

DUNDEE REIT

2009 Third Quarter Report

Q3

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Letter to unitholders

Since the second quarter, our view of the economy and our outlook in general has become more optimistic. Dundee REIT continues to perform very well, once again producing stable operating and financial results. Occupancy across our portfolio remains strong at 95%, and net operating income from comparative properties and adjusted funds from operations per unit are up by 4% and 8%, respectively, over the comparative period.

The Canadian economy is performing quite well and there are many indications that we will see continued improvements. Commodity prices are very important to the overall well-being of the economy and to that of Alberta in particular. Last year brought a collapse in prices but most commodities are now doing quite well. Growth in demand for office space lags the economy because it is dependent on new hiring, which trails the cycle. While I am sure we will continue to experience some downward pressure on rates and occupancy, the recent price improvements in both oil and natural gas are positive indicators of things to come.

Occupancy across our portfolio increased in the quarter to 94.9% from 94.2% in the second quarter. Many had anticipated that with our assets concentrated mainly in Alberta our occupancy rate would have deteriorated, when in fact it has remained relatively stable. Year-over-year occupancy has softened by less than 1% and, in light of what happened in the general economy over the past year, we are very pleased with this performance. We also continue to capture small increases in rental rates on new leases and renewals even though average market rates have decreased significantly. Comparative net operating income (“NOI”) increased 4% year-over-year reflecting improvements in both the office and industrial portfolios. Comparative NOI from the office portfolio is up 3%, driven by gains achieved in rental rates on renewals as well as contractual increases. Comparative industrial NOI improved 14% mainly as a result of strong rental rate growth across the portfolio.

Adjusted funds from operations (“AFFO”) per unit increased by 8% year-over-year but decreased from its all-time high of \$0.61 in the second quarter of 2009. The year-over-year improvement reflects strong property performance. The change from the second quarter reflects the difference between a positive one-time item recorded in the second quarter and a negative one-time item recorded in the third quarter. Property dispositions and the drag from holding surplus cash also contributed to the decrease in our AFFO, counteracting the contribution from an acquisition, which was accretive to our AFFO.

We ended the quarter with a high level of occupancy, solid financial results and significant available liquidity. Although our industry continues to face challenges, Dundee REIT is well-positioned to grow once again. We are beginning to see more acquisition opportunities and hope to invest in properties outside of Calgary to once again diversify our portfolio. We believe that this strategy will not only strengthen the underlying cash flow but also enhance the confidence of our investors in our ability to generate sustainable returns.



MICHAEL J. COOPER
Vice Chairman and
Chief Executive Officer

Management's discussion and analysis

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

SECTION I – OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements of Dundee REIT for the year ended December 31, 2008, and the interim financial statements for the three and nine months ended September 30, 2009.

This management's discussion and analysis has been dated as at October 30, 2009, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

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

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

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

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

All forward-looking information is as of October 30, 2009, except where otherwise noted. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including the latest annual information form of Dundee REIT. These filings are also available on our web site at www.dundeereit.com.

OUR OBJECTIVES

We are committed to:

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

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, 2009, approximately 6% of our total units were enrolled in the DRIP, all consisting of REIT A Units. There were no LP B Units enrolled in the DRIP and there is no equivalent program for the REIT B Units (see a description of Our Equity on page 5).

	Oct/08	Nov/08	Dec/08	Jan/09	Feb/09	Mar/09	Apr/09	May/09	Jun/09	Jul/09	Aug/09	Sept/09
Distribution rate	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183
Month-end closing price	\$18.90	\$12.25	\$12.60	\$11.89	\$13.75	\$12.75	\$13.40	\$15.05	\$15.15	\$16.50	\$19.30	\$19.46

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, in conjunction with our review of current conditions of the financial markets and 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.

	September 30, 2009				December 31, 2008	
	Office	Industrial	Total	%	Total	%
British Columbia	519,129	—	519,129	8	514,864	8
Alberta	2,877,780	1,660,109	4,537,889	67	4,724,573	69
Saskatchewan & NWT	848,387	—	848,387	12	849,329	12
Ontario	855,561	—	855,561	13	728,874	11
Total⁽¹⁾	5,100,857	1,660,109	6,760,966	100	6,817,640	100
Percentage	75%	25%	100%			
Total as at December 31, 2008⁽²⁾	4,969,858	1,847,782	6,817,640			
Percentage	73%	27%	100%			

(1) Excludes redevelopment properties.

