DUNDEE REIT Q3

2008 Third Quarter Report

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Letter to unitholders

The fundamentals of our business are strong. Occupancy across our portfolio remains high at 96%, average in-place rents continue to rise and our comparative property portfolio is producing steady results. We also have a strong balance sheet and a healthy cash reserve, providing us with a great deal of financial flexibility.

Our financial performance remains in line with our expectations. Comparative property performance increased marginally over the prior year and by 1% compared to the prior quarter. Reduced economies of scale resulting from the sale of the Eastern Portfolio in August of 2007 continue to dampen the growth of our comparative net operating income. We also continue to experience a short-term reduction in our adjusted funds from operations ("AFFO") due to the changes resulting from the sale as well as the high level of cash on our balance sheet.

We have a very strong balance sheet with cash on hand and an operating line to fund acquisitions or operations. We do not anticipate that the uncertainty in the credit markets will have a significant impact on our ability to refinance the few existing mortgages that we have coming up for renewal. Given the state of the financial markets, having surplus cash gives us the flexibility to deal with any unforeseen situations and allows us to spend the time required with our lenders to best meet our financing requirements. We will not carry this much liquidity on a permanent basis, however, until we are satisfied that debt is available and that the economy has stabilized, we are placing greater emphasis on liquidity. While this strategy continues to impact our earnings, our cash position places us amongst the strongest and most flexible REITs, which is a competitive advantage.

It is challenging to make sense of what is happening in the global financial markets today and to predict how this uncertainty may impact the Canadian economy. Since October 1, stock markets around the world, including the TSX and the REIT sub-market, have all experienced record-setting declines. Many say that the dramatic decline in values is merely a stock market phenomenon, others say that perhaps the economy has changed. Generally speaking, the Canadian real estate industry is much better positioned than it was in the early 1990s, the last time we experienced anything similar to this. Companies are not as highly levered, occupancy rates are stronger, supply is constrained and there is little, if any, speculative building.

In this new environment, everything comes down to the assets we own right now. We continue to focus on operational excellence, tenant retention and the importance of leasing space to keep our buildings full. We are also spending more time analyzing our portfolio and the performance of our assets. In particular, we are keeping a close eye on the rental market in Calgary. It is impossible to predict the effect of the changes in energy prices and the impact on office job growth, and so we are simply leasing space as quickly and for as long as possible. Our in-place rents in Calgary are significantly below market rents which puts us in a very strong position to deal with a negative turn in our economy.

Our view is that Dundee REIT will become even stronger as we deal with the present market conditions. Our operations are in very good shape and our capital structure is very conservative. We are well-positioned to deal with a scarcity of debt and continue to keep a significant amount of cash on our balance sheet. Once the situation in the financial markets has settled down, we anticipate having more opportunities to grow. In the meantime, we remain focused on operations and achieving growth from within our current portfolio.

Michael J. Cooper

Vice Chairman and Chief Executive Officer

Management's discussion and analysis

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

SECTION I — OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

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

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

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

Certain market information has been obtained from the CB Richard Ellis Market View, 3rd Quarter 2008, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

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

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

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

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

OUR OBJECTIVES

We are committed to:

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

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit or $2.20 on an annual basis. We also have a Distribution Reinvestment and Unit Purchase Plan (“DRIP”), which allows unitholders to have their distributions automatically reinvested into additional units of the Trust. Unitholders who enrol in the DRIP receive a bonus distribution of 4% with each reinvestment. At September 30, 2008, approximately 9% of our total Units were enrolled in the DRIP, including 11% of the REIT A Units. There were no LP B Units enrolled in the DRIP at quarter-end and there is no equivalent program for the REIT B Units (see a description of Our Equity on page 5).

	Oct/07	Nov/07	Dec/07	Jan/08	Feb/08	Mar/08	Apr/08	May/08	Jun/08	**July/08**	**Aug/08**	**Sept/08**
Distribution rate	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	**$0.183**	**$0.183**	**$0.183**
Month-end closing price	$36.75	$36.43	$33.72	$31.90	$34.25	$32.48	$33.25	$33.59	$31.22	**$32.70**	**$32.20**	**$29.82**

OUR STRATEGY

Dundee REIT’s strategy is to rely on a core portfolio of office and industrial properties that provides a solid platform for stable and growing returns. While our core strategy of investing in the office and industrial sectors remains unchanged, we continuously review components of our strategy including acquisitions and dispositions and our capital markets strategy, particularly in light of the current conditions of the financial markets and uncertainty in the economy as a whole.

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

Effectively managing our business

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

Pursuing growth

Dundee REIT will achieve growth by acquiring properties that enhance its overall portfolio, further improve the sustainability of distributions and help it mitigate risk. Dundee REIT’s growth strategy is to acquire office and industrial properties in those Canadian markets that offer compelling investment opportunities and reposition existing properties where opportunities exist. Dundee REIT continuously evaluates individual properties and portfolios with a view to maximizing performance and achieving the optimal value and growth potential. Given the volatility of the current business environment, we are being very selective in our growth plans.

Meeting the needs of our tenants

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

OUR ASSETS

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

Owned gross leasable area (square feet)

			September 30, 2008		December 31, 2007	
	Office	Industrial	Total	%	Total	%
British Columbia	**514,676**	**—**	**514,676**	**8**	449,939	7
Alberta	**2,876,669**	**1,847,661**	**4,724,330**	**69**	4,593,902	73
Saskatchewan & NWT	**849,986**	**—**	**849,986**	**12**	848,857	14
Ontario	**728,861**	**—**	**728,861**	**11**	406,304	6
Total as at September 30	**4,970,192**	**1,847,661**	**6,817,853**	**100**	6,299,002	100
Percentage	**73%**	**27%**	**100%**			
Total as at December 31, 2007	4,451,341	1,847,661	6,299,002			
Percentage	71%	29%	100%			

Excludes redevelopment properties.

Office rental properties

Dundee REIT owns interests in 43 office properties (47 buildings) comprising approximately 5.0 million square feet, excluding redevelopment properties, located in Vancouver, Calgary, Edmonton, Regina, Saskatoon, Yellowknife and Toronto. These office properties can generally be categorized as high-quality, affordable, suburban and downtown buildings. The occupancy rate across our office portfolio continues to improve, and at September 30, 2008, was 97.6%, well ahead of the national industry average occupancy rate of 93.7% (CB Richard Ellis, Canadian Office Market View, 3rd Quarter 2008). Our occupancy rates include lease commitments for space which is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial rental properties

Our industrial portfolio consists of 36 prime suburban industrial properties (40 buildings) comprising approximately 1.8 million square feet, concentrated in Calgary and Edmonton. Dundee REIT's strategy is to own clusters of properties, allowing it to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. At September 30, 2008, the occupancy rate across our industrial portfolio was 90.9%. The market availability rates in Calgary and Edmonton were 2.7% and 4.6%, respectively (CB Richard Ellis, Canadian Industrial Market View, 3rd Quarter 2008).

OUR EQUITY

Unitholders' equity

		September 30, 2008		December 31, 2007
	Number of Units	Amount	Number of Units	Amount
REIT Units, Series A	**17,068,948**	**$ 279,449**	17,072,154	$ 300,216
REIT Units, Series B	**476,316**	**13,756**	476,316	14,376
LP Class B Units, Series 1	**3,454,189**	**99,615**	3,315,349	99,791
Cumulative foreign currency translation adjustment	**—**	**(5,958)**	—	(6,243)
Total	**20,999,453**	**$ 386,862**	20,863,819	$ 408,140

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

At September 30, 2008, Dundee Corporation, directly and indirectly through its subsidiaries, held 320,851 REIT A Units and 3,454,189 LP B Units and GE held 2,997,371 REIT A Units and 476,316 REIT B Units.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Operations				
Occupancy rate (period-end)[1]	**95.8%**	97.0%		
In-place rent per square foot (office and industrial)[1]	**$ 14.90**	$ 13.27		
Operating results				
Rental properties revenue[2]	**$ 47,826**	$ 40,464	**$ 137,462**	$ 112,240
Net operating income[3] ("NOI")	**29,412**	25,658	**85,164**	71,223
Funds from operations[4] ("FFO")	**15,827**	29,332	**47,666**	98,412
Adjusted funds from operations[5] ("AFFO")	**10,716**	22,079	**32,100**	76,430
Distributions				
Declared distributions	**$ 11,516**	$ 16,074	**$ 34,562**	$ 68,085
Distributions paid in cash	**9,669**	16,074	**26,846**	56,241
DRIP participation ratio	**16%**	—	**22%**	17%
Financing				
Weighted average interest rate (period-end)	**5.85%**	5.87%		
Interest coverage ratio	**—**	—	**2.30 times**	2.48 times
Per unit amounts				
Basic:				
FFO	**$ 0.75**	$ 0.77	**$ 2.24**	$ 2.24
Distributable income	**0.59**	0.66	**1.75**	1.98
Distribution rate	**0.55**	0.55	**1.65**	1.65
Total distributions as a % of distributable income	**93%**	64%	**94%**	79%
AFFO	**0.50**	0.58	**1.51**	1.74
Diluted[6]:				
FFO	**$ 0.73**	$ 0.76	**$ 2.21**	$ 2.20
Distributable income	**0.59**	0.65	**1.78**	1.95

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

1 Excludes redevelopment properties.

2 Prior year comparatives have been restated for discontinued operations.

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

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

5 AFFO — the reconciliation of AFFO to distributable income can be found on page 18.

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

FINANCIAL OVERVIEW

Overall occupancy remained strong at 95.8%, with slightly higher occupancy rates in the office portfolio being offset by some vacancy in the industrial portfolio. NOI remained very strong indicating continued growth in our operations. Total third quarter rental property revenue and NOI grew to $47.8 million and $29.4 million, respectively, reflecting our ability to effectively manage our business and the completion of selective acquisitions. Details of our NOI begin on page 25.

Lease rollover activity has allowed us to take advantage of generally higher market rental rates, especially in our Calgary office portfolio, and while market rates may experience some softening in 2009, we still anticipate capturing some gains as approximately 10% of our portfolio comes up for renewal in 2009. Our average office portfolio occupancy rate remains well above the national industry average. Details of our leasing profile are provided on page 9.

Distributable income decreased 50% to $12.4 million, mainly reflecting the disposition of the Eastern Portfolio in August 2007. In connection with the Transaction the number of units outstanding was also reduced, contributing to the 28% reduction in declared distributions. Because fewer units were enrolled in our DRIP, our year-to-date cash payout ratio increased to 78% of declared distributions. Details of our distributions and distributable income begin on page 16.

For the current quarter, AFFO decreased to $10.7 million, or $0.50 per unit, largely reflecting the loss of income related to the sale of the Eastern Portfolio and dilution arising from surplus cash on our balance sheet.

OUTLOOK

It is very difficult to predict how the volatility of the global financial markets may impact the Canadian economy and the extent to which job growth and occupancy levels may be impacted. Generally speaking, the Canadian real estate industry is much better positioned than it was in the early 1990s: companies are not as highly levered, occupancy rates are stronger, supply is constrained and there is little, if any, speculative building. Dundee REIT's fundamentals remain strong and, at a time when the credit markets are tightening, we are ideally positioned with a strong balance sheet and cash on hand, providing us with a great deal of financial flexibility.

Our overall occupancy rate remains high at 96% and, with an average tenant size of 8,900 square feet and a very diverse tenant base, we have very little exposure to any single large lease or tenant. The bulk of our portfolio is located in Alberta and, while the outlook for Alberta is less bullish than it was six months ago, we continue to capture significant differences between market rents and in-place rents. Looking ahead we expect to maintain occupancy at about the current levels; however, we anticipate that the leasing process may take longer than in the past.

Our financial performance remains in line with our expectations. Comparative property performance remained stable year-over-year and increased by 1% compared to the prior quarter. The sale of the Eastern Portfolio in 2007 diminished the economies of scale we had previously achieved in our property management platform when certain overhead expenses were spread across a larger property portfolio. The diminished economies of scale together with the drag of carrying a high level of cash on our balance sheet have impacted FFO and AFFO. While we will not carry as much liquidity on a permanent basis, given the state of the credit markets, having cash on hand affords us flexibility to deal with any unforeseen situations.

With so many factors outside of our control we remain focused on those aspects of our business where we can make a difference: leasing, tenant relationships and internal growth. Once the situation in the financial markets has settled down, we are optimistic that we will find attractive opportunities to grow our business once again.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

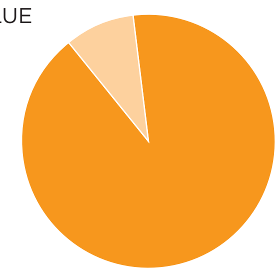
Rental properties

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

			September 30, 2008[1]		December 31, 2007[1]	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**$ 101,736**	**$ —**	**$ 101,736**	**9**	$ 94,072	10
Alberta	**659,603**	**103,015**	**762,618**	**68**	711,916	72
Saskatchewan & NWT	**109,738**	**—**	**109,738**	**10**	111,813	11
Ontario	**150,185**	**—**	**150,185**	**13**	66,551	7
Total as at September 30, 2008	**$ 1,021,262**	**$ 103,015**	**$ 1,124,277**	**100**	$ 984,352	100
Percentage	**91%**	**9%**	**100%**			
Total as at December 31, 2007	$ 879,218	$ 105,134	$ 984,352			
Percentage	89%	11%	100%			

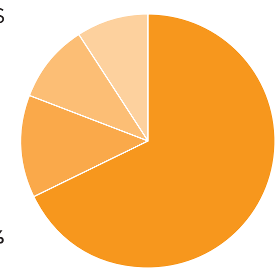
[1] Excludes $19.9 million related to Greenbriar Mall and $1.0 million related to other redevelopment properties totalling $20.9 million (December 31, 2007 — $19.9 million).

