964
2011	81,174	692	–	–	81,866
2012 and thereafter	366,259	–	13,693	–	379,952
	534,217	7,756	13,693	36,901	592,567
Deferred financing cost and fair value adjustments	3,231	–	(625)	–	2,606
	$ 537,448	$ 7,756	$ 13,068	$ 36,901	$ 595,173

Effective January 1, 2007, mortgages and convertible debentures have been reduced by $7,342 in deferred financing costs comprising $6,894 that was outstanding at December 31, 2006, plus an adjustment of $448 to restate the balance to that which would have resulted using the effective interest rate method. As of September 30, 2007, $2,344 of deferred financing costs are included in mortgages and convertible debentures. As a result of this accounting policy change, interest is now recognized using the effective interest rate method.

Included in mortgages are $5,078 in fair value adjustments (December 31, 2006 – $9,567), which reflect the fair value of mortgages assumed as part of acquisitions. The convertible debentures are net of a $127 premium allocated to their conversion features and $498 of unamortized deferred financing costs. The fair value adjustment, discount and deferred financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

11.
Amounts payable and accrued liabilities

	September 30, 2007	December 31, 2006
Trade payables	**$ 3,374**	$ 1,664
Accrued liabilities and other payables	**16,727**	20,104
Accrued interest	**2,956**	6,072
Deposits	**4,447**	9,863
Rent received in advance	**644**	2,998
Total	**$ 28,148**	$ 40,701

12.
Distributions

The following table sets out distribution payments for the nine months ended September 30, 2007:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 55,507	$ 211	$ 3,374	$ 59,092
Reimbursement from GE	(548)	(87)	–	(635)
Paid by way of reinvestment in REIT A Units	5,185	–	8,577	13,762
Paid by way of reinvestment in LP B Units	–	–	542	542
Less: Payable at December 31, 2006	(6,393)	–	(1,620)	(8,013)
Plus: Payable at September 30, 2007	3,116	87	607	3,810
Total	$ 56,867	$ 211	$ 11,480	$ 68,558

The amount payable at September 30, 2007, was satisfied on October 15, 2007, by way of $3,810 in cash. Included in the total distributions is $474 representing the 4% bonus distribution that forms part of the Distribution Reinvestment Plan ("DRIP"). In connection with the Transaction, effective June 28, 2007, the DRIP was temporarily suspended. Prior to suspension of the DRIP, the holders of LP B Units elected to receive their distributions in the form of REIT A Units, except for those units issued to DRC on the internalization of the property manager, which elected to receive its distributions in the form of LP B Units.

As a result of the Transaction, GE would have been entitled to distributions of $635 for the month of August. Pursuant to the Transaction Purchase Agreement, GE agreed to reimburse the Trust for the August distribution payment.

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

13.
Unitholders' equity

	September 30, 2007		December 31, 2006	
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**17,027,880**	**$ 284,398**	34,854,553	$ 745,348
REIT Units, Series B	**476,316**	**13,938**	–	–
LP Class B Units, Series 1	**3,315,349**	**97,064**	8,565,095	147,879
Cumulative foreign currency translation adjustment	**–**	**(6,319)**	–	(5,116)
Total	**20,819,545**	**$ 389,081**	43,419,648	$ 888,111

On May 12, 2006, the terms of the LP B Units were amended to restrict the transfer of such units except to a subsidiary of the holder. As a result, if an existing holder of LP B Units wants to transfer the LP B Units to a third party, they must first be converted into REIT B Units. This amendment permits the Trust to classify the outstanding LP B Units as equity for financial statement purposes in accordance with GAAP. As a result, effective May 1, 2006, the LP B Units are presented as unitholders' equity. Prior to this date, the LP B Units were presented as non-controlling interest. For the nine months ended September 30, 2006, net income of $610 was attributable to the non-controlling interest in the consolidated statement of net income (discontinued operations – $1,266).

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

On August 24, 2007, the Trust completed the Redemption and cancellation of 29,915,284 units for $47.50 per unit. These include 25,813,262 REIT A Units and 4,102,022 REIT B Units. The REIT B Units were initially exchanged from LP B Units and were valued at a pro-rata carrying amount of the LP B Units.