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

Office rental properties

Dundee REIT owns interests in 43 office properties (47 buildings) comprising approximately 5.1 million square feet, excluding redevelopment properties, located in Vancouver, Calgary, 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 remains high at 95.9%, well ahead of the national industry average occupancy rate of 90.6% (CB Richard Ellis, Canadian Office MarketView, Third Quarter 2009). Our occupancy rates include lease commitments for space which is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial rental properties

Our industrial portfolio consists of 34 prime suburban industrial properties (37 buildings) comprising approximately 1.7 million square feet, concentrated in Calgary and Edmonton. Our strategy is to own clusters of properties, allowing us to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. The occupancy rate across our industrial portfolio has increased to 92.0%, from 89.3% at the end of the second quarter. At 98.9%, our occupancy rate in the Calgary market remains well ahead of the market. Overall occupancy rates in our two industrial markets, Calgary and Edmonton, were 95.3% and 96.2%, respectively (CB Richard Ellis, Calgary and Edmonton Industrial MarketView, Third Quarter 2009).

OUR EQUITY

	September 30, 2009		Unitholders' equity December 31, 2008	
	Number of Units	Amount	Number of Units	Amount
REIT Units, Series A	21,204,815	\$ 317,685	16,947,240	\$ 271,087
REIT Units, Series B	16,316	359	16,316	371
LP Class B Units, Series 1	3,454,188	93,660	3,454,188	98,260
Cumulative foreign currency translation adjustment	—	(6,074)	—	(5,275)
Total	24,675,319	\$ 405,630	20,417,744	\$ 364,443

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP B Units. The LP B Units are held by Dundee Corporation and Dundee Realty Corporation ("DRC"), related parties to Dundee REIT. 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, 2009, Dundee Corporation, directly and indirectly through its subsidiaries, held 921,299 REIT A Units and 3,454,188 LP 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	
	2009	2008	2009	2008
Operations				
Occupancy rate (period-end) ⁽¹⁾	94.9%	95.8%		
In-place rent per square foot (office and industrial) ⁽¹⁾	\$ 15.72	\$ 14.90		
Operating results				
Rental properties revenue ⁽²⁾	\$ 47,741	\$ 46,341	\$ 143,105	\$ 133,119
Net operating income (“NOI”) ⁽³⁾	29,919	29,070	90,422	84,273
Funds from operations (“FFO”) ⁽⁴⁾	16,209	15,827	50,271	47,666
Adjusted funds from operations (“AFFO”) ⁽⁵⁾	11,747	10,716	36,750	32,100
Distributions				
Declared distributions	\$ 12,129	\$ 11,516	\$ 34,888	\$ 34,562
Distributions paid in cash	11,402	9,669	32,763	26,846
DRIP participation ratio	6%	16%	6%	22%
Financing				
Weighted average interest rate (period-end)	5.75%	5.85%		
Interest coverage ratio			2.30 times	2.30 times
Per unit amounts				
Basic:				
FFO	\$ 0.74	\$ 0.75	\$ 2.36	\$ 2.24
Distributable income	0.62	0.59	1.97	1.75
Distribution rate	0.55	0.55	1.65	1.65
Total distributions as a percentage of distributable income	89%	93%	84%	94%
AFFO	\$ 0.54	\$ 0.50	\$ 1.73	\$ 1.51
Diluted⁽⁶⁾:				
FFO	\$ 0.73	\$ 0.73	\$ 2.31	\$ 2.21
Distributable income	0.62	0.59	1.97	1.78

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

(1) Excludes redevelopment properties and discontinued property.

(2) Prior year comparatives have been restated for discontinued operations.

(3) NOI — rental property revenues less operating expenses, excluding redevelopment and discontinued operations. Prior year comparatives have been restated as a result of discontinued operations. The reconciliation of NOI to net income can be found on page 28.

(4) FFO — the reconciliation of FFO to net income can be found on page 17.

(5) AFFO — the reconciliation of AFFO to distributable income can be found on page 20.