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



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

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



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

Leasing profile

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

Performance indicators	September 30, 2008	December 31, 2007
Operating activities (office and industrial average)		
Occupancy level	**95.8%**	96.7%
Tenant maturity profile — average term to maturity (years)	**4.6**	3.9
In-place rental rates	**$ 14.90**	$ 13.49

Excludes redevelopment properties.

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

(Percentage)	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Office	**97.6**	97.4	96.0	96.7	98.3	96.5	97.0	97.0	96.4
Industrial	**90.9**	94.1	92.3	96.7	94.0	95.8	97.0	95.6	95.9
Overall	**95.8**	96.5	95.0	96.7	97.0	96.2	97.0	96.4	96.2

Excludes redevelopment properties.

The overall percentage of occupied and committed space across our rental properties portfolio was 95.8% at quarter-end. The occupancy rate across our office portfolio increased to 97.6% and is ahead of the national industry average of 93.7%. The occupancy rate across our industrial portfolio decreased to 90.9%. The market availability rates for industrial space in Calgary and Edmonton were 2.7% and 4.6%, respectively (CB Richard Ellis, Canadian Office and Industrial Market Views, 3rd Quarter 2008). Our occupancy rates discussed in this report include occupied and committed space at September 30, 2008.

	Total portfolio			Comparative properties		
(Percentage)	**September 30, 2008**	December 31, 2007	September 30, 2007	**September 30, 2008**	December 31, 2007	September 30, 2007
Office						
British Columbia	**99.5**	96.8	97.1	**99.6**	98.4	97.1
Alberta	**97.1**	97.7	99.2	**96.9**	97.5	99.2
Saskatchewan & NWT	**98.5**	95.8	97.0	**98.5**	95.8	97.0
Ontario	**97.3**	91.6	97.0	**98.7**	91.6	97.0
Total office	**97.6**	96.7	98.3	**97.6**	96.6	98.3
Industrial						
Alberta	**90.9**	96.7	94.0	**90.9**	96.7	93.6
Total industrial	**90.9**	96.7	94.0	**90.9**	96.7	93.6
Overall	**95.8**	96.7	97.0	**95.6**	96.7	96.9

Excludes redevelopment properties.

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

Vacancy schedule

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

During the third quarter, approximately 547,000 square feet of leases expired or were terminated, we acquired 1,000 square feet of vacant space and completed approximately 456,000 square feet of renewals and new leasing, resulting in a 97,000 square foot increase in vacant space. Year-to-date, approximately 1.2 million square feet of leases expired or were terminated, we acquired 55,000 square feet of vacant space and completed approximately 1.1 million square feet of renewals and new leasing, resulting in a 177,000 square foot increase in vacant space.

Of the vacant space at period-end, approximately 185,000 square feet has been committed for future occupancy, leaving approximately 286,000 square feet available for lease.

	For the three months ended September 30, 2008		
(in square feet)	Office	Industrial	Total
Available for lease	125,889	109,590	235,479
Vacancy committed for future leases	127,209	11,965	139,174
Vacant space — July 1, 2008	253,098	121,555	374,653
Acquired vacancy	860	—	860
Remeasurements	4,535	—	4,535
Expiries	381,045	165,867	546,912
New leases	(129,983)	(25,765)	(155,748)
Renewals	(281,757)	(18,047)	(299,804)
Vacant space — September 30, 2008	227,798	243,610	471,408
Vacancy committed for future leases	109,423	75,800	185,223
Available for lease — September 30, 2008	118,375	167,810	286,185

	For the nine months ended September 30, 2008		
(in square feet)	Office	Industrial	Total
Available for lease	146,372	60,256	206,628
Vacancy committed for future leases	4,093	83,558	87,651
Vacant space — January 1, 2008	150,465	143,814	294,279
Acquired vacancy	54,868	—	54,868
Remeasurements	4,463	—	4,463
Expiries	810,032	373,699	1,183,731
Bankruptcies	6,191	12,134	18,325
New leases	(254,613)	(178,545)	(433,158)
Renewals	(543,608)	(107,492)	(651,100)
Vacant space — September 30, 2008	227,798	243,610	471,408
Vacancy committed for future leases	109,423	75,800	185,223
Available for lease — September 30, 3008	118,375	167,810	286,185

The following two tables detail our lease maturity profile by asset type and geographic segment as at September 30, 2008. The tables distinguish between those lease maturities that have yet to be renewed or re-leased and those maturities for which we have a leasing commitment. The uncommitted line should be referenced when considering future leasing risks or opportunities and the committed line should be referenced when considering the impact of leasing activity.

We have a long and successful track record in managing our lease rollovers. For the remainder of 2008, approximately 2% of our leases will be up for renewal, with another 10% up for renewal in 2009. With average market rents well above expiring rents, particularly in Alberta where the majority of our properties are located, our lease maturity profile affords us the opportunity to take advantage of rental rate uplifts. As a result, we anticipate generating higher cash flow as space is re-leased. In Alberta, the estimated average market rent for our office and industrial space expiring in 2009 is $17.22 per square foot, significantly higher than our 2009 expiring rents of $9.50 per square foot. We anticipate this will result in future NOI growth.

(in square feet)	Current vacancy	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter	Total
Office — uncommitted	118,375	19,013	98,711	384,993	649,780	578,313	2,619,638	4,468,823
Office — committed	—	—	119,888	236,820	33,757	17,315	93,589	501,369
Total office	118,375	19,013	218,599	621,813	683,537	595,628	2,713,227	4,970,192
Industrial — uncommitted	167,810	4,096	22,567	271,889	221,687	311,406	781,467	1,780,922
Industrial — committed	—	—	40,250	9,712	14,977	1,800	—	66,739
Total industrial	167,810	4,096	62,817	281,601	236,664	313,206	781,467	1,847,661
Total — uncommitted	286,185	23,109	121,278	656,882	871,467	889,719	3,401,105	6,249,745
Total — committed	—	—	160,138	246,532	48,734	19,115	93,589	568,108
Grand total	286,185	23,109	281,416	903,414	920,201	908,834	3,494,694	6,817,853

(in square feet)	Current vacancy	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter	Total
British Columbia — uncommitted	2,445	2,951	22,273	60,619	37,389	72,416	228,307	426,400
British Columbia — committed	—	—	10,524	77,752	—	—	—	88,276
Total British Columbia	2,445	2,951	32,797	138,371	37,389	72,416	228,307	514,676
Alberta — uncommitted	251,260	17,719	69,300	514,813	703,159	718,328	2,285,182	4,559,761
Alberta — committed	—	—	74,107	22,613	48,734	19,115	—	164,569
Total Alberta	251,260	17,719	143,407	537,426	751,893	737,443	2,285,182	4,724,330
Saskatchewan & NWT — uncommitted	12,969	1,700	3,297	75,373	111,471	72,325	506,479	783,614
Saskatchewan & NWT — committed	—	—	66,372	—	—	—	—	66,372
Total Saskatchewan & NWT	12,969	1,700	69,669	75,373	111,471	72,325	506,479	849,986
Ontario — uncommitted	19,511	739	26,409	6,077	19,448	26,650	381,136	479,970
Ontario — committed	—	—	9,135	146,167	—	—	93,589	248,891
Total Ontario	19,511	739	35,544	152,244	19,448	26,650	474,725	728,861
Grand total	286,185	23,109	281,417	903,414	920,201	908,834	3,494,693	6,817,853

The following tables provide expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties as at September 30, 2008. Market rents across our portfolio remain well above expiring rents throughout the projection period.

	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter
Expiring rents						
Office	$ 19.51	$ 14.56	$ 14.94	$ 15.86	$ 19.51	$ 19.61
Industrial	3.63	6.37	5.46	8.38	7.77	8.22
Portfolio average	16.70	12.19	11.04	14.01	15.40	17.21
Market rents[1]						
Office	$ 28.71	$ 22.99	$ 24.00	$ 24.68	$ 24.87	$ 23.88
Industrial	13.00	9.80	9.94	13.46	13.27	11.24
Market rent average	25.92	19.17	18.22	21.90	20.82	21.22

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

	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter
Expiring rents						
British Columbia	$ 7.35	$ 14.44	$ 13.00	$ 13.27	$ 14.44	$ 17.53
Alberta	17.07	11.07	9.50	13.42	14.75	16.83
Saskatchewan & NWT	22.00	15.77	19.57	18.20	22.11	16.71
Ontario	33.00	13.86	17.23	13.42	18.22	18.94
Portfolio average	16.70	12.19	11.04	14.01	15.40	17.21
Market rents[1]						
British Columbia	$ 15.59	$ 16.03	$ 21.25	$ 20.78	$ 18.02	$ 22.21
Alberta	27.61	21.65	17.22	22.42	20.89	22.16
Saskatchewan & NWT	28.00	24.00	22.66	20.42	23.02	17.06
Ontario	22.00	12.22	18.64	13.13	20.54	20.97
Market rent average	25.92	19.17	18.22	21.90	20.82	21.22

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

Our estimate of the average 2008 and 2009 market rental rates are approximately 61% and 70%, respectively, higher than our expiring rental rates. While this is a positive indicator, the marketplace remains competitive and any uplift in our overall average rent will depend on the specific market and our ability to re-lease the space quickly at the higher rates. The current economic uncertainly has led to some softening in market rates; however, given the degree to which our rents are below market, we believe we will still have the opportunity to capture gains.

Average remaining lease term and other portfolio information is detailed below:

	September 30, 2008[1]			December 31, 2007[1]		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**[2]	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)[2]
Office	**4.94**	**9,476**	**$ 17.53**	4.08	9,121	$ 16.30
Industrial	**3.57**	**7,636**	**7.29**	3.50	7,909	6.71
Portfolio average	**4.59**	**8,923**	**14.90**	3.91	8,728	13.49

[1] Excludes redevelopment properties.

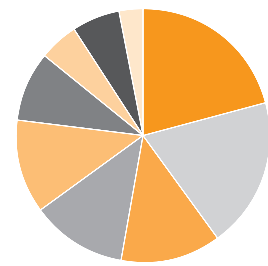
[2] Average in-place rents include straight-line rent adjustments.

Our tenant base includes a wide range of high-quality tenants, such as government, large international corporations and small entrepreneurial businesses across the country. With 732 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 7,600 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 and to continually capitalize on rental rate uplifts.

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

TENANT BASE BY PERCENTAGE CONTRIBUTION
TO TOTAL CONTRACT RENT
(AT SEPTEMBER 30, 2008)

- Other **21%**
- Professional, scientific and technical services **19%**
- Public administration **13%**
- Information and cultural industries **12%**
- Mining and oil and gas extraction **12%**
- Finance and insurance **9%**
- Transportation and warehousing **5%**
- Administrative support, waste management and remedial services **6%**
- Manufacturing **3%**



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

The stability and quality of our cash flow is enhanced by the fact that government and government agencies contribute 17% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable and high-quality businesses. The table below sets out our ten largest tenants and outlines their contributions to our cash flow.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
TELUS Communications	311,253	4.6	6.0	2013—2016
Government of Canada	273,692	4.0	4.6	2008—2016
Loyalty Management Group	176,566	2.6	3.6	2017
Government of British Columbia	178,345	2.6	3.2	2009—2014
State Street Trust Company	122,344	1.8	2.9	2022
Government of Northwest Territories	117,318	1.7	2.9	2009—2013
Government of Ontario	123,872	1.8	2.5	2014
Government of Saskatchewan	139,529	2.0	2.2	2018
Hatch Optima Ltd.	91,625	1.3	1.9	2016
SNC Lavalin	87,382	1.3	1.8	2012
Total	1,621,926	23.7	31.6	

Liquidity and capital resources

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

We do not expect the current tightening in the credit markets to impact our ability to manage existing mortgages that come due over the next two years. Our existing debt levels and our strong financial position provide confidence in our ability to renew existing mortgages. Further discussion and information is provided on page 21 under Debt — Financing Activity.

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	
	2008	2007	**2008**	2007
Cash generated from operating activities	**$ 12,631**	$ 6,794	**$ 33,860**	$ 74,015
Cash generated from (utilized in) investing activities	**(10,880)**	1,443,085	**(146,923)**	955,791
Cash generated from (utilized in) financing activities	**(17,994)**	(1,452,542)	**171,829**	(1,092,840)
Increase (decrease) in cash and cash equivalents	**$ (16,243)**	$ (2,663)	**$ 58,766**	$ (63,034)

At September 30, 2008, cash and cash equivalents were $96.5 million, a decrease of $16.2 million compared to the prior quarter and an increase of $58.8 million compared to December 31, 2007. Funds utilized during the quarter included $11.1 million for an acquisition as well as other capital investments in our properties and $5.3 million utilized to repurchase units pursuant to our normal course issuer bid. The increase for the year primarily reflects the completion of new financing activity in the first half of this year. We have an undrawn $55.0 million revolving credit facility, which is currently available to provide further funding for working capital or as a bridge facility to fund acquisitions. Retaining cash is somewhat dilutive to our earnings in the short term; however, we believe that it provides us with flexibility during a time of uncertainty in the lending and capital markets, and gives us the ability to act quickly should we find compelling investment opportunities.