In addition, GE purchased 3,473,687 outstanding units at a purchase price of $47.50 per unit. These include 2,997,371 REIT A Units and 476,316 REIT B Units. The REIT B Units were initially exchanged from LP B Units and were valued at a pro-rata carrying amount of the LP B Units.

	REIT Units, Series A		REIT Units, Series B		LP Class B Units, Series 1		Accumulated other comprehensive		Total
	Number of units	Amount	Number of units	Amount	Number of units	Amount	loss	Number of units	Amount
Unitholders' equity, January 1, 2007	34,854,553	$ 745,348	–	$ –	8,565,095	$ 147,879	$ (5,116)	43,419,648	$ 888,111
Adjustment to opening unitholders' equity to comply with new accounting standard (Note 2)	–	360	–	–	–	88	–	–	448
Unitholders' equity, January 1, 2007 (restated)	34,854,553	$ 745,708	–	$ –	8,565,095	$ 147,967	$ (5,116)	43,419,648	$ 888,559
Net income	–	617,645	–	10,139	–	105,294	–	–	733,078
Distributions paid	–	(53,754)	–	(123)	–	(10,871)	–	–	(64,748)
Distributions payable	–	(3,116)	–	(87)	–	(607)	–	–	(3,810)
Public offering of REIT A Units	4,195,000	170,946	–	–	–	–	–	4,195,000	170,946
Distribution Reinvestment Plan	335,159	13,763	–	–	13,259	542	–	348,418	14,305
Unit Purchase Plan	1,170	51	–	–	–	–	–	1,170	51
Deferred Unit Incentive Plan	30,370	6,031	–	–	–	–	–	30,370	6,031
Conversion of 6.5% Debentures	810,000	20,250	–	–	–	–	–	810,000	20,250
Conversion of 5.7% Debentures	1,885,649	56,569	–	–	–	–	–	1,885,649	56,569
Units issued on internalization of property manager (Note 22)	–	–	–	–	44,674	1,230	–	44,674	1,230
Issue costs	–	(11,197)	–	–	–	–	–	–	(11,197)
Exchange of units	729,341	11,536	4,578,338	134,955	(5,307,679)	(146,491)	–	–	–
Unit redemptions	(25,813,362)	(1,290,034)	(4,102,022)	(130,946)	–	–	–	(29,915,384)	(1,420,980)
Change in foreign currency translation adjustment	–	–	–	–	–	–	(1,203)	–	(1,203)
Unitholders' equity, September 30, 2007	17,027,880	$ 284,398	476,316	$ 13,938	3,315,349	$ 97,064	$ (6,319)	20,819,545	$ 389,081

Public offering of REIT Units

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

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

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

Distribution Reinvestment and Unit Purchase Plan

In August 2003, Dundee REIT established a Distribution Reinvestment and Unit Purchase Plan ("DRIP") for holders of REIT A Units and REIT B Units. As of June 28, 2007, the DRIP was temporarily suspended in connection with the sale of the Eastern Portfolio to GE.

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

For the nine months ended September 30, 2007, 335,159 REIT A Units and 13,259 LP B Units were issued under the DRIP for $14,305 (September 30, 2006 – 644,425 REIT A Units and 11,823 LP B Units for $18,506).

Unit Purchase Plan

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

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

Conversion of debentures

During the nine months ended September 30, 2007, the Trust issued 810,000 REIT A Units upon conversion of $20,250 principal amount of the 6.5% Debentures (September 30, 2006 – issued 1,758,240 REIT A Units upon conversion of $43,956 principal amount) and 1,885,649 REIT A Units upon conversion of $56,569 principal amount of the 5.7% Debentures (September 30, 2006 – issued 2,965 REIT A Units upon conversion of $89 principal amount).

Deferred Unit Incentive Plan

During the nine months ended September 30, 2007, $1,177 of compensation expense was recorded (September 30, 2006 – $816) and is included in general and administrative expenses. An additional $4,280 was recognized as a transaction cost related to the sale of the Eastern Portfolio to GE as a result of the accelerated vesting of the deferred trust units. Income deferred trust units are accounted for as a distribution and an issuance of REIT A Units when the related deferred trust units vest. No amount in relation to income deferred trust units is recognized in net income.