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

FINANCIAL OVERVIEW

Overall occupancy increased to 94.9% from 94.2% at the end of the second quarter, reflecting leasing activity at a large industrial property in Calgary. Our operations remain strong, with continued year-over-year growth in our NOI. Third quarter rental property revenue and NOI grew to \$47.7 million and \$29.9 million, respectively, reflecting our ability to effectively manage our business as well as accretive leasing activity coming on-line. Details of our NOI begin on page 28.

Lease rollover activity has allowed us to take advantage of generally higher market rental rates, especially in our Calgary office portfolio. Our average office portfolio occupancy rate remains well above the national industry average. Details of our leasing profile are provided on page 8.

Distributable income increased 8% to \$13.5 million in the quarter, reflecting our ability to capture rental rate increases on lease renewals, contractual rent increases and strong overall occupancy. Our year-to-date cash payout ratio remained steady at 94% of declared distributions. Details of our distributions and distributable income begin on page 18.

For the quarter, AFFO increased to \$11.7 million, or \$0.54 per unit, largely reflecting solid growth in NOI and lower interest expense offsetting one-time items of approximately \$0.4 million, the loss of NOI from Greenbriar Mall, lower returns on invested cash balances and the impact of dilution arising from surplus cash on our consolidated balance sheet.

OUTLOOK

Over the last months, our view of the economy has become more optimistic and there are many indications that we will see continued improvements. The rebound in commodity prices has benefited the Canadian economy and while the commercial real estate industry lags the overall economic cycle, we see positive signals in our industry as well. The capital markets have improved significantly and after several quarters of declining acquisition activity, real estate transactions are on the rise again.

Dundee REIT's operations remain strong with occupancy rates only slightly down year-over-year and up 0.7% over the second quarter of 2009. Going forward, we will continue to work closely with existing and prospective tenants to maintain high occupancy levels. On a year-over-year basis, our third quarter AFFO increased by 8% to \$0.54 per unit, reflecting strong property performance, particularly from our Saskatchewan, Northwest Territories and Ontario portfolios.

With a continued level of high occupancy, strong operational cash flows and significant liquidity, Dundee REIT is poised to grow once again. Due to the current concentration of properties in Calgary, we will focus on investing in properties outside of that market to further diversify our portfolio, strengthen our cash flow and enhance investor confidence.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

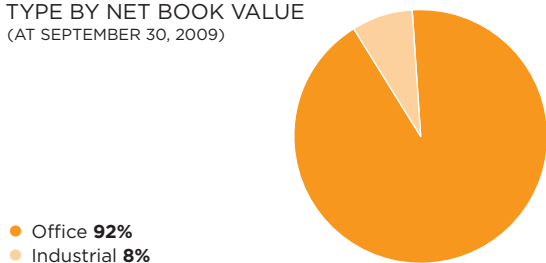
Rental properties

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

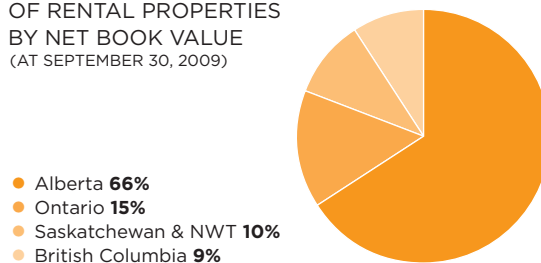
	September 30, 2009 ⁽¹⁾				December 31, 2008 ⁽¹⁾	
	Office	Industrial	Total	%	Total	%
British Columbia	\$ 100,110	\$ —	\$ 100,110	9	\$ 101,485	9
Alberta	649,253	90,776	740,029	66	759,678	68
Saskatchewan & NWT	108,059	—	108,059	10	109,490	10
Ontario	168,934	—	168,934	15	149,611	13
Total	\$1,026,356	\$ 90,776	\$ 1,117,132	100	\$ 1,120,264	100
Percentage	92%	8%	100%			
Total as at December 31, 2008	\$ 1,017,990	\$ 102,274	\$ 1,120,264			
Percentage	91%	9%	100%			

⁽¹⁾ Excludes \$1.1 million related to redevelopment properties and \$11.0 million related to a discontinued property (December 31, 2008 — excludes \$22.8 million related to Greenbriar Mall and \$1.0 million related to other redevelopment properties).