Operating activities

The following table details the cash generated from operating activities:

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Net income	**$ 2,125**	$ 752,450	**$ 6,894**	$ 733,078
Non-cash items:				
Amortization of market rent adjustments on acquired leases	**(3,174)**	(3,191)	**(9,466)**	(8,440)
All other depreciation and amortization	**14,138**	21,565	**40,920**	69,766
Provision for impairment in value of rental properties	**—**	7,650	**—**	7,650
Internalization of property manager	**—**	—	**—**	1,230
(Gain) loss on disposal of rental properties and land held for sale	**(169)**	(727,374)	**257**	(728,848)
Deferred unit compensation expense	**150**	293	**248**	1,177
Future income taxes	**(38)**	(25,198)	**106**	14,716
Straight-line rent adjustment	**(294)**	(963)	**(728)**	(2,746)
	12,738	25,232	**38,231**	87,583
Deferred leasing costs incurred	**(1,788)**	(2,026)	**(3,528)**	(4,938)
Change in non-cash working capital	**1,681**	(16,412)	**(843)**	(8,630)
Cash generated from operating activities	**$ 12,631**	$ 6,794	**$ 33,860**	$ 74,015

Cash generated from operations for the quarter decreased relative to the comparative period reflecting the loss of contribution from the Eastern Portfolio. This was partially offset by the contribution of acquisitions completed in Western Canada and Toronto. Cash from operations in the current quarter compared to prior quarters of this year has been relatively stable and impacted only by fluctuations in non-cash working capital.

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

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

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

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

Leasing costs and tenant improvements

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

For the ongoing properties, leasing costs and tenant improvements for the nine months ended September 30, 2008, increased 38% to $5.2 million, while leasing activity increased 46% and resulted in 1.1 million square feet of leased and occupied space. The average leasing costs for office properties during the nine months was $5.49 per square foot, reflecting our ability to lease new space and manage renewals without having to incur significant tenant improvement costs. The average leasing costs for industrial space was $2.92 per square foot leased and occupied during the year, which is in line with our estimates.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)	4,970,192	1,847,661	6,817,853
Occupied and committed	97.6%	90.9%	95.8%
Square footage leased and occupied in 2008	798,221	274,037	1,072,258
Leasing costs	$ 2,818	$ 618	$ 3,436
Tenant improvements	$ 1,565	$ 181	$ 1,746

Excludes redevelopment properties.

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

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

Commitments and contingencies

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

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

Year ending December 31	Operating lease payments	Capital lease payments
Remainder of 2008	$ 282	$ 35
2009	857	142
2010	741	142
2011	725	106
2012	684	—
2013 and thereafter	617	—
Total	$ 3,906	$ 425

Funds from operations

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

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Net income	**$ 2,125**	$ 752,450	**$ 6,894**	$ 733,078
Add (deduct):				
Depreciation of rental properties	**6,990**	10,960	**20,113**	36,791
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,985**	10,825	**20,488**	33,656
Imputed amortization of leasing costs related to the rent supplement	**—**	61	**17**	228
Internalization of property manager	**—**	—	**—**	1,230
(Gain) loss on disposal of rental property and land held for sale	**(169)**	(727,374)	**257**	(728,848)
Provision for impairment in value of rental property	**—**	7,650	**—**	7,650
Future income tax	**(38)**	(25,198)	**106**	14,716
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(66)**	(42)	**(209)**	(89)
FFO	**$ 15,827**	$ 29,332	**$ 47,666**	$ 98,412
FFO per unit — basic	**$ 0.75**	$ 0.77	**$ 2.24**	$ 2.24
FFO per unit — diluted	**$ 0.73**	$ 0.76	**$ 2.21**	$ 2.20

The 46% decrease in FFO in the quarter reflects the impact of the sale of the Eastern Portfolio in 2007, offset by revenue generated by acquisitions as well as benefits from rising rental rates. Below-market rents, which result in a non-cash amortization to our operating results, contributed $3.3 million and $9.8 million to FFO in the quarter and year-to-date, respectively.

Diluted FFO per unit amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures. The weighted average number of Units outstanding for basic and diluted FFO calculations for the quarter are 21,248,773 and 24,676,672, respectively. Year-to-date, the weighted average number of units outstanding for basic and diluted FFO calculations are 21,242,955 and 24,541,895, respectively. Diluted FFO includes interest and amortization adjustments of $2.2 million and $6.5 million for the quarter and year-to-date, respectively. The basic and diluted weighted average number of units outstanding include 259,803 vested deferred trust units for the three-month period and 259,719 for the nine-month period.

Distributions and distributable income

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

Distributable income

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Cash generated from operating activities	**$ 12,631**	$ 6,794	**$ 33,860**	$ 74,015
Add (deduct):				
Deferred leasing costs incurred	**1,788**	2,026	**3,528**	4,938
Amortization of deferred financing costs incurred prior to June 30, 2003	**17**	67	**45**	248
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**—**	5	**—**	34
Amortization of tenant inducements	**43**	31	**122**	90
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(66)**	(42)	**(209)**	(89)
Amortization of deferred financing costs	**(302)**	(259)	**(947)**	(881)
Change in non-cash working capital	**(1,681)**	16,412	**843**	8,630
Distributable income	**$ 12,430**	$ 25,034	**$ 37,242**	$ 86,985
Distributable income per unit — basic	**$ 0.59**	$ 0.66	**$ 1.75**	$ 1.98
Distributable income per unit — diluted	**$ 0.59**	$ 0.65	**$ 1.78**	$ 1.95
Distributions	**$ 0.55**	$ 0.55	**$ 1.65**	$ 1.65

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

For the nine-month period ended September 30, 2008, distributable income per unit was $1.75 and declared distributions were $1.65, representing a 94% payout ratio. In the prior year comparative period, distributable income per unit was $1.98 and declared distributions were $1.65, representing an 83% payout ratio. Distributable income exceeds distributions paid and payable by $0.8 million for the quarter and $2.4 million year-to-date. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

Distributions

The distributions presented in the table below comprise $28.3 million relating to REIT A Units, $0.8 million relating to REIT B Units and $5.8 million relating to LP B Units. Prior to June 28, 2007, cash distributions were only paid to holders of the REIT A Units as there were no REIT B Units outstanding, and all of the LP B Units were enrolled in the DRIP.

	Declared distributions	4% additional distributions	Total
2008 distributions			
Paid in cash or reinvested in units	$ 30,719	$ 296	$ 31,015
Payable at September 30, 2008	3,843	19	3,862
Total distributions	$ 34,562	$ 315	$ 34,877
2008 reinvestment			
Reinvested to September 30, 2008	$ 7,394	$ 296	$ 7,690
Reinvested on October 15, 2008	322	19	341
Total distributions reinvested	$ 7,716	$ 315	$ 8,031

Distributions paid in cash	$ 26,846
Reinvestment to distribution ratio	22%
Cash distribution payout ratio	78%

Distributions declared year-to-date totalled $34.6 million, down $33.5 million over the comparative period mainly as a result of the redemption of outstanding units in connection with the sale of the Eastern Portfolio. Of this amount, $7.7 million, or 22%, was reinvested in additional units and our cash payout ratio for distributions was 78%.

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

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Net income	**$ 2,125**	$ 752,450	**$ 6,894**	$ 733,078
Cash flow from operating activities	**12,631**	6,794	**33,860**	74,015
Distributions paid and payable	**11,596**	16,074	**34,877**	68,559
Excess/(shortfall) of cash flow from operating activities over cash distributions	**1,035**	(9,280)	**(1,017)**	5,456

Year-to-date, distributions paid and payable exceed cash from operations as a result of changes in non-cash working capital balances and leasing costs incurred. In establishing distribution payments, we do not take fluctuations in working capital into consideration and use a normalized amount as a proxy for leasing costs. We do not expect cash distributions to exceed cash flow from operating activities in the future, other than for changes in non-cash working capital balances.

Distributions paid and payable exceeded net income by $9.5 million for the quarter. This excess was mainly a result of non-cash depreciation and amortization expense which are not considered in determining our cash distribution policy.

Adjusted funds from operations

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Distributable income	**$ 12,430**	$ 25,034	**$ 37,242**	$ 86,985
Adjusted for:				
Normalized leasing costs and tenant improvements	**(1,514)**	(2,683)	**(4,542)**	(9,583)
Normalized non-recoverable recurring capital expenditures	**(200)**	(272)	**(600)**	(972)
AFFO	**$ 10,716**	$ 22,079	**$ 32,100**	$ 76,430
AFFO per unit — basic	**$ 0.50**	$ 0.58	**$ 1.51**	$ 1.74

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 16, which reconciles distributable income to cash flow from operating activities.

Our calculation of AFFO starts with our distributable income and then deducts an estimate of normalized non-recoverable maintenance capital expenditures, leasing costs and tenant improvements that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of normalized leasing costs and tenant improvements are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2007, adjusted for properties that have been sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any 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	
	2008	2007	**2008**	2007
Investment in rental properties	**$ (1,964)**	$ (4,517)	**$ (2,946)**	$ (9,648)
Investment in tenant improvements	**(595)**	(2,107)	**(1,842)**	(5,768)
Investment in land development	**—**	(1,229)	**—**	(2,973)
Acquisition of rental properties	**(9,092)**	(38,598)	**(155,348)**	(517,320)
Acquisition deposit on rental properties	**100**	(639)	**—**	(900)
Investment in mezzanine loan	**—**	(103)	**—**	(468)
Repayment of promissory note	**—**	—	**12,116**	—
Net proceeds from disposal of rental properties and land held for sale	**—**	1,489,359	**—**	1,491,645
Change in restricted cash, net	**671**	919	**1,097**	1,223
Cash generated from (utilized in) investing activities	**$ (10,880)**	$ 1,443,085	**$ (146,923)**	$ 955,791

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	
	2008	2007	**2008**	2007
Investing activities				
Acquisition of rental properties	**$ 11,484**	$ 38,573	**$ 160,772**	$ 613,017
Building improvements	**1,935**	4,240	**2,811**	8,960

Acquisitions

During the quarter, we acquired a 100% interest in an office property in Burnaby, B.C., comprising 64,000 square feet for approximately $11.5 million.

Building improvements

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Building improvements:				
Recurring recoverable	**$ 1,713**	$ 1,868	**$ 1,934**	$ 3,832
Recurring non-recoverable	**—**	528	**159**	1,560
Non-recurring	**222**	1,844	**718**	3,568
Total	**$ 1,935**	$ 4,240	**$ 2,811**	$ 8,960

Building improvements represent investments in our rental properties and ensure our buildings are operating at an optimal level. For the three-month period, capital expenditures or expenditures accrued for rental property building improvements and equipment were $1.9 million (September 30, 2007 — $4.2 million). Non-recurring expenditures were $0.2 million in the quarter. For the nine-month period, capital expenditures or expenditures accrued for rental property building improvements and equipment were $2.8 million (September 30, 2007 — $9.0 million) and included non-recurring expenditures of $0.7 million (September 30, 2007 — $3.6 million). Anticipated non-recoverable capital expenditures associated with acquisitions completed year-to-date are expected to be approximately $0.8 million and will be incurred over the next two to three years. These expenditures were factored into the acquisition purchase prices.

Financing activities

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

The following table details our cash generated from financing activities.

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Deferred trust and income units cancelled	**$ —**	$ (5,492)	**$ —**	$ (5,492)
Mortgages placed, net of costs	**(60)**	(415)	**95,311**	236,173
Mortgage principal repayments	**(3,590)**	(6,942)	**(10,176)**	(22,112)
Mortgage lump sum repayments	**—**	(2,316)	**(508)**	(21,778)
Term debt principal repayments	**(27)**	(29)	**(88)**	(86)
Term debt placed, net of costs	**—**	17	**—**	78
Convertible debentures issued, net of costs	**—**	—	**119,200**	—
Demand revolving credit facility, net	**—**	5,571	**—**	36,901
Distributions paid on Units	**(9,055)**	(21,954)	**(27,143)**	(59,092)
Purchase of REIT A Units under normal course issuer bid	**(5,276)**	—	**(5,370)**	—
Redemption of Units	**—**	(1,420,980)	**—**	(1,420,980)
Units issued, net of costs	**14**	(2)	**603**	163,548
Cash generated from (utilized in) financing activities	**$ (17,994)**	$ (1,452,542)	**$ 171,829**	$ (1,092,840)

Debt

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

	September 30, 2008	December 31, 2007
Financing activities		
Average interest rate	**5.85%**	5.76%
Level of debt (net debt-to-enterprise value)[1]	**55.7%**	47.7%
Interest coverage ratio[2]	**2.30 times**	2.51 times
Proportion of total debt due in 2008	**0.8%**	4.8%
Debt — average term to maturity (years)	**5.8**	6.1
Variable rate debt as percentage of total debt	**5.5%**	2.4%

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

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

Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. Our current interest coverage ratio is 2.30 times, and reflects our ability to cover interest expense requirements. The slight decline in the ratio from December 31, 2007, reflects the 6.0% Debenture issued in January 2008, new financings completed during the year, as well as the impact of undeployed cash. Our average interest rate as at September 30, 2008, was 5.85%, an increase over the start of the year, again mainly reflecting the impact of the 6.0% Debenture, which has an effective rate of 7.08%.

Variable rate debt as a percentage of total debt increased to 5.5%, largely as a result of the $31.3 million financing placed on the acquisition of IBM Corporate Park in the second quarter.