	Weighted average grant date value	Deferred Trust Units	Income Deferred Trust Units	Total units
Outstanding at January 1, 2007	$ 27.87	266,200	38,076	304,276
Granted during the period	42.67	94,200	11,576	105,776
Issuance of REIT A Units on vesting	31.80	(27,715)	(2,655)	(30,370)
Vested deferred units cancelled by management	29.56	(99,156)	(16,468)	(115,624)
Fractional units paid in cash	–	(14)	(5)	(19)
Outstanding and payable at September 30, 2007	**$ 32.66**	**233,515**	**30,524**	**264,039**
Vested but not issued at September 30, 2007	**$ 32.66**	**233,515**	**30,908**	**264,423**

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	
	2007	2006	**2007**	2006
Interest expense incurred, at stated rate of debt	**$ 9,627**	$ 9,222	**$ 27,082**	$ 23,485
Amortization of deferred financing costs	**102**	397	**323**	1,020
Fair value rate adjustment	**(247)**	(196)	**(720)**	(431)
Interest capitalized	**(223)**	(170)	**(659)**	(304)
Interest expense	**$ 9,259**	$ 9,253	**$ 26,026**	$ 23,770

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

15.
Income taxes

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

On June 12, 2007, amendments to the *Income Tax Act* (Canada) were substantively enacted and subsequently received Royal Assent on June 22, 2007, which modify the tax treatment of certain publicly traded trusts and partnerships that are SIFTs. Under the SIFT Rules, certain distributions by a SIFT entity relating to income from a business carried on in Canada by the SIFT and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes and will accordingly will be taxed in the SIFT entity at a rate that is generally comparable to the combined provincial/federal corporate income tax rate for ordinary business income. Allocations or distributions of income and capital gains that are subject to the SIFT Rules will be treated as a taxable dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT. For Canadian resident beneficiaries or partners, such dividend will be taxed as an eligible dividend and will be subject to the applicable gross-up and dividend tax credit rules. Pursuant to the normal growth guidelines issued in a press release by the Department of Finance (Canada) on December 15, 2006 (the "Normal Growth Guidelines"), the SIFT Rules will not apply until the 2011 taxation year to trusts or partnerships that would have been SIFTs on October 31, 2006, if the "SIFT trust" and "SIFT partnership" definitions in the *Income Tax Act* had been in force as of that date.

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

As the Trust did not meet the technical REIT Exception as at June 12, 2007, a future income tax liability in the amount of $40,000 was recorded as at June 12, 2007, based on the temporary differences that are expected to reverse on or after January 1, 2011. The future income tax liability was recorded as a charge to the consolidated statement of net income and comprehensive income for the quarter ended June 30, 2007. During the quarter ended September 30, 2007, a future income tax liability in the amount of $25,000 relating to assets sold during the quarter was reversed and recorded as a component of discontinued operations. Should the Trust meet the REIT Exception in the future, the future income tax liability will be reversed and recorded as a recovery through the consolidated statement of net income and comprehensive income at that time.

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

Since the SIFT Rules have only recently been enacted, the Canada Revenue Agency's administrative policies regarding the interpretation of the SIFT Rules and their application to the trusts and partnerships in which a publicly traded income fund holds a direct or indirect interest are still under review. As such, there may be a possible interpretation of the legislation under which the Trusts subsidiary partnerships ("Partnerships") would be viewed as SIFTs. Management does not believe this to be the intent of the legislation and believes there to be valid technical arguments supporting the fact that the Partnerships are not SIFTs.

A reconciliation of income tax expense for the period:

	For the three months ended September 30	For the nine months ended September 30
	2007	**2007**
Income before income taxes	$ 4,207	$ 9,726
Income from discontinued operations	723,051	738,090
	727,258	747,816
Less: Income allocable to unitholders	(726,886)	(746,764)
Income subject to Canadian tax in consolidated entity	372	1,052
Tax thereon at 32.12% current statutory rate	119	338
Foreign current and future tax in respect of foreign entities	(305)	(460)
Future income tax liability recorded as a result of substantive enactment of SIFT Rules:		
Initially recorded	–	40,000
Reversal on sale to GE	(25,000)	(25,000)
Other	(6)	(140)
	(25,192)	14,738
Less: Total income tax provision from discontinued operations	(25,306)	(460)
Total income tax provision from continuing operations	**$ 114**	**$ 15,198**