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



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



Leasing profile

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

Performance indicators	September 30, 2009	December 31, 2008 ⁽¹⁾
Operating activities (office and industrial average)⁽²⁾		
Occupancy level	94.9%	94.0% ⁽¹⁾
Tenant maturity profile — average term to maturity (years)	4.0	4.5
In-place rental rates	\$ 15.72	\$ 15.30

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

⁽²⁾ Excludes redevelopment properties.

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

(percentage)	Q3 2009	Q2 2009	Q1 2009 ⁽¹⁾	Q4 2008 ⁽¹⁾	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Office	95.9	96.0	96.4	96.6	97.6	97.4	96.0	96.7	98.3
Industrial	92.0	89.3	91.1	87.0	90.9	94.1	92.3	96.7	94.0
Overall ⁽²⁾	94.9	94.2	95.0	94.0	95.8	96.5	95.0	96.7	97.0

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

⁽²⁾ Excludes redevelopment properties.

The overall percentage of occupied and committed space across our rental properties portfolio was 94.9% at quarter-end. The average occupancy rate across our office portfolio is 95.9% and remains well above of the national industry average of 90.6%. The average occupancy rate across our industrial portfolio increased to 92.0%, reflecting the sale of an industrial property previously held with 90% occupancy as well as leasing activity. The overall occupancy rates for industrial space in Calgary and Edmonton were 95.3% and 96.2%, respectively (CB Richard Ellis, Canadian Office and Calgary and Edmonton Industrial MarketViews, Third Quarter 2009). Our occupancy rates discussed in this report include occupied and committed space at September 30, 2009.

(percentage)	Total portfolio			Comparative properties		
	Sept. 30, 2009	Dec. 31, 2008 ⁽¹⁾	Sept. 30, 2008	Sept. 30, 2009	Dec. 31, 2008 ⁽¹⁾	Sept. 30, 2008
Office						
British Columbia	93.5	96.9	99.5	93.5	96.9	99.5
Alberta	95.1	96.4	97.1	95.1	96.4	97.1
Saskatchewan & NWT	99.3	98.2	98.5	99.3	98.2	98.5
Ontario	96.4	95.2	97.3	95.7	95.2	97.3
Total office	95.9	96.6	97.6	95.8	96.6	97.6
Industrial						
Alberta	92.0	87.0	90.9	92.0	85.6	98.3
Overall⁽²⁾	94.9	94.0	95.8	94.8	93.8	97.8

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

⁽²⁾ Excludes redevelopment properties.

Vacancy schedule

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

During the third quarter, approximately 344,000 square feet of leases expired or were terminated, and we completed approximately 378,000 square feet of renewals and new leasing. Overall, we reduced vacancy by 41,000 square feet. On a year-to-date basis, approximately 1,010,000 square feet of leases expired or were terminated, and we completed 943,000 square feet of renewals and new leases. Of the vacant space at period-end, approximately 142,000 square feet, or 29%, is committed for future occupancy, leaving approximately 343,000 square feet available for lease.

	For the three months ended September 30, 2009		
(in square feet)	Office	Industrial	Total
Available for lease	197,995	197,247	395,242
Vacancy committed for future leases	58,425	72,967	131,392
Vacant space — July 1, 2009	256,420	270,214	526,634
Acquired/Disposed vacancy	—	(6,707)	(6,707)
Remeasurements	5,118	(4,987)	131
Expiries	235,242	92,645	327,887
Early terminations and bankruptcies	9,267	6,480	15,747
New leases	(72,198)	(89,910)	(162,108)
Renewals	(155,725)	(60,405)	(216,130)
Vacant space — September 30, 2009	278,124	207,330	485,454
Vacancy committed for future leases	67,392	74,992	142,384
Available for lease — September 30, 2009	210,732	132,338	343,070

	For the nine months ended September 30, 2009		
(in square feet)	Office	Industrial	Total
Available for lease	169,479	48,079	217,558
Vacancy committed for future leases	85,138	10,440	95,578
Vacant space — January 1, 2009	254,617	58,519	313,136
Vacancy on property previously held for sale	—	113,120	113,120
Vacant space — January 1, 2009 (restated)	254,617	171,639	426,256
Acquired/Disposed vacancy	—	(6,707)	(6,707)
Remeasurements	3,426	(4,734)	(1,308)
Expiries	655,690	278,273	933,963
Early terminations and bankruptcies	48,275	27,760	76,035
New leases	(207,093)	(159,622)	(366,715)
Renewals	(476,791)	(99,279)	(576,070)
Vacant space — September 30, 2009	278,124	207,330	485,454
Vacancy committed for future leases	67,392	74,992	142,384
Available for lease — September 30, 2009	210,732	132,338	343,070