		September 30, 2008			December 31, 2007	
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 707,328**	**$ 48,368**	**$ 755,696**	$ 651,844	$ 16,344	$ 668,188
Term debt	**363**	**—**	**363**	451	—	451
6.5% Debentures	**3,275**	**—**	**3,275**	3,857	—	3,857
5.7% Debentures	**7,569**	**—**	**7,569**	7,983	—	7,983
6.0% Debentures	**117,668**	**—**	**117,668**	—	—	—
Total	**$ 836,203**	**$ 48,368**	**$ 884,571**	$ 664,135	$ 16,344	$ 680,479
Percentage	**94.5%**	**5.5%**	**100%**	97.6%	2.4%	100%

Mortgages payable includes $4.0 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2007 — $4.8 million). Amounts recorded as at September 30, 2008, for the 6.5%, 5.7% and 6.0% Debentures are net of $2.1 million of premiums allocated to their conversion features. The fair value adjustments and premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activity

During the third quarter, we assumed a mortgage of approximately $2.1 million in connection with an acquisition, with a term to maturity of 2.5 years and an interest rate of 5.11%. Effective January 14, 2008, we completed the public offering of $125.0 million principal amount of convertible unsecured subordinated debentures with a coupon rate of 6.0% per annum payable semi-annually on September 30 and December 31, commencing on September 30, 2008, and due on December 31, 2014 (the "6.0% Debentures"). The $2.2 million of principal relating to the conversion feature was classified as a component of unitholders' equity. In addition, there were $5.8 million of financing costs that, along with the equity component, are deferred and amortized over the term of the debt resulting in an effective interest rate of 7.08%. As a result of these financing activities, our overall average interest rate increased to 5.85% and the average term to maturity of our debt shortened slightly to 5.8 years.

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

For the remainder of this year and next year, we do not anticipate the current uncertainty in the credit markets will have a significant impact on our ability to refinance existing mortgages that are coming due. The debt-to-value ratios on our rental properties, measures used by lenders for mortgage financing, are strong. We deal with a large number of lenders and do not expect to be tied to potential financial issues and lending requirements occurring at any one lender. In addition, the extra cash we currently have on our balance sheet gives us the flexibility to deal with any unforeseen situations related to mortgage financing.

Changes in debt levels are as follows:

For the three months ended September 30, 2008

	Mortgages	Term debt	Convertible debentures	Total
Debt as at June 30, 2008	$ 756,720	$ 390	$ 128,378	$ 885,488
New debt assumed on rental property acquisition	2,111	—	—	2,111
Scheduled repayments	(3,590)	(27)	—	(3,617)
Lump sum repayments	—	—	—	—
Conversion to unit equity	—	—	(182)	(182)
Amortization and other adjustments	455	—	316	771
Debt as at September 30, 2008	**$ 755,696**	**$ 363**	**$ 128,512**	**$ 884,571**

For the nine months ended September 30, 2008

	Mortgages	Term debt	Convertible debentures	Total
Debt as at December 31, 2007	$ 668,188	$ 451	$ 11,840	$ 680,479
New debt assumed on rental property acquisition	2,111	—	—	2,111
New debt placed	95,733	—	125,000	220,733
Scheduled repayments	(10,176)	(88)	—	(10,264)
Lump sum repayments	(508)	—	—	(508)
Conversion to unit equity	—	—	(1,090)	(1,090)
Amortization and other adjustments	348	—	(7,238)	(6,890)
Debt as at September 30, 2008	**$ 755,696**	**$ 363**	**$ 128,512**	**$ 884,571**

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average interest rate on balance due at maturity %	Weighted average face rate on balance due at maturity
Remainder of 2008	$ 2,853	$ 3,776	$ 6,629	0.8	5.84	5.84
2009	68,880	15,099	83,979	9.4	6.17	6.23
2010	5,867	15,877	21,744	2.4	5.24	5.24
2011	71,987	15,653	87,640	9.8	6.01	6.79
2012	99,994	13,568	113,562	12.8	5.57	5.46
2013 and thereafter	538,295	38,899	577,194	64.8	5.89	5.70
Total	$ 787,876	$ 102,872	$ 890,748	100.0		5.81

Fair value adjustments	1,937
Deferred financing costs	(8,114)
Total	$ 884,571

Convertible debentures

In the nine-month period, we issued 40,479 REIT A Units upon the conversion of $1.1 million of the principal amount of 6.5% and 5.7% Debentures.

With respect to the 6.5% Debentures, we issued 24,920 REIT A Units upon the conversion of $0.6 million of the principal amount. The total principal outstanding at October 31, 2008, was $3.5 million, and is convertible into 139,520 REIT A Units. With respect to the 5.7% Debentures, we issued 15,559 REIT A Units upon the conversion of $0.5 million of the principal amount. Subsequent to quarter-end, we issued an additional 833 REIT A Units upon the conversion of $0.03 million of the principal amount. The total principal outstanding at October 31, 2008, was $7.8 million, and is convertible into approximately 260,200 REIT A Units.

Equity

The following table summarizes the changes in our outstanding equity:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Units issued and outstanding on December 31, 2007	17,072,154	476,316	3,315,349	20,863,819
Units issued pursuant to DRIP	99,217	—	138,840	238,057
Unit Purchase Plan	20,606	—	—	20,606
Units issued pursuant to Deferred Unit Incentive Plan	10,492	—	—	10,492
Conversion of 6.5% Debentures	24,920	—	—	24,920
Conversion of 5.7% Debentures	15,559	—	—	15,559
Purchase of Units under normal course issuer bid	(174,000)	—	—	(174,000)
Total units outstanding on September 30, 2008	17,068,948	476,316	3,454,189	20,999,453
Percentage of all units	81%	2%	17%	100%
Units issued pursuant to DRIP on October 15, 2008	16,494	—	—	16,494
Unit Purchase Plan	219	—	—	219
Conversion of 5.7% Debentures	833	—	—	833
Purchase of Units under normal course issuer bid	(652,900)	—	—	(652,900)
Total units outstanding on October 31, 2008	16,433,594	476,316	3,454,189	20,364,099
Percentage of all units	81%	2%	17%	100%

Normal course issuer bid

For the period September 5, 2007 to September 4, 2008, Dundee REIT had the ability to purchase for cancellation up to a maximum of 1,359,844 REIT A Units (representing 10% of the REIT's public float of 13,598,446 REIT A Units on August 30, 2007) through the facilities of the TSX. Under this bid, 174,000 REIT A Units were purchased for consideration of $5.4 million, including 171,000 units acquired during the quarter.

On September 23, 2008, we received TSX approval to renew our normal course issuer bid. Under the new bid, we have the ability to purchase for cancellation up to a maximum of 1,326,762 REIT A Units (representing 10% of the public float of 13,267,620 REIT A Units on September 23, 2008) through the facilities of the TSX. The bid commenced on September 26, 2008, and will remain in effect until the earlier of September 25, 2009, or the date on which we have purchased the maximum number of units permitted under the bid. As of September 30, 2008, the number of issued and outstanding REIT A Units is 17,068,948. Based on the closing price of the REIT A Units on September 30, 2008, we may purchase up to $39.6 million worth of REIT A Units. As of September 30, 2008, we had not completed any purchases. Subsequent to the quarter-end we purchased 652,900 units for consideration of $16.4 million.

OUR RESULTS OF OPERATIONS

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Revenues				
Rental properties revenue	**$ 47,826**	$ 40,464	**$ 137,462**	$ 112,240
Interest and fee income	**973**	574	**2,914**	1,918
	48,799	41,038	**140,376**	114,158
Expenses				
Rental properties operating expenses	**18,050**	14,379	**50,954**	39,568
Interest	**13,043**	9,794	**36,696**	27,668
Depreciation of rental properties	**6,990**	6,135	**20,113**	17,181
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,985**	5,862	**20,488**	16,064
General and administrative	**1,750**	1,887	**4,864**	6,066
	46,818	38,057	**133,115**	106,547
Income before the undernoted items	**1,981**	2,981	**7,261**	7,611
Internalization of property manager	**—**	—	**—**	(1,230)
Gain on disposal of rental property	**—**	854	**—**	2,328
Provision for impairment in value of rental property	**—**	(7,650)	**—**	(7,650)
Income (loss) before income taxes	**1,981**	(3,815)	**7,261**	1,059
Income taxes				
Current income taxes	**63**	7	**4**	22
Future income taxes	**(38)**	(25,198)	**106**	14,716
	25	(25,191)	**110**	14,738
Income (loss) before discontinued operations	**1,956**	21,376	**7,151**	(13,679)
Discontinued operations	**169**	731,074	**(257)**	746,757
Net income	**$ 2,125**	$ 752,450	**$ 6,894**	$ 733,078

Income statement results

Rental properties revenue

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs and property taxes from tenants. Additional revenue generated by acquisitions completed in 2007 and 2008 drove a $7.4 million, or 18%, increase in rental property revenue over the comparative quarter.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management including management, construction and leasing fees, and interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary from quarter to quarter. The $0.4 million increase over the comparative quarter is mainly a result of higher interest income on undeployed cash.

Rental properties operating expenses

Operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, repairs and maintenance. Expenses for the quarter increased $3.7 million, or 26%, mainly reflecting the additional costs associated with acquired properties.

Interest expense

Interest expense for the quarter increased $3.3 million over the comparative quarter, reflecting new mortgage debt placed in the second and third quarters and the 6.0% Debentures issued during the first quarter. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, remains strong at 2.3 times for the nine-month period.

Depreciation of rental properties

Acquisitions completed over the past year have led to a $0.9 million, or 14%, increase in depreciation over the comparative period.

Amortization of deferred leasing costs, tenant improvements and intangibles

Amortization increased $1.1 million, or 19%, over the comparative quarter reflecting the allocation of a portion of acquisition purchase prices to intangibles.

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 $1.8 million, a decrease of $0.1 million, or 7%, over the comparative year resulting from decreased management expenses, offset by the asset management fee.

Income tax expense

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

For the period ended June 30, 2007, the Trust did not meet the technical REIT Exception. Consequently, a future income tax liability in the amount of $40.0 million was recorded as at June 30, 2007, based on the temporary differences that were expected to reverse on or after January 1, 2011. The future income tax liability was recorded as a charge to the consolidated statement of net income and comprehensive income for the period ended June 30, 2007. During the quarter ended September 30, 2007, a future income tax liability in the amount of $25.0 million relating to assets sold during the quarter was reversed and recorded as a component of discontinued operations.

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

Discontinued operations

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

Related-party transactions

From time to time Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Effective August 24, 2007, Dundee REIT entered into an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries as disclosed in Note 17 to the consolidated financial statements. Dundee Management Limited Partnership ("DMLP") and DRC have extended the term of the DRC Services Agreement until June 30, 2013. During the quarter, we received $0.5 million related to the DRC Services Agreement and paid $1.2 million related to the Asset Management Agreement.

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

Net operating income

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

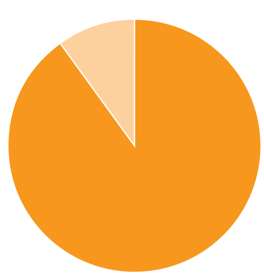
	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Net income	**$ 2,125**	$ 752,450	**$ 6,894**	$ 733,078
Add (deduct):				
Interest expense	**13,043**	9,794	**36,696**	27,668
Depreciation of rental properties	**6,990**	6,135	**20,113**	17,181
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,985**	5,862	**20,488**	16,064
General and administrative expenses	**1,750**	1,887	**4,864**	6,066
Net loss on disposal of rental property and land held for sale	**—**	6,796	**—**	5,322
Internalization of property manager	**—**	—	**—**	1,230
Interest and fee income	**(973)**	(574)	**(2,914)**	(1,918)
Income taxes	**25**	(25,191)	**110**	14,738
Depreciation, amortization, interest and loss of disposal, included in discontinued operations	**(169)**	(710,587)	**257**	(664,372)
NOI including redevelopment and discontinued operations	**$ 29,776**	$ 46,572	**$ 86,508**	$ 155,057

We define NOI as the total of rental property revenues, including property management income, less rental property operating expenses. NOI, before redevelopment and discontinued operations, for the quarter increased 15% over the comparative period, primarily due to income generated by properties acquired in 2007 and 2008. NOI generated by our comparative portfolio for the quarter was consistent with 2007. Discontinued operations mainly reflect the contribution of the Eastern Portfolio.