16.
Income (loss) per unit

The weighted average number of units outstanding was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
REIT A Units and REIT B Units	**32,028,972**	27,473,182	**36,601,990**	24,076,381
LP B Units	**5,775,275**	8,830,018	**7,274,385**	4,892,803
Vested Deferred Trust Units	**157,192**	47,216	**108,358**	44,451
Total weighted average number of units outstanding for basic income per unit amounts	**37,961,439**	36,350,416	**43,984,733**	29,013,635
Add incremental units:				
Unvested Deferred Trust Units	**–**	40,124	**–**	34,407
Income Deferred Trust Units	**16,246**	30,968	**23,295**	26,464
Total weighted average number of units outstanding for diluted income per unit amounts	**37,977,685**	36,421,508	**44,008,028**	29,074,506

The 3,695,316 incremental LP B Units for the nine months ended September 30, 2006, have been excluded from the calculation of diluted net income per unit as they were anti-dilutive.

The 1,923,231 incremental units to be issued upon an assumed conversion of both debenture issues at September 30, 2007 (September 30, 2006 – 6,083,683 incremental units) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

17.
Segmented information

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

In June 2006, the Trust sold Kameyosek Shopping Centre in Edmonton and a 50% interest in Greenbriar Mall in Atlanta. As a result, the Trust no longer actively operates in the retail segment and has reclassified the remaining operations as "Other" in comparative figures to conform to the current period's presentation. Also, because the Trust's remaining interest in Greenbriar Mall is not significant, the Trust no longer discloses segments by country as virtually all of its operations are conducted in Canada. On September 30, 2007, the Trust classified its interest in Greenbriar Mall in Atlanta as held for sale and disclosed its results as discontinued operations. Discontinued operations are not allocated to individual segments. The category titled "Other" represents the results of operations of the Trust's interest in redevelopment properties.

For the three months ended September 30, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	**$ 35,256**	**$ 4,377**	**$ 39,633**	**$ –**	**$ 39,633**
Operating expenses	**12,687**	**1,176**	**13,863**	**–**	**13,863**
Net operating income	**22,569**	**3,201**	**25,770**	**–**	**25,770**
Depreciation of rental properties	**5,197**	**806**	**6,003**	**–**	**6,003**
Amortization of deferred leasing costs, tenant improvements and intangibles	**5,274**	**568**	**5,842**	**–**	**5,842**
Segment income	**$ 12,098**	**$ 1,827**	**$ 13,925**	**$ –**	**13,925**
Interest expense					**(9,259)**
General and administrative expenses					**(1,887)**
Gain on disposition of land held for sale					**854**
Interest and fee income					**574**
Income taxes					**(114)**
Discontinued operations					**748,357**
Net income					**$ 752,450**
Capital expenditures					
Investment in rental properties	**$ (2,568)**	**$ (755)**	**$ (3,323)**	**$ (1,194)**	**$ (4,517)**
Investment in tenant improvements	**(1,337)**	**(689)**	**(2,026)**	**(81)**	**(2,107)**
Investment in land development	**–**	**–**	**–**	**(1,229)**	**(1,229)**
Acquisition of rental properties and land	**(38,208)**	**(24)**	**(38,232)**	**(366)**	**(38,598)**
Deferred leasing costs	**(907)**	**(466)**	**(1,373)**	**(653)**	**(2,026)**
Total capital expenditures	**$ (43,020)**	**$ (1,934)**	**$ (44,954)**	**$ (3,523)**	**$ (48,477)**

For the three months ended September 30, 2006	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 25,333	$ 4,135	$ 29,468	$ 10	$ 29,478
Operating expenses	9,228	1,310	10,538	22	10,560
Net operating income	16,105	2,825	18,930	(12)	18,918
Depreciation of rental properties	4,051	777	4,828	–	4,828
Amortization of deferred leasing costs, tenant improvements and intangibles	4,018	432	4,450	–	4,450
Segment income	$ 8,036	$ 1,616	$ 9,652	$ (12)	9,640
Interest expense					(9,253)
General and administrative expenses					(1,687)
Internalization of property manager					27
Interest and fee income					1,032
Income taxes					(38)
Discontinued operations					7,102
Net income					$ 6,823
Capital expenditures					
Investment in rental properties	$ (1,428)	$ (1,250)	$ (2,678)	$ (67)	$ (2,745)
Investment in tenant improvements	(238)	(284)	(522)	28	(494)
Investment in land development	–	–	–	(764)	(764)
Acquisition of rental properties and land	(44,363)	(17,698)	(62,061)	(5,867)	(67,928)
Deferred leasing costs	(790)	(175)	(965)	(7)	(972)
Total capital expenditures	$ (46,819)	$ (19,407)	$ (66,226)	$ (6,677)	$ (72,903)