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

We have a long and successful track record in managing our lease rollovers. During the fourth quarter, approximately 3% of our leases will expire, followed by another 14% in 2010. Of these, approximately 4% have been renewed as of quarter-end, leaving 13% to be renewed by the end of 2010. The 2010 estimated average market rent for expiring space remains above the expiring rates across our portfolio.

(in square feet)	Current vacancy	Current monthly tenancies	2009	2010	2011	2012	2013 to 2022	Total
Office — uncommitted	210,732	28,806	76,410	569,305	579,483	560,071	2,762,756	4,787,563
Office — committed	—	—	73,700	124,012	16,558	1,450	97,574	313,294
Total office	210,732	28,806	150,110	693,317	596,041	561,521	2,860,330	5,100,857
Industrial — uncommitted	132,338	13,581	43,477	236,350	287,150	323,291	562,349	1,598,536
Industrial — committed	—	—	25,296	22,177	14,100	—	—	61,573
Total industrial	132,338	13,581	68,773	258,527	301,250	323,291	562,349	1,660,109
Total — uncommitted	343,070	42,387	119,887	805,655	866,633	883,362	3,325,105	6,386,099
Total committed	—	—	98,996	146,189	30,658	1,450	97,574	374,867
Total	343,070	42,387	218,883	951,844	897,291	884,812	3,422,679	6,760,966

(in square feet)	Current vacancy	Current monthly tenancies	2009	2010	2011	2012	2013 to 2022	Total
British Columbia — uncommitted	33,495	10,799	14,154	35,480	77,195	29,900	307,013	508,036
British Columbia — committed	—	—	1,587	9,506	—	—	—	11,093
Total British Columbia	33,495	10,799	15,741	44,986	77,195	29,900	307,013	519,129
Alberta — uncommitted	272,732	30,849	97,458	695,284	682,938	633,863	1,911,592	4,324,716
Alberta — committed	—	—	89,973	93,193	26,022	—	3,985	213,173
Total Alberta	272,732	30,849	187,431	788,477	708,960	633,863	1,915,577	4,537,889
Saskatchewan & NWT — uncommitted	5,744	—	6,040	57,403	72,203	201,416	451,979	794,785
Saskatchewan & NWT — committed	—	—	7,436	41,530	4,636	—	—	53,602
Total Saskatchewan & NWT	5,744	—	13,476	98,933	76,839	201,416	451,979	848,387
Ontario — uncommitted	31,099	739	2,235	17,488	34,297	18,183	654,521	758,562
Ontario — committed	—	—	—	1,960	—	1,450	93,589	96,999
Total Ontario	31,099	739	2,235	19,448	34,297	19,633	748,110	855,561
Total	343,070	42,387	218,883	951,844	897,291	884,812	3,422,679	6,760,966

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, 2009. The leasing market has softened and although our estimate of market rents remains above expiring rents through to 2011, we expect continued volatility in market rents.

	Current monthly tenancies	2009	2010	2011	2012	2013 to 2022
Expiring rents						
Office	\$ 19.53	\$ 13.73	\$ 16.85	\$ 18.24	\$ 21.14	\$ 19.48
Industrial	8.62	6.52	8.52	8.11	6.73	8.80
Portfolio average	16.03	12.21	14.17	15.56	15.40	17.64
Market rents⁽¹⁾						
Office	\$ 20.19	\$ 16.64	\$ 17.79	\$ 17.67	\$ 18.33	\$ 17.80
Industrial	9.13	8.02	9.32	10.20	7.69	7.63
Market rent average	16.64	14.82	15.07	15.69	14.09	16.04