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
Office	**$ 26,490**	$ 22,569	$ 3,921	17	**$ 76,155**	$ 62,127	$ 14,028	23
Industrial	**2,922**	3,089	(167)	(5)	**9,009**	9,096	(87)	(1)
NOI	**29,412**	25,658	3,754	15	**85,164**	71,223	13,941	20
Redevelopment	**364**	427	(63)		**1,344**	1,449	(105)	
Discontinued operations	**—**	20,487	(20,487)		**—**	82,385	(82,385)	
NOI including redevelopment and discontinued operations	**$ 29,776**	$ 46,572	$ (16,796)	(36)	**$ 86,508**	$ 155,057	$ (68,549)	(44)

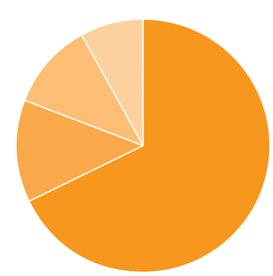
	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
British Columbia	**$ 2,458**	$ 1,837	$ 621	34	**$ 6,789**	$ 4,773	$ 2,016	42
Alberta	**19,876**	18,155	1,721	9	**58,013**	49,749	8,264	17
Saskatchewan & NWT	**3,861**	3,686	175	5	**11,054**	10,696	358	3
Ontario	**3,217**	1,980	1,237	62	**9,308**	6,005	3,303	55
NOI	**29,412**	25,658	3,754	15	**85,164**	71,223	13,941	20
Redevelopment	**364**	427	(63)		**1,344**	1,449	(105)	
Discontinued operations	**—**	20,487	(20,487)		**—**	82,385	(82,385)	
NOI including redevelopment and discontinued operations	**$ 29,776**	$ 46,572	$ (16,796)	(36)	**$ 86,508**	$ 155,057	$ (68,549)	(44)

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



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

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



- Alberta **68%**
- Saskatchewan & NWT **13%**
- Ontario **11%**
- British Columbia **8%**

NOI comparative portfolio

NOI shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2007. Discontinued operations contributing to NOI in comparative periods are shown separately to conform to the required income statement presentation. Discontinued operations in 2007 primarily comprise the Eastern Portfolio. Comparative NOI and acquisitions exclude GAAP adjustments that relate to straight-line rents and amortization of market rent adjustments on acquired leases. The sale of the Eastern Portfolio in 2007 diminished the economies of scale we had previously achieved in our property management platform when certain overhead expenses were spread across a larger property portfolio. In 2007, NOI was $0.4 million and $0.2 million higher for the quarter and year-to-date, respectively, as a result of a larger property management platform.

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
Office	**$ 16,105**	$ 15,948	$ 157	1	**$ 47,315**	$ 47,064	$ 251	1
Industrial	**2,883**	3,022	(139)	(5)	**8,890**	8,865	25	—
Comparative properties	**18,988**	18,970	18	—	**56,205**	55,929	276	—
Acquisitions	**7,018**	3,509	3,509		**18,880**	6,859	12,021	
Rent supplement	**—**	17	(17)		**34**	64	(30)	
GAAP adjustments	**3,406**	3,162	244		**10,045**	8,371	1,674	
NOI	**29,412**	25,658	3,754	15	**85,164**	71,223	13,941	20
Redevelopment	**364**	427	(63)		**1,344**	1,449	(105)	
Discontinued operations	**—**	20,487	(20,487)		**—**	82,385	(82,385)	
NOI including redevelopment and discontinued operations	**$ 29,776**	$ 46,572	$ (16,796)	(36)	**$ 86,508**	$ 155,057	$ (68,549)	(44)

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
British Columbia	**$ 1,246**	$ 1,280	$ (34)	(3)	**$ 3,735**	$ 3,767	$ (32)	(1)
Alberta	**12,294**	12,067	227	2	**36,387**	35,627	760	2
Saskatchewan & NWT	**3,754**	3,625	129	4	**10,825**	10,498	327	3
Ontario	**1,694**	1,998	(304)	(15)	**5,258**	6,037	(779)	(13)
Comparative properties	**18,988**	18,970	18	—	**56,205**	55,929	276	—
Acquisitions	**7,018**	3,509	3,509		**18,880**	6,859	12,021	
Rent supplement	**—**	17	(17)		**34**	64	(30)	
GAAP adjustments	**3,406**	3,162	244		**10,045**	8,371	1,674	
NOI	**29,412**	25,658	3,754	15	**85,164**	71,223	13,941	20
Redevelopment	**364**	427	(63)		**1,344**	1,449	(105)	
Discontinued operations	**—**	20,487	(20,487)		**—**	82,385	(82,385)	
NOI including redevelopment and discontinued operations	**$ 29,776**	$ 46,572	$ (16,796)	(36)	**$ 86,508**	$ 155,057	$ (68,549)	(44)

Comparative office NOI in the quarter increased $0.5 million, or 3%, reflecting increases in rental rates on renewals, contractual rent increases as well as occupancy increases in Alberta and Saskatchewan offset by the impact of the smaller property management platform. Comparative industrial NOI decreased $0.1 million compared to 2007, mainly as a result of lower occupancy in two buildings.

Comparative office portfolio

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
British Columbia	**$ 1,246**	$ 1,280	$ (34)	(3)	**$ 3,735**	$ 3,767	$ (32)	(1)
Alberta	**9,411**	9,045	366	4	**27,497**	26,762	735	3
Saskatchewan & NWT	**3,754**	3,625	129	4	**10,825**	10,498	327	3
Ontario	**1,694**	1,998	(304)	(15)	**5,258**	6,037	(779)	(13)
Comparative properties	**16,105**	15,948	157	1	**47,315**	47,064	251	1
Acquisitions	**7,018**	3,509	3,509		**18,880**	6,859	12,021	
Rent supplement	**—**	17	(17)		**34**	64	(30)	
GAAP adjustments	**3,367**	3,095	272		**9,926**	8,140	1,786	
Office NOI	**$ 26,490**	$ 22,569	$ 3,921	17	**$ 76,155**	$ 62,127	$ 14,028	23

Our comparative office portfolio remains well occupied with all markets being virtually fully occupied. If we exclude the $0.3 million decline in NOI for the three-month period caused by our reduced economies of scale, overall NOI increased by $0.5 million, or 3%. This improvement is a result of occupancy increases in Saskatchewan and higher base rents on renewals and contractual rent steps. The decrease in Ontario reflects a vacancy that was re-leased during the quarter with occupancy scheduled for the fourth quarter.

Comparative industrial portfolio

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2008	2007	Amount	%	**2008**	2007	Amount	%
Alberta	**$ 2,883**	$ 3,022	$ (139)	(5)	**$ 8,890**	$ 8,865	$ 25	—
Comparative properties	**2,883**	3,022	(139)	(5)	**8,890**	8,865	25	—
GAAP adjustments	**39**	67	(28)		**119**	231	(112)	
Industrial NOI	**$ 2,922**	$ 3,089	$ (167)	(5)	**$ 9,009**	$ 9,096	$ (87)	(1)

The decrease in comparative industrial NOI is attributable to higher vacancy in two buildings compared to the same quarter in 2007 as well as reduced economies of scale in the property management business as a result of the sale of the Eastern Portfolio.

NOI quarter-over-quarter comparison

The comparative properties disclosed in the following table are based on properties that were acquired prior to July 1, 2007. Excluding the impact of a smaller property management platform, NOI growth was $0.8 million reflecting the rental growth of properties acquired in Alberta and B.C. during the first six months of 2007.

	For the three months ended September 30			
			Growth	
	2008	2007	Amount	%
Office	**$ 19,402**	$ 18,852	$ 550	3
Industrial	**2,883**	3,023	(140)	(5)
Comparative properties	**22,285**	21,875	410	2
Acquisitions	**3,721**	604	3,117	
Rent supplement	**—**	17	(17)	
GAAP adjustments	**3,406**	3,162	244	
NOI	**29,412**	25,658	3,754	15
Redevelopment	**364**	427	(63)	
Discontinued operation	**—**	20,487	(20,487)	
NOI including redevelopment and discontinued operations	**$ 29,776**	$ 46,572	$ (16,796)	(36)

	For the three months ended September 30			
			Growth	
	2008	2007	Amount	%
British Columbia	**$ 1,930**	$ 1,798	$ 132	7
Alberta	**14,906**	14,454	452	3
Saskatchewan & NWT	**3,754**	3,624	130	4
Ontario	**1,695**	1,999	(304)	(15)
Comparative properties	**22,285**	21,875	410	2
Acquisitions	**3,721**	604	3,117	
Rent supplement	**—**	17	(17)	
GAAP adjustments	**3,406**	3,162	244	
NOI	**29,412**	25,658	3,754	15
Redevelopment	**364**	427	(63)	
Discontinued operations	**—**	20,487	(20,487)	
NOI including redevelopment and discontinued operations	**$ 29,776**	$ 46,572	$ (16,796)	(36)

NOI prior quarter comparison

The comparative property performance disclosed in the following tables is based on properties that were acquired prior to April 1, 2008. Overall, comparative properties are maintaining a high level of occupancy with the office portfolio reporting occupancy in excess of 97%. Comparative property NOI improved by 1% with increased occupancy in our Alberta office portfolio offsetting industrial vacancy. Also contributing to the increase are higher base rents and recoveries in Saskatchewan and the Northwest Territories. The decline in NOI from Ontario is a result of lower recoveries at two buildings in Toronto. During the first quarter, we intentionally took back a significant amount of office space when presented with the opportunity, which we have re-leased at current market rental rates. The impact of these activities is reflected in the growth in the current quarter. We have also filled a significant vacancy in the Ontario portfolio that will be occupied and contributing to our results by the fourth quarter of 2008.

	For the three months ended			
			Growth	
	September 30, 2008	June 30, 2008	Amount	%
Office	**$ 22,244**	$ 21,739	$ 505	2
Industrial	**2,883**	3,052	(169)	(6)
Comparative properties	**25,127**	24,791	336	1
Acquisitions	**879**	428	451	
Rent supplement	**—**	13	(13)	
GAAP adjustments	**3,406**	3,515	(109)	
NOI	**29,412**	28,747	665	2
Redevelopment	**364**	465	(101)	
NOI including redevelopment and discontinued operations	**$ 29,776**	$ 29,212	$ 564	2

	For the three months ended			
			Growth	
	September 30, 2008	June 30, 2008	Amount	%
British Columbia	**$ 2,181**	$ 2,098	$ 83	4
Alberta	**16,191**	16,045	146	1
Saskatchewan & NWT	**3,754**	3,496	258	7
Ontario	**3,001**	3,152	(151)	(5)
Comparative properties	**25,127**	24,791	336	1
Acquisitions	**879**	428	451	
Rent supplement	**—**	13	(13)	
GAAP adjustments	**3,406**	3,515	(109)	
NOI	**29,412**	28,747	665	2
Redevelopment	**364**	465	(101)	
NOI including redevelopment and discontinued operations	**$ 29,776**	$ 29,212	$ 564	2

QUARTERLY INFORMATION

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

	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Revenues								
Rental properties revenue	**$ 47,826**	$ 45,441	$ 44,195	$ 42,921	$ 40,464	$ 38,334	$ 33,442	$ 32,242
Interest and fee income	**973**	771	1,170	1,023	574	680	664	1,252
	48,799	46,212	45,365	43,944	41,038	39,014	34,106	33,494
Expenses								
Rental properties operating expenses	**18,050**	16,229	16,675	16,035	14,379	13,139	12,050	12,364
Interest	**13,043**	12,072	11,581	10,154	9,794	9,168	8,706	9,295
Depreciation of rental properties	**6,990**	6,763	6,360	6,180	6,135	5,823	5,223	5,087
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,985**	6,850	6,653	7,282	5,862	6,004	4,198	3,650
General and administrative	**1,750**	1,693	1,421	1,534	1,887	1,977	2,202	1,861
	46,818	43,607	42,690	41,185	38,057	36,111	32,379	32,257
Income before the undernoted items	**1,981**	2,605	2,675	2,759	2,981	2,903	1,727	1,237
Internalization of property manager	**—**	—	—	—	—	—	(1,230)	(615)
Gain on disposal of rental property and land held for sale	**—**	—	—	—	854	1,474	—	9
Reversal of (provision for) impairment of rental property previously held for sale	**—**	—	—	6,298	(7,650)	—	—	—
Income (loss) before income and large corporations taxes	**1,981**	2,605	2,675	9,057	(3,815)	4,377	497	631
Income taxes (recovery)								
Current income and large corporations taxes	**63**	(4)	(55)	8	7	10	5	22
Future income taxes	**(38)**	76	68	(15,539)	(25,198)	40,031	(117)	(111)
Income tax expense (recovery)	**25**	72	13	(15,531)	(25,191)	40,041	(112)	(89)
Income (loss) before discontinued operations	**1,956**	2,533	2,662	24,588	21,376	(35,664)	609	720
Discontinued operations	**169**	(426)	—	4,636	731,074	7,874	7,809	7,232
Net income (loss)	**$ 2,125**	$ 2,107	$ 2,662	$ 29,224	$ 752,450	$ (27,790)	$ 8,418	$ 7,952
Net income (loss) per unit								
Basic	**$ 0.10**	$ 0.10	$ 0.13	$ 1.38	$ 19.82	$ (0.57)	$ 0.19	$ 0.24
Diluted[1]	**$ 0.10**	$ 0.10	$ 0.13	$ 1.38	$ 19.81	$ (0.57)	$ 0.19	$ 0.24