For the nine months ended September 30, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 96,428	$ 13,135	$ 109,563	$ –	$ 109,563
Operating expenses	34,301	3,713	38,014	–	38,014
Net operating income	62,127	9,422	71,549	–	71,549
Depreciation of rental properties	14,388	2,380	16,768	–	16,768
Amortization of deferred leasing costs, tenant improvements and intangibles	14,473	1,506	15,979	–	15,979
Segment income	$ 33,266	$ 5,536	$ 38,802	$ –	38,802
Interest expense					(26,026)
General and administrative expenses					(6,066)
Internalization of property manager					(1,230)
Gain on disposition of land					2,328
Interest and fee income					1,918
Income taxes					(15,198)
Discontinued operations					738,550
Net income					$ 733,078
Segment rental properties	$ 835,861	$ 110,609	$ 946,470	$ 839	$ 947,309
Capital expenditures					
Investment in rental properties	$ (5,664)	$ (2,144)	$ (7,808)	$ (1,840)	$ (9,648)
Investment in tenant improvements	(3,215)	(2,447)	(5,662)	(106)	(5,768)
Investment in land development	–	–	–	(2,973)	(2,973)
Acquisition of rental properties and land	(334,668)	(182,286)	(516,954)	(366)	(517,320)
Deferred leasing costs	(2,826)	(1,225)	(4,051)	(887)	(4,938)
Total capital expenditures	$ (346,373)	$ (188,102)	$ (534,475)	$ (6,172)	$ (540,647)

For the nine months ended September 30, 2006	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 53,525	$ 11,947	$ 65,472	$ 11	$ 65,483
Operating expenses	20,128	3,953	24,081	31	24,112
Net operating income	33,397	7,994	41,391	(20)	41,371
Depreciation of rental properties	8,498	2,220	10,718	–	10,718
Amortization of deferred leasing costs, tenant improvements and intangibles	6,904	1,641	8,545	–	8,545
Segment income	$ 17,995	$ 4,133	$ 22,128	$ (20)	22,108
Interest expense					(23,770)
General and administrative expenses					(4,951)
Internalization of property manager					(13,063)
Interest and fee income					2,379
Income taxes					(409)
Income attributable to non-controlling interest					(610)
Discontinued operations					21,582
Net income					$ 3,266
Segment rental properties	$ 1,284,731	$ 410,405	$ 1,695,136	$ 30,475	$ 1,725,611
Capital expenditures					
Investment in rental properties	$ (3,023)	$ (3,423)	$ (6,446)	$ (68)	$ (6,514)
Investment in tenant improvements	(2,625)	(1,179)	(3,804)	(201)	(4,005)
Investment in land development	–	–	–	(1,056)	(1,056)
Acquisition of rental properties and land	(306,087)	(42,568)	(348,655)	(37,872)	(386,527)
Deferred leasing costs	(2,812)	(916)	(3,728)	(17)	(3,745)
Total capital expenditures	$ (314,547)	$ (48,086)	$ (362,633)	$ (39,214)	$ (401,847)

18.
Related-party transactions and arrangements

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

Asset Management Agreement

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

- Base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties.
- Incentive fee equal to 15% of Dundee REIT's adjusted funds from operations per unit in excess of $2.65 per unit.
- Capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000, excluding work done on behalf of tenants or any maintenance capital expenditures.
- Acquisition fee equal to (i) 1.0% of the purchase price of a property, on the first $100,000 of properties in each fiscal year; (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired in each fiscal year, and (iii) 0.50% of the purchase price on properties in excess of $200,000 in each fiscal year.
- Financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of Dundee REIT to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions.

The Trust received total fees from DRC of $588 and $1,896 for the quarter and nine-month period ended September 30, 2007, respectively. These fees relate to the rent supplement received under the Management Agreement and fees under the Services Agreement. In the prior year, the Trust received total fees from DRC of $850 and $2,099 for the quarter and nine-month period, respectively. These fees relate to the rent supplement received under the Management Agreement and rental income and cost recoveries under the Services Agreement.