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

	Current monthly tenancies	2009	2010	2011	2012	2013 to 2022
Expiring rents						
British Columbia	\$ 19.99	\$ 15.00	\$ 12.95	\$ 15.27	\$ 15.40	\$ 18.75
Alberta office	18.66	13.63	16.52	18.84	21.76	20.97
Saskatchewan & NWT	—	13.72	23.13	18.24	21.19	17.41
Ontario	33.00	13.00	11.42	18.94	18.90	18.22
Alberta industrial	8.62	6.52	8.52	8.11	6.73	8.80
Portfolio average	16.03	12.21	14.17	15.56	15.40	17.64
Market rents⁽¹⁾						
British Columbia	\$ 25.00	\$ 14.00	\$ 16.54	\$ 17.31	\$ 21.41	\$ 19.97
Alberta office	17.19	17.34	17.18	16.61	17.02	17.18
Saskatchewan & NWT	—	16.27	25.17	23.54	19.90	17.02
Ontario	20.00	10.50	11.85	20.00	17.28	18.60
Alberta industrial	9.13	8.02	9.32	10.20	7.69	7.63
Market rent average	16.64	14.82	15.07	15.69	14.09	16.04

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

Our estimate of the 2009 and 2010 average market rental rates are approximately 21% and 6% higher than our expiring rental rates, respectively. Tenants continue to adjust to current economic conditions, which accounts for the softening of market rents. Overall, our leasing profile still affords us the opportunity to capture gains in rent; however, the marketplace is 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 average remaining lease term and other portfolio information is detailed below.

	September 30, 2009 ⁽¹⁾			December 31, 2008 ⁽¹⁾		
	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.) ⁽²⁾	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.) ⁽²⁾
Office	4.56	9,761	\$ 18.20	4.89	9,544	\$ 17.94
Industrial	3.52	7,310	7.78	3.39	7,404	7.35
Portfolio average	4.04	9,039	15.72	4.52	8,907	15.30

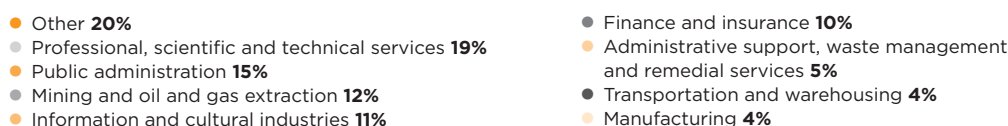
(1) Excludes redevelopment properties.

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

Our tenant base includes a wide range of high-quality tenants, such as the government, large international corporations and small entrepreneurial businesses across the country. With 710 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 9,800 and 7,300 square feet, respectively, placing us at the lower end of our peer group. Effectively managing this diverse tenant base is one of our key strengths and has helped us maintain consistently high occupancy levels and continually capitalize on rental rate uplifts.

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

TENANT BASE BY PERCENTAGE CONTRIBUTION TO TOTAL CONTRACT RENT
(AT SEPTEMBER 30, 2009)



The diversity of our tenant base helps to ensure that segments that undergo greater than average stress do not unduly impact us. Much of the Alberta economy is influenced by the oil and gas sector. Since the largest concentration of our portfolio is in Alberta, our greatest area of vulnerability is not necessarily with respect to a specific industry sector as much as it is to the impact of the oil and gas sector on the general economy of Alberta. As discussed elsewhere in this report, even with recent declines in rental rates, our rental rates remain below market, potentially allowing us to capture some gains if the market remains steady. 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 from the current economic conditions and strengthening 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 19% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable and high-quality businesses. The table below sets out our ten largest tenants and outlines their contributions to our rental revenues.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
TELUS Communications	311,253	4.6	5.9	2013—2016
Government of Ontario	247,743	3.7	4.6	2014
Government of Canada	276,149	4.1	4.6	2009—2016
Loyalty Management Group	183,014	2.7	3.5	2017
Government of British Columbia	181,944	2.7	3.3	2010—2019
State Street Trust Company	122,344	1.8	3.0	2022
Government of Northwest Territories	121,606	1.8	2.9	2010—2014
Government of Saskatchewan	139,529	2.1	1.9	2018
Hatch Optima Ltd.	94,388	1.4	1.9	2016
Government of Alberta	104,338	1.5	1.7	2009—2014
Total	1,782,308	26.4	33.3	

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.

During the remainder of 2009, only \$6.0 million of mortgage debt is maturing, followed by another \$5.9 million in 2010. While the credit markets remain tight and