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

Calculation of funds from operations and distributable income

	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net income (loss)	**$ 2,125**	$ 2,107	$ 2,662	$ 29,224	$ 752,450	$ (27,790)	$ 8,418	$ 7,952
Add (deduct):								
Depreciation of rental properties	**6,990**	6,763	6,360	6,193	10,960	13,495	12,336	11,259
Amortization of deferred leasing costs, tenant improvements and intangibles	**6,985**	6,850	6,653	7,286	10,825	12,988	9,843	9,384
Future income tax	**(38)**	76	68	(15,539)	(25,198)	40,031	(117)	(111)
Imputed amortization of leasing costs related to the rent supplement	**–**	8	10	6	61	88	79	81
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(66)**	(87)	(56)	(77)	(42)	(29)	(18)	(17)
(Gain) loss on disposal of rental properties and land held for sale	**(169)**	426	–	(4,968)	(727,374)	(1,474)	–	4
Provision for (reversal of) impairment in value of rental property	**–**	–	–	(6,298)	7,650	–	–	–
Internalization of property manager	**–**	–	–	–	–	–	1,230	615
Income tax expense incurred as a result of the Transaction	**–**	–	–	300	–	–	–	–
Funds from operations	**$ 15,827**	$ 16,143	$ 15,697	$ 16,127	$ 29,332	$ 37,309	$ 31,771	$ 29,167
Funds from operations per unit								
Basic[1]	**$ 0.75**	$ 0.76	$ 0.74	$ 0.76	$ 0.77	$ 0.76	$ 0.71	$ 0.74
Diluted	**$ 0.75**	$ 0.74	$ 0.72	$ 0.76	$ 0.76	$ 0.75	$ 0.69	$ 0.71
Cash generated from operating activities	**$ 12,631**	$ 9,644	$ 11,585	$ 9,952	$ 6,794	$ 35,150	$ 32,071	$ 24,003
Add (deduct):								
Deferred leasing costs incurred	**1,788**	980	760	690	2,026	1,554	1,358	2,352
Amortization of deferred financing costs incurred prior to June 30, 2003	**17**	18	11	20	67	94	87	65
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**–**	–	–	(4)	5	13	16	16
Amortization of tenant inducements	**43**	41	37	25	31	33	26	20
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(66)**	(87)	(56)	(77)	(42)	(29)	(18)	(17)
Amortization of deferred financing costs	**(302)**	(332)	(313)	(57)	(259)	(316)	(306)	(445)
Income tax expense incurred as a result of the Transaction	**–**	–	–	300	–	–	–	–
Change in non-cash working capital	**(1,681)**	2,199	325	1,471	16,412	(3,517)	(4,265)	660
Distributable income ("DI")	**$ 12,430**	$ 12,463	$ 12,349	$ 12,320	$ 25,034	$ 32,982	$ 28,969	$ 26,654
Distributable income per unit								
Basic[1]	**$ 0.59**	$ 0.59	$ 0.58	$ 0.58	$ 0.66	$ 0.67	$ 0.64	$ 0.67
Diluted	**$ 0.59**	$ 0.59	$ 0.58	$ 0.58	$ 0.65	$ 0.66	$ 0.63	$ 0.65
Weighted average units outstanding for FFO and DI								
Basic	**21,248,773**	21,300,089	21,179,939	21,107,542	37,961,439	49,115,213	44,954,392	39,588,295
Diluted	**24,676,672**	24,719,316	24,609,778	21,566,798	39,020,277	51,306,940	47,732,198	43,447,393

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

SECTION III — DISCLOSURE CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

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

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

SECTION IV — RISKS AND OUR STRATEGY TO MANAGE

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

SECTION V — CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

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

CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

Consolidated balance sheets

(unaudited)
(in thousands of dollars)

	Note	September 30, 2008	December 31, 2007
Assets			
Rental properties	4	**$ 1,145,136**	$ 1,004,198
Deferred costs	5	**35,334**	31,433
Amounts receivable	6	**9,665**	9,761
Prepaid expenses and other assets	7	**5,348**	20,928
Cash and cash equivalents		**96,493**	37,727
Intangible assets	8	**54,293**	52,394
		$ 1,346,269	$ 1,156,441
Liabilities			
Debt	9	**$ 884,571**	$ 680,479
Amounts payable and accrued liabilities	10	**22,698**	24,389
Distributions payable	11	**3,862**	3,818
Future income tax liability	14	**2,945**	2,746
Intangible liabilities	8	**45,331**	36,869
		959,407	748,301
Unitholders' equity	12	**386,862**	408,140
		$ 1,346,269	$ 1,156,441

See accompanying notes to the consolidated financial statements

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of net income and comprehensive income

(unaudited)		For the three months ended September 30		For the nine months ended September 30	
(in thousands of dollars, except per unit amounts)	Note	**2008**	2007	**2008**	2007
Revenues					
Rental properties revenue		**$ 47,826**	$ 40,464	**$ 137,462**	$ 112,240
Interest and fee income		**973**	574	**2,914**	1,918
		48,799	41,038	**140,376**	114,158
Expenses					
Rental properties operating expenses		**18,050**	14,379	**50,954**	39,568
Interest	13	**13,043**	9,794	**36,696**	27,668
Depreciation of rental properties		**6,990**	6,135	**20,113**	17,181
Amortization of deferred leasing costs, tenant improvements and intangibles		**6,985**	5,862	**20,488**	16,064
General and administrative		**1,750**	1,887	**4,864**	6,066
		46,818	38,057	**133,115**	106,547
Income before the undernoted items		**1,981**	2,981	**7,261**	7,611
Internalization of property manager	21	**—**	—	**—**	(1,230)
Gain on disposal of rental property		**—**	854	**—**	2,328
Provision for impairment in value of rental property		**—**	(7,650)	**—**	(7,650)
Income (loss) before income taxes		**1,981**	(3,815)	**7,261**	1,059
Provision for (recovery of) income taxes	14				
Current income taxes		**63**	7	**4**	22
Future income taxes		**(38)**	(25,198)	**106**	14,716
		25	(25,191)	**110**	14,738
Income (loss) before discontinued operations		**1,956**	21,376	**7,151**	(13,679)
Discontinued operations	18	**169**	731,074	**(257)**	746,757
Net income		**$ 2,125**	$ 752,450	**$ 6,894**	$ 733,078
Basic income (loss) per unit	15				
Continuing operations		**$ 0.09**	$ 0.56	**$ 0.34**	$ (0.31)
Discontinued operations		**0.01**	19.26	**(0.01)**	16.98
Net income		**$ 0.10**	$ 19.82	**$ 0.33**	$ 16.67
Diluted income (loss) per unit	15				
Continuing operations		**$ 0.09**	$ 0.56	**$ 0.34**	$ (0.31)
Discontinued operations		**0.01**	19.25	**(0.01)**	16.98
Net income		**$ 0.10**	$ 19.81	**$ 0.33**	$ 16.67
Net income		**$ 2,125**	$ 752,450	**$ 6,894**	$ 733,078
Other comprehensive income (loss)					
Change in foreign currency translation adjustment		**175**	(431)	**285**	(1,203)
Comprehensive income		**$ 2,300**	$ 752,019	**$ 7,179**	$ 731,875

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity

(unaudited) (in thousands of dollars, except number of units)	Note	Number of Units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive loss	Total
Unitholders' equity, January 1, 2008		**20,863,819**	**$ 544,850**	**$ 796,138**	**$ (926,605)**	**$ (6,243)**	**$ 408,140**
Net income		**—**	**—**	**6,894**	**—**	**—**	**6,894**
Distributions paid	**11**	**—**	**—**	**—**	**(31,015)**	**—**	**(31,015)**
Distributions payable	**11**	**—**	**—**	**—**	**(3,862)**	**—**	**(3,862)**
Distribution Reinvestment Plan	**12**	**238,057**	**7,689**	**—**	**—**	**—**	**7,689**
Unit Purchase Plan	**12**	**20,606**	**669**	**—**	**—**	**—**	**669**
Deferred Unit Incentive Plan	**12**	**10,492**	**248**	**—**	**—**	**—**	**248**
Purchase of units under normal course issuer bid	**12**	**(174,000)**	**(4,570)**	**—**	**(800)**	**—**	**(5,370)**
Conversion of 6.5% Debentures	**12**	**24,920**	**623**	**—**	**—**	**—**	**623**
Conversion of 5.7% Debentures	**12**	**15,559**	**467**	**—**	**—**	**—**	**467**
Issue costs		**—**	**(66)**	**—**	**—**	**—**	**(66)**
Equity portion of 6.0% Debentures	**9**	**—**	**2,160**	**—**	**—**	**—**	**2,160**
Change in foreign currency translation adjustment		**—**	**—**	**—**	**—**	**285**	**285**
Unitholders' equity, September 30, 2008		**20,999,453**	**$ 552,070**	**$ 803,032**	**$ (962,282)**	**$ (5,958)**	**$ 386,862**

(unaudited) (in thousands of dollars, except number of units)	Note	Number of Units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive loss	Total
Unitholders' equity, January 1, 2007		43,419,648	$ 1,067,125	$ 33,836	$ (207,286)	$ (5,116)	$ 888,559
Net income		—	—	733,078	—	—	733,078
Distributions paid		—	—	—	(64,748)	—	(64,748)
Distributions payable		—	—	—	(3,810)	—	(3,810)
Public offering of REIT A Units	12	4,195,000	170,946	—	—	—	170,946
Distribution Reinvestment Plan	12	348,418	14,305	—	—	—	14,305
Unit Purchase Plan	12	1,170	51	—	—	—	51
Deferred Unit Incentive Plan	12	30,370	6,031	—	—	—	6,031
Conversion of 6.5% Debentures	12	810,000	20,250	—	—	—	20,250
Conversion of 5.7% Debentures	12	1,885,649	56,569	—	—	—	56,569
Units issued on internalization of property manager	21	44,674	1,230	—	—	—	1,230
Issue costs		—	(11,197)	—	—	—	(11,197)
Redemption of Units	12	(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

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(unaudited)		For the three months ended September 30		For the nine months ended September 30	
(in thousands of dollars)	Note	**2008**	2007	**2008**	2007
Generated from (utilized in) operating activities					
Net income		**$ 2,125**	$ 752,450	**$ 6,894**	$ 733,078
Non-cash items:					
Depreciation of rental properties		**6,990**	10,960	**20,113**	36,791
Amortization of deferred leasing costs, tenant improvements and intangibles		**6,985**	10,825	**20,488**	33,656
Amortization of deferred financing costs		**302**	259	**947**	881
Amortization of fair value adjustment on acquired debt		**(139)**	(479)	**(628)**	(1,562)
Internalization of property manager		**—**	—	**—**	1,230
Loss (gain) on disposal of rental properties		**(169)**	(726,520)	**257**	(726,520)
Gain on disposal of land inventory		**—**	(854)	**—**	(2,328)
Provision for impairment on assets held for sale		**—**	7,650	**—**	7,650
Deferred unit compensation expense		**150**	293	**248**	1,177
Future income taxes		**(38)**	(25,198)	**106**	14,716
Amortization of market rent adjustments on acquired leases		**(3,174)**	(3,191)	**(9,466)**	(8,440)
Straight-line rent adjustment		**(294)**	(963)	**(728)**	(2,746)
		12,738	25,232	**38,231**	87,583
Deferred leasing costs incurred		**(1,788)**	(2,026)	**(3,528)**	(4,938)
Change in non-cash working capital	20	**1,681**	(16,412)	**(843)**	(8,630)
		12,631	6,794	**33,860**	74,015
Generated from (utilized in) investing activities					
Investment in rental properties		**(1,964)**	(4,517)	**(2,946)**	(9,648)
Investment in tenant improvements		**(595)**	(2,107)	**(1,842)**	(5,768)
Investment in land development		**—**	(1,229)	**—**	(2,973)
Acquisition of rental properties and land	3	**(9,092)**	(38,598)	**(155,348)**	(517,320)
Acquisition deposit on rental properties		**100**	(639)	**—**	(900)
Investment in mezzanine loan		**—**	(103)	**—**	(468)
Repayment of promissory note		**—**	—	**12,116**	—
Net proceeds from disposal of rental properties		**—**	1,488,381	**—**	1,488,381
Net proceeds from disposal of land held for sale		**—**	978	**—**	3,264
Change in restricted cash, net		**671**	919	**1,097**	1,223
		(10,880)	1,443,085	**(146,923)**	955,791
Generated from (utilized in) financing activities					
Mortgages placed, net of costs		**(60)**	(415)	**95,311**	236,173
Mortgage principal repayments		**(3,590)**	(6,942)	**(10,176)**	(22,112)
Mortgage lump sum repayments		**—**	(2,316)	**(508)**	(21,778)
Term debt principal repayments		**(27)**	(29)	**(88)**	(86)
Term debt placed, net of costs		**—**	17	**—**	78
Convertible debentures issued, net of costs		**—**	—	**119,200**	—
Demand revolving credit facility, net		**—**	5,571	**—**	36,901
Distributions paid on Units	11	**(9,055)**	(21,954)	**(27,143)**	(59,092)
Deferred trust units and income deferred trust units purchased and cancelled		**—**	(5,492)	**—**	(5,492)
Purchase of REIT A Units under normal course issuer bid	12	**(5,276)**	—	**(5,370)**	—
Redemption of Units		**—**	(1,420,980)	**—**	(1,420,980)
Units issued for cash, net of costs		**14**	(2)	**603**	163,548
		(17,994)	(1,452,542)	**171,829**	(1,092,840)
Increase (decrease) in cash and cash equivalents		**(16,243)**	(2,663)	**58,766**	(63,034)
Cash and cash equivalents, beginning of period		**112,736**	10,626	**37,727**	70,997
Cash and cash equivalents, end of period		**$ 96,493**	$ 7,963	**$ 96,493**	$ 7,963

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

Note 1

ORGANIZATION

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

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

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

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

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

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

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

At September 30, 2008, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 320,851 REIT A Units and 3,454,189 LP B Units (December 31, 2007 — 333,520 and 3,315,349 Units, respectively). At September 30, 2008, GE held 2,997,371 REIT A Units and 476,316 REIT B Units (December 31, 2007 — 2,997,371 and 476,316, respectively).