The Trust paid total fees to DRC of $387 for the three- and nine-month period ended September 30, 2007, under the Asset Management Agreement. In the prior year, DRC paid a total of $nil and $1,912 for the quarter and nine-month period, respectively. These amounts relate to fees payable under the Management Agreement and Services Agreement prior to May 1, 2006, when the Trust purchased the remaining 50% of DMLP it did not already own.

Included in amounts receivable at September 30, 2007, is $267 related to the DRC Services Agreement (December 31, 2006 – $231). Accrued liabilities and other payables at September 30, 2007, include $387 for amounts related to the Asset Management Agreement (December 31, 2006 – $nil) and $nil for other amounts collected on behalf of DRC (December 31, 2006 – $316).

19.
Discontinued operations

The fulfillment of obligations and realization of assets related to the properties noted below have been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475. The results of operations of any property that has been sold and identified as discontinued operations are reported separately and comparative amounts are also reclassified as discontinued operations. Properties that are classified as held for sale are recorded at the lower of carrying amount or fair value less estimated costs to sell and are not depreciated while classified as held for sale. The results of these operations are identified separately as discontinued operations and comparative amounts are also reclassified. The asset and liabilities related to the held for sale properties have been reported separately on the balance sheet.

On August 24, 2007, the Trust completed the sale of the Eastern Portfolio to GE for gross proceeds of $2,256,700 less estimated working capital adjustments of $7,694. Net proceeds includes cash consideration of $1,483,622 and the assumption of liabilities by GE relating to this portfolio. The total disposition includes $1,545,612 of assets and $808,070 of liabilities. The Trust recognized a gain on sale of $721,867 that includes transaction costs of $18,481. Included in transaction costs is $4,280 related the accelerated

vesting of 194,933 deferred trust units and 28,047 income deferred trust units; $2,135 relating to the purchase and cancellation by the Trust of 99,156 deferred trust units and 16,468 income deferred trust units from trustees, senior officers and transferring employees who had elected such purchases, the value of which represents the difference between $47.50 per unit and the grant date unit values; and $3,931 related to the special award of 92,000 deferred trust units in connection with the Transaction.

The Transaction was undertaken to provide unitholders an attractive redemption price, based on the proceeds of the disposition of the Eastern Portfolio, while keeping a portfolio of office and industrial properties located primarily in Western Canada. The new structure will allow the Trust to be a more growth-oriented and opportunistic real estate investment trust.

The Eastern Portfolio was included in the office and industrial segments in the segmented information.

The following table presents the assets and liabilities disposed of in the Transaction with GE:

Assets	
Rental properties	**$ 1,382,595**
Deferred costs	**44,377**
Land	**26,762**
Amounts receivable	**12,289**
Prepaid expenses and other assets	**8,291**
Cash and cash equivalents	**5**
Intangible assets	**71,293**
	$ 1,545,612
Liabilities	
Debt	**$ 775,145**
Amounts payable and accrued liabilities	**19,454**
Intangible assets	**13,471**
	$ 808,070

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

Also, related to the Transaction, the Trust has classified its remaining 50% interest in Greenbriar Mall located in Atlanta as held for sale because finalization of its sale to GE is only pending consent of the property's mortgage lender, which the Trust expects to receive in the fourth quarter of 2007. The Trust has recorded the property at the lower of carrying value and fair value, less the estimated cost to sell, and recognized a loss of $1,352. The Trust has also decreased the carrying value of the property by an additional $6,298 relating to cumulative foreign currency translation adjustment that will be realized when the sale is finalized. The total impairment of $7,650 along with revenues, expenses and future income taxes are presented as a component of discontinued operations. This property was classified as a redevelopment property in the segmented information.