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Capital Disclosures

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

Financial Instruments — Disclosures and Presentation

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

International Financial Reporting Standards

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

Note 3

PROPERTY ACQUISITIONS

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

For the period ended September 30, 2008	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Air Miles Tower, Toronto	office	100	322,557	92	$ 91,988	$ —	January 31, 2008
IBM Corporate Park, Calgary	office	33	118,804	100	57,300	—	May 14, 2008
4370 Dominion Street, Burnaby	office	100	63,943	99	11,484	2,111	July 10, 2008
Total			505,304	95	$ 160,772	$ 2,111	

For the period 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[1]	office	100	426,000	96	$ 110,798	$ —	January 9, 2007
625 Agnes Street, New Westminster	office	100	83,000	88	14,587	—	January 24, 2007
Aspen Portfolio, Calgary	office	100	543,000	99	172,130	29,225	March 13, 2007
HCI Portfolio, Vaughan, Burlington and Mississauga, Ontario[1]	industrial	100	2,100,000	98	237,721	56,528	May 1, 2007
501 Applewood Crescent, Vaughan, Ontario[1]	industrial	100	76,000	100	6,787	—	May 1, 2007
154 University Avenue, Toronto[1]	office	100	67,000	100	13,784	5,487	May 10, 2007
4400 Dominion Street, Burnaby, British Columbia	office	100	91,000	93	18,637	—	June 27, 2007
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	

[1] Disposed of in 2007.

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

For the nine months ended September 30	**2008**	2007
Rental properties		
Land	**$ 30,531**	$ 156,054
Buildings	**126,440**	411,664
	156,971	567,718
Tenant improvements acquired	**6,271**	14,301
Intangible assets		
Value of in-place leases	**7,431**	28,840
Lease origination costs	**2,012**	4,975
Value of above-market rent leases	**419**	1,431
Value of tenant relationships	**5,944**	23,803
	179,048	641,068
Intangible liabilities		
Value of below-market rent leases	**(18,276)**	(28,051)
Total purchase price	**$ 160,772**	$ 613,017
The consideration paid consists of:		
Cash		
Paid during the period	**$ 155,348**	$ 517,320
Deposit	**2,350**	3,600
	157,698	520,920
Assumed mortgages at fair value	**2,111**	91,240
Assumed accounts payable and accrued liabilities	**963**	857
Total consideration	**$ 160,772**	$ 613,017

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

Note 4
RENTAL PROPERTIES

	September 30, 2008			December 31, 2007		
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Land	**$ 222,744**	**$ —**	**$ 222,744**	$ 191,935	$ —	$ 191,935
Buildings and improvements	**1,003,719**	**(83,692)**	**920,027**	875,619	(65,690)	809,929
Fixed assets and equipment	**2,115**	**(737)**	**1,378**	1,985	(502)	1,483
Rental properties under development	**987**	**—**	**987**	851	—	851
Total	**$ 1,229,565**	**$ (84,429)**	**$ 1,145,136**	$ 1,070,390	$ (66,192)	$ 1,004,198

Note 5
DEFERRED COSTS

	September 30, 2008			December 31, 2007		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Deferred leasing costs	**$ 10,884**	**$ (3,581)**	**$ 7,304**	$ 7,639	$ (4,710)	$ 2,929
Tenant improvements	**42,240**	**(16,654)**	**25,585**	36,115	(10,352)	25,763
Deferred recoverable costs	**4,988**	**(2,543)**	**2,445**	4,746	(2,007)	2,739
Other deferred costs	**—**	**—**	**—**	507	(505)	2
Total	**$ 58,112**	**$ (22,778)**	**$ 35,334**	$ 49,007	$ (17,574)	$ 31,433

Amortization of deferred recoverable costs included in operating expenses for the nine months ended September 30, 2008 was $570 (September 30, 2007 — $1,347).

Note 6
AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments of $4,724 (December 31, 2007 — $2,871).

	September 30, 2008	December 31, 2007
Trade receivables	**$ 1,631**	$ 1,867
Straight-line rent receivables	**6,453**	5,857
Other accounts receivable	**1,581**	2,037
	$ 9,665	$ 9,761

	September 30, 2008	December 31, 2007
Trade receivables	**$ 2,053**	$ 2,280
Less: provision for impairment of trade receivables	**(422)**	(413)
Trade receivables, net	**$ 1,631**	$ 1,867

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

	September 30, 2008
As at January 1, 2008	**$ 413**
Provision for impairment of trade receivables	**304**
Receivables written off during the period as uncollectible	**(85)**
Reduction of other receivables written off during the period	**(217)**
Translation adjustment	**7**
As at September 30, 2008	**$ 422**

Trade receivables are recognized initially at fair value. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the income statement within operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. As at September 30, 2008, trade receivables of approximately $590 were past due but not considered impaired. These receivables relate to tenants with which we have strong, ongoing relationships and default is not expected.

Note 7
PREPAID EXPENSES AND OTHER ASSETS

	September 30, 2008	December 31, 2007
Prepaid expenses	**$ 2,229**	$ 2,170
Promissory notes	**—**	11,963
Deposits	**30**	2,609
Restricted cash	**3,089**	4,186
Total	**$ 5,348**	$ 20,928

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

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

Note 8
INTANGIBLE ASSETS AND LIABILITIES

		September 30, 2008			December 31, 2007	
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	**$ 2,755**	**$ (938)**	**$ 1,817**	$ 2,481	$ (735)	$ 1,746
Value of in-place leases	**40,364**	**(18,011)**	**22,353**	36,469	(13,947)	22,522
Lease origination costs	**8,327**	**(3,005)**	**5,322**	6,680	(2,129)	4,551
Value of tenant relationships	**33,263**	**(8,462)**	**24,801**	29,818	(6,243)	23,575
Total	**$ 84,709**	**$ (30,416)**	**$ 54,293**	$ 75,448	$ (23,054)	$ 52,394
Intangible liabilities						
Value of below-market rent leases	**$ 69,715**	**$ (24,384)**	**$ 45,331**	$ 53,786	$ (16,917)	$ 36,869

Note 9
DEBT

	September 30, 2008	December 31, 2007
Mortgages	**$ 755,696**	$ 668,188
Convertible debentures	**128,512**	11,840
Term debt	**363**	451
Total	**$ 884,571**	$ 680,479

Mortgages are secured by charges on specific rental properties.

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

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

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

Convertible debentures comprise $117,668 of the 6.0% Debentures, $7,569 of the 5.7% Debentures, and $3,275 of the 6.5% Debentures.

A demand revolving credit facility was renewed on June 30, 2008. The facility is available up to a formula-based maximum not to exceed $55,000, bearing interest generally at the bank prime rate (4.75% as at September 30, 2008) plus 0.5% or bankers' acceptance rates plus 1.875%. The facility expires on April 30, 2009, and is secured by a first ranking collateral mortgage on four of the Trust's properties and a second ranking collateral mortgage on one property. As at September 30, 2008, the formula-based amount available under this facility was $55,000, none of which was drawn or used in the form of letters of guarantee (December 31, 2007 — $nil).

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

	Weighted average interest rates			Debt amount	
	September 30, 2008	December 31, 2007	Maturity dates	**September 30, 2008**	December 31, 2007
Fixed rate					
Mortgages	**5.69%**	5.70%	2008—2019	**$ 707,328**	$ 651,844
Convertible debentures	**7.03%**	6.59%	2014—2015	**128,512**	11,840
Term debt	**9.03%**	9.03%	2008—2011	**363**	451
Total fixed rate debt	**5.90%**	5.71%		**836,203**	664,135
Variable rate					
Mortgages	**4.88%**	7.70%	2009—2013	**48,368**	16,344
Total variable rate debt	**4.88%**	7.70%		**48,368**	16,344
Total debt	**5.85%**	5.76%		**$ 884,571**	$ 680,479

The scheduled principal repayments and debt maturities are as follows:

For the year ending December 31	Mortgages	Term debt	Convertible debentures	Total
For the remainder of 2008	$ 6,611	$ 18	$ —	$ 6,629
2009	83,863	116	—	83,979
2010	21,617	127	—	21,744
2011	87,538	102	—	87,640
2012	113,562	—	—	113,562
2013 and thereafter	440,875	—	136,319	577,194
	754,066	363	136,319	890,748
Deferred financing cost and fair value adjustments	1,630	—	(7,807)	(6,177)
	$ 755,696	$ 363	$ 128,512	$ 884,571

Included in mortgages are $4,028 in fair value adjustments (December 31, 2007 — $4,827), which reflect the fair value adjustments for mortgages assumed as part of acquisitions, net of $2,398 (December 31, 2007 — $2,374) of unamortized deferred financing costs. The convertible debentures are reduced by a $2,091 premium (December 31, 2007 — $111) allocated to their conversion features and $5,716 of unamortized deferred financing costs (December 31, 2007 — $458). The fair value adjustment, discount and deferred financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

The estimated fair value of debt is as follows:

	September 30, 2008	December 31, 2007
Mortgages	**$ 739,605**	$ 681,896
Convertible debentures	**128,875**	15,365
Term debt	**363**	443
Total	**$ 868,843**	$ 697,704

Note 10

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2008	December 31, 2007
Trade payables	**$ 853**	$ 270
Accrued liabilities and other payables	**10,219**	14,762
Accrued interest	**5,728**	3,068
Deposits	**5,078**	4,422
Rent received in advance	**820**	1,867
Total	**$ 22,698**	$ 24,389

Note 11
DISTRIBUTIONS

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

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 25,120	$ 784	$ 1,239	$ 27,143
Paid by way of reinvestment in REIT A Units	3,195	—	—	3,195
Paid by way of reinvestment in LP B Units	—	—	4,495	4,495
Less: payable at December 31, 2007	(3,124)	(87)	(607)	(3,818)
Plus: payable at September 30, 2008	3,143	87	632	3,862
Total	$ 28,334	$ 784	$ 5,759	$ 34,877

The amount payable at September 30, 2008, was satisfied on October 15, 2008, by way of $3,540 in cash and $322 by way of 15,859 REIT A Units. Included in the total distributions is $296, representing the 4% bonus distribution that forms part of the Distribution Reinvestment Plan ("DRIP").

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

Note 12
UNITHOLDERS' EQUITY

	September 30, 2008		December 31, 2007	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**17,068,948**	**$ 279,449**	17,072,154	$ 300,216
REIT Units, Series B	**476,316**	**13,756**	476,316	14,376
LP Class B Units, Series 1	**3,454,189**	**99,615**	3,315,349	99,791
Cumulative foreign currency translation adjustment	**—**	**(5,958)**	—	(6,243)
Total	**20,999,453**	**$ 386,862**	20,863,819	$ 408,140

Dundee REIT Units

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

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

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

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. During the nine months ended September 30, 2008, there were no exchanges made by Dundee Corporation.

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

Special Trust Units are issued in connection with LP B Units. The Special Trust Units are not transferable separately from the LP B Units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP B Units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained upon the surrender or exchange of the LP B Units to which they relate. At September 30, 2008, 3,454,189 Special Trust Units were issued and outstanding (December 31, 2007 — 3,315,349).

	REIT Units, Series A		REIT Units, Series B		LP Class B Units, Series 1		Accumulated other comprehensive loss	Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount		Number of Units	Amount
Unitholders' equity, January 1, 2008	17,072,154	$ 300,216	476,316	$ 14,376	3,315,349	$ 99,791	$ (6,243)	20,863,819	$ 408,140
Net income	—	5,641	—	164	—	1,089	—	—	6,894
Distributions paid	—	(25,191)	—	(697)	—	(5,127)	—	—	(31,015)
Distributions payable	—	(3,143)	—	(87)	—	(632)	—	—	(3,862)
Distribution Reinvestment Plan	99,217	3,195	—	—	138,840	4,494	—	238,057	7,689
Unit Purchase Plan	20,606	669	—	—	—	—	—	20,606	669
Deferred Unit Incentive Plan	10,492	248	—	—	—	—	—	10,492	248
Purchase of units under normal course issuer bid	(174,000)	(5,370)	—	—	—	—	—	(174,000)	(5,370)
Conversion of 6.5% Debentures	24,920	623	—	—	—	—	—	24,920	623
Conversion of 5.7% Debentures	15,559	467	—	—	—	—	—	15,559	467
Issue costs	—	(66)	—	—	—	—	—	—	(66)
Equity portion of 6.0% Debentures	—	2,160	—	—	—	—	—	—	2,160
Change in foreign currency translation adjustment	—	—	—	—	—	—	285	—	285
Unitholders' equity, September 30, 2008	17,068,948	$ 279,449	476,316	$ 13,756	3,454,189	$ 99,615	$ (5,958)	20,999,453	$ 386,862

Public offering of REIT A Units

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

Distribution Reinvestment and Unit Purchase Plan

For the nine months ended September 30, 2008, 99,217 REIT A Units and 138,840 LP B Units were issued under the Distribution Reinvestment Plan for $7,689 (September 30, 2007 — 335,159 REIT A Units and 13,259 LP B Units for $14,305). For the same period, 20,606 REIT A Units were issued under the Unit Purchase Plan for $669 (September 30, 2007 — 1,170 REIT A Units issued for $51).

Conversion of debentures

During the nine months ended September 30, 2008, the Trust issued 24,920 REIT A Units upon the conversion of $623 of the 6.5% Debentures (September 30, 2007 — issued 810,000 REIT A Units upon conversion of $20,250) and 15,559 REIT A Units upon conversion of $467 of the 5.7% Debentures (September 30, 2007 — issued 1,885,649 REIT A Units upon conversion of $56,569).

Deferred Unit Incentive Plan

During the nine months ended September 30, 2008, $248 of compensation expense was recorded (September 30, 2007 — $1,177) and is included in general and administrative expenses. Income deferred trust units are accounted for as a distribution and an issuance of REIT A Units when the related deferred trust units vest. No amount in relation to income deferred trust units is recognized in net income.

	Weighted average grant date value	Deferred trust units	Income deferred trust units	Total units
Outstanding at December 31, 2007	$ 32.66	233,511	35,086	268,597
Granted during the period	33.45	84,846	17,083	101,929
Cancelled	30.68	(450)	(5)	(455)
REIT A Units issued on vesting	30.61	(8,681)	(1,811)	(10,492)
Fractional units paid in cash	—	—	(47)	(47)
Outstanding and payable at September 30, 2008	**$ 32.94**	**309,226**	**50,306**	**359,532**
Vested but not issued at September 30, 2008	**$ 32.74**	**224,380**	**48,061**	**272,441**

Normal course issuer bid

Pursuant to the issuer bid initiated in September 2007, and which expired on September 4, 2008, the Trust repurchased 171,000 REIT A Units during the three months ended September 30, 2008. Under this bid, a total of 174,000 REIT A Units were repurchased and cancelled, for consideration of $5,370.

On September 23, 2008, the Trust renewed its normal course issuer bid. Under the new bid, Dundee REIT has the ability to purchase for cancellation up to a maximum of 1,326,762 REIT A Units (representing 10% of the REIT's public float of 13,267,620 REIT A Units on September 23, 2008) through the facilities of the TSX. The bid commenced on September 26, 2008, and will remain in effect until the earlier of September 25, 2009, or the date on which the Trust has purchased the maximum number of units permitted under the bid. As of September 30, 2008, the number of issued and outstanding REIT A Units was 17,068,948. Based on the closing price of the REIT A Units on September 30, 2008, the Trust may purchase up to $39,564 worth of REIT A Units. As of September 30, 2008, the Trust had not completed any purchases pursuant to this bid. Subsequent to quarter-end, the Trust purchased 652,900 units for consideration of $16,428.

Note 13

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	
	2008	2007	**2008**	2007
Interest expense incurred, at stated rate of debt	**$ 12,893**	$ 9,873	**$ 36,417**	$ 27,855
Amortization of deferred financing costs	**302**	174	**947**	551
Amortization of fair value adjustments on acquired debt	**(139)**	(247)	**(628)**	(721)
Interest capitalized	**(13)**	(6)	**(40)**	(17)
Interest expense	**$ 13,043**	$ 9,794	**$ 36,696**	$ 27,668

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

Note 14

INCOME TAXES

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

Canadian and U.S.-based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. A future income tax liability as at September 30, 2008, of $2,945 (December 31, 2007 — $2,746) has been recorded to reflect the future tax obligations of these subsidiaries and comprises amounts resulting from the differences in tax and book values relating to the underlying rental properties.

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

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

Note 15

INCOME PER UNIT

The weighted average number of units outstanding was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
REIT A Units and REIT B Units	**17,547,813**	32,028,972	**17,598,175**	36,601,990
LP B Units	**3,441,157**	5,775,275	**3,385,061**	7,274,385
Vested deferred trust units	**259,803**	157,192	**259,719**	108,358
Total weighted average number of units outstanding for basic income per unit amounts	**21,248,773**	37,961,439	**21,242,955**	43,984,733
Add incremental units:				
Unvested deferred trust units	**2,444**	—	**4,521**	—
Income deferred trust units	**1,922**	16,246	**807**	23,295
Total weighted average number of units outstanding for diluted income per unit amounts	**21,253,139**	37,977,685	**21,248,283**	44,008,028

The 3,419,957 incremental REIT A Units to be issued upon an assumed conversion of all debenture issues at September 30, 2008 (September 30, 2007 — 1,923,231 incremental REIT A Units) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

Note 16

SEGMENTED INFORMATION

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

For the three months ended September 30, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 42,494	$ 4,321	$ 46,815	$ 1,011	$ 47,826
Operating expenses	16,004	1,399	17,403	647	18,050
Net operating income	26,490	2,922	29,412	364	29,776
Depreciation of rental properties	6,080	740	6,820	170	6,990
Amortization of deferred leasing costs, tenant improvements and intangibles	6,645	290	6,935	50	6,985
Segment income	$ 13,765	$ 1,892	$ 15,657	$ 144	15,801
Interest expense					(13,043)
General and administrative expenses					(1,750)
Interest and fee income					973
Income taxes					(25)
Discontinued operations					169
Net income					$ 2,125
Capital expenditures					
Investment in rental properties	$ (1,933)	$ (7)	$ (1,940)	$ (24)	$ (1,964)
Investment in tenant improvements	(540)	(29)	(569)	(26)	(595)
Acquisition of rental properties and land	(9,092)	—	(9,092)	—	(9,092)
Deferred leasing costs	(1,598)	(133)	(1,731)	(57)	(1,788)
Total capital expenditures	$ (13,163)	$ (169)	$ (13,332)	$ (107)	$ (13,439)

For the three months ended September 30, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 35,256	$ 4,231	$ 39,487	$ 977	$ 40,464
Operating expenses	12,687	1,142	13,829	550	14,379
Net operating income	22,569	3,089	25,658	427	26,085
Depreciation of rental properties	5,197	766	5,963	172	6,135
Amortization of deferred leasing costs, tenant improvements and intangibles	5,274	549	5,823	39	5,862
Segment income	$ 12,098	$ 1,774	$ 13,872	$ 216	14,088
Interest expense					(9,794)
General and administrative expenses					(1,887)
Gain on disposal of rental property					854
Interest and fee income					574
Income taxes					25,191
Provision for impairment in value of rental property					(7,650)
Discontinued operations					731,074
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 nine months ended September 30, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	**$ 121,349**	**$ 13,138**	**$ 134,487**	**$ 2,975**	**$ 137,462**
Operating expenses	**45,194**	**4,129**	**49,323**	**1,631**	**50,954**
Net operating income	**76,155**	**9,009**	**85,164**	**1,344**	**86,508**
Depreciation of rental properties	**17,372**	**2,243**	**19,615**	**498**	**20,113**
Amortization of deferred leasing costs, tenant improvements and intangibles	**19,052**	**1,286**	**20,338**	**150**	**20,488**
Segment income	**$ 39,731**	**$ 5,480**	**$ 45,211**	**$ 696**	**45,907**
Interest expense					**(36,696)**
General and administrative expenses					**(4,864)**
Interest and fee income					**2,914**
Income taxes					**(110)**
Discontinued operations					**(257)**
Net income					**$ 6,894**
Segment rental properties	**$ 1,021,620**	**$ 103,015**	**$ 1,124,635**	**$ 20,501**	**$ 1,145,136**
Capital expenditures					
Investment in rental properties	**$ (2,685)**	**$ (123)**	**$ (2,808)**	**$ (138)**	**$ (2,946)**
Investment in tenant improvements	**(1,565)**	**(181)**	**(1,746)**	**(96)**	**(1,842)**
Acquisition of rental properties and land	**(155,348)**	**—**	**(155,348)**	**—**	**(155,348)**
Deferred leasing costs	**(2,818)**	**(618)**	**(3,436)**	**(92)**	**(3,528)**
Total capital expenditures	**$ (162,416)**	**$ (922)**	**$ (163,338)**	**$ (326)**	**$ (163,664)**

For the nine months ended September 30, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 96,428	$ 12,696	$ 109,124	$ 3,116	$ 112,240
Operating expenses	34,301	3,600	37,901	1,667	39,568
Net operating income	62,127	9,096	71,223	1,449	72,672
Depreciation of rental properties	14,387	2,262	16,649	532	17,181
Amortization of deferred leasing costs, tenant improvements and intangibles	14,473	1,440	15,913	151	16,064
Segment income	$ 33,267	$ 5,394	$ 38,661	$ 766	39,427
Interest expense					(27,668)
General and administrative expenses					(6,066)
Internalization of property manager					(1,230)
Gain on disposal of rental property					2,328
Interest and fee income					1,918
Income taxes					(14,738)
Provision for impairment in value of rental property					(7,650)
Discontinued operations					746,757
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)

Note 17

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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

Asset Management Agreement

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

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

The Trust received total fees from DRC of $524 and $1,348 for the three and nine months ended September 30, 2008. These fees relate to the rent supplement received under the Management Agreement and cost recoveries under the Services Agreement. In the prior year, the Trust received total fees from DRC of $2,284. These fees relate to the rent supplement received under the Management Agreement and fees under the Services Agreement. Other costs recovered from DRC include $748 and $2,184, for the three and nine months ended September 30, 2008, for operating and administration costs of regional offices.

The Trust paid total fees to DRC of $1,190 and $4,961 for the three and nine months ended September 30, 2008, under the Asset Management Agreement.

Included in amounts receivable at September 30, 2008, is $(14) related to the DRC Services Agreement (December 31, 2007 — $15), $207 related to the Asset Management Agreement and $112 related to other amounts owed by DRC. Accrued liabilities and other payables at September 30, 2008, include $nil for amounts related to the Asset Management Agreement (December 31, 2007 — $363) and $nil for other amounts collected on behalf of DRC (December 31, 2007 — $751).

Note 18

DISCONTINUED OPERATIONS

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

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

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

For the nine months ended September 30, 2008, the Trust recognized a further $257 of net costs associated with the GE transaction and the sale of 3901 rue Jarry.

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

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Revenues				
Rental properties revenue	**$ —**	$ 36,297	**$ —**	$ 147,582
	—	36,297	**—**	147,582
Expenses				
Rental properties operating expenses	**—**	15,810	**—**	65,198
Interest	**—**	6,145	**—**	24,945
Depreciation of rental properties	**—**	4,825	**—**	19,610
Amortization of deferred leasing costs, tenant improvements and intangibles	**—**	4,963	**—**	17,592
	—	31,743	**—**	127,345
Income before the undernoted item	**—**	4,554	**—**	20,237
Gain (loss) on disposal of rental properties	**169**	726,520	**(257)**	726,520
Income (loss) from discontinued operations	**$ 169**	$ 731,074	**$ (257)**	$ 746,757

Note 19

COMMITMENTS AND CONTINGENCIES

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

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

Year ending December 31	Operating lease payments	Capital lease payments
For the remainder of 2008	$ 282	$ 35
2009	857	142
2010	741	142
2011	725	106
2012	684	—
2013 and thereafter	617	—
Total	$ 3,906	$ 425

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of $2,468.

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

The Trust has entered into a fixed price utility contract with respect to four office properties in Calgary. The contract is for a period of two years and locks the Trust in for total minimum payments of $919.

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

Note 20

SUPPLEMENTARY CASH FLOW INFORMATION

	For the three months ended September 30		For the nine months ended September 30	
	2008	2007	**2008**	2007
Decrease (increase) in accounts receivable	**$ (149)**	$ (2,904)	**$ 1,201**	$ (257)
Decrease in deferred costs (other than leasing costs)	**119**	122	**347**	579
Decrease (increase) in prepaid expenses and other assets (excluding restricted cash and mezzanine loans)	**175**	(3,343)	**17**	(6,632)
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)	**1,653**	(10,034)	**(2,616)**	(2,374)
Increase (decrease) in accounts payable relating to leasing costs	**(117)**	(253)	**208**	54
Change in non-cash working capital	**$ 1,681**	$ (16,412)	**$ (843)**	$ (8,630)

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	
	2008	2007	**2008**	2007
Interest	**$ 10,787**	$ 9,925	**$ 33,756**	$ 27,143
Income taxes	**176**	22	**146**	25

Note 21

INTERNALIZATION OF PROPERTY MANAGER

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

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

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

Note 22

CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

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

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

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

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

For the nine months ended September 30	2008	2007
Rental properties revenue	$ 137,462	$ 112,240
Rental properties operating expense	50,954	39,568
Net operating income	86,508	72,672
Add: interest and fee income	2,914	1,918
Less: general and administrative expenses	4,864	6,066
	$ 84,558	$ 68,524
Interest expense	$ 36,696	$ 27,668
Interest coverage ratio	**2.3 times**	2.5 times

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

For the period ended	September 30, 2008	December 31, 2007
Outstanding Units	20,999,453	20,863,819
Period-end Unit price	$ 29.82	$ 33.72
Market capitalization	$ 626,204	$ 703,528
Total debt	884,571	680,479
Cash and cash equivalents	(96,493)	(37,727)
Enterprise value	**$ 1,414,282**	$ 1,346,280
Net debt to enterprise value	**55.7%**	47.7%

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

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

The Trust has some exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt at September 30, 2008, was 5.5% of the Trust's total debt (December 31, 2007 — 2.4%). In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

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

	Carrying amount	Interest rate risk			
		–1%		+1%	
		Income	Equity	Income	Equity
Financial asset					
Cash and cash equivalents[1]	$ 96,493	$ (241)	$ (241)	$ 241	$ 241
Financial liabilities					
Variable rate mortgages[2]	$ 48,368	$ 121	$ 121	$ (121)	$ (121)

[1] Cash and cash equivalents are short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. These balances generally receive bank prime less 1.5%. Sensitivity to a -1% change in rates: ([$96,493 x 2.25%] – [$96,493 x 3.25%])/4 = $(241). Similarly, for a +1% movement in interest rates, impact = $241. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

[2] Variable rate mortgages include a floating rate mortgage at a rate of LIBOR plus 0.355%, to a maximum of 8.75% and a floating rate mortgage at a rate of LIBOR plus 0.62%. Sensitivity to a -1% change in rates: ([$48,368 x 3.88%] – [$48,368 x 5.88%])/4 = $121. Similarly, for a +1% movement in interest rates, impact = $(121).

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

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

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

Corporate information

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Transfer agent

(for change of address, registration or other unitholder inquiries)

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Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols

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

Distribution Reinvestment and Unit Purchase Plan

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

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

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

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

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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