The following table presents the assets and liabilities of the property held for sale:

Assets	
Rental properties	**$ 12,801**
Deferred costs	**715**
Amounts receivable	**210**
Prepaid expenses and other assets	**870**
Cash and cash equivalents	**290**
	$ 14,886
Liabilities	
Debt	**$ 16,411**
Amounts payable and accrued liabilities	**319**
Future income tax	**1,834**
	$ 18,564

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

The following table summarizes the income from discontinued operations:

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Revenues				
Rental properties revenue	**$ 37,128**	$ 47,291	**$ 150,259**	$ 140,494
Interest and other income	**–**	5	**–**	10
	37,128	47,296	**150,259**	140,504
Expenses				
Rental properties operating expenses	**16,327**	20,865	**66,751**	62,992
Interest	**6,679**	8,682	**26,587**	24,975
Depreciation of rental properties	**4,957**	5,995	**20,023**	17,930
Amortization of deferred leasing costs, tenant improvements and intangibles	**4,984**	4,558	**17,678**	12,715
	32,947	40,100	**131,039**	118,612
Income before the undernoted item	**4,181**	7,196	**19,220**	21,892
Provision for impairment in value of asset held for sale	**(7,650)**	–	**(7,650)**	–
Gain (loss) on disposition of rental properties, net	**726,520**	(415)	**726,520**	3,013
Future income taxes recovery (expense)	**25,306**	321	**460**	(2,057)
Income from discontinued operations before non-controlling interest	**748,357**	7,102	**738,550**	22,848
Income attributable to non-controlling interest	**–**	–	**–**	(1,266)
Income from discontinued operations	**$ 748,357**	$ 7,102	**$ 738,550**	$ 21,582

20.
Commitments and contingencies

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

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

	Operating lease payments	Capital lease payments
Year ending December 31, 2007	$ 275	$ 34
2008	922	135
2009	738	135
2010	662	135
2011	660	101
2012 and thereafter	1,300	–
Total	**$ 4,557**	**$ 540**

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of $1,856.

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.

Normal course issuer bid

On August 30, 2007, the Trust filed with the Toronto Stock Exchange ("TSX") a Notice of Intention to make a normal course issuer bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 1,359,844 of its REIT A Units (representing 10% of the REIT's public float of 13,598,446 REIT A Units on August 30, 2007) through the facilities of the TSX. The bid commenced on September 5, 2007, and will remain in effect until the earlier of September 4, 2008, or the date on which the Trust has purchased the maximum number of units permitted under the bid. The Trust's average daily trading volume for the then most recently completed six months was 360,465 REIT A Units. As of September 30, 2007, the number of issued and outstanding REIT A Units is 17,027,880. Based on the closing price on September 30, 2007, the Trust would be committed to purchasing $52,667 worth of REIT A Units. To date the Trust has not made any acquisitions pursuant to this bid.

21.
Supplementary cash flow information

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Increase in accounts receivable	**$ (2,904)**	$ (543)	**$ (257)**	$ (343)
Decrease in deferred costs (other than leasing costs)	**122**	371	**579**	770
Increase in prepaid expenses and other assets (excluding restricted cash and mezzanine loans)	**(3,343)**	(392)	**(6,632)**	(3,063)
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)	**(10,034)**	295	**(2,374)**	7,546
Increase (decrease) in accounts payable relating to leasing costs	**(253)**	(1,109)	**54**	(841)
Change in non-cash working capital	**$ (16,412)**	$ (1,378)	**$ (8,630)**	$ 4,069

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

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	**2007**	2006
Interest	**$ 9,925**	$ 9,128	**$ 27,143**	$ 23,427
Income taxes	**22**	18	**25**	25

22.
Internalization of property manager

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

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

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

23.
Subsequent events

Effective October 10, 2007, the Trust completed the purchase of 435-4th Avenue SW, an 89,000 square foot office building located in Calgary, Alberta, for a purchase price of approximately $35,735.

Effective October 31, 2007, the Trust completed the sale of 2705-2737 57th Avenue SE, a 109,000 square foot industrial building in Calgary Alberta, for net proceeds of approximately $8,000.

Effective November 1, 2007, the Trust has disposed of its interest in two joint venture projects. The Barker Business Park (Phase II) in Richmond Hill, Ontario and Tullamore Business Park in Caledon, Ontario have been sold for proceeds of approximately $16,800. As part of the agreement, the Trust has agreed to acquire, upon completion, a 63,000 square foot office building with a long-term lease to a multi-national tenant, for a purchase price of $20,788.

Corporate information

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

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

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

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

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

Stock exchange listing
The Toronto Stock Exchange

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

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

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

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

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

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

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

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

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Toronto, Ontario M5C 3H1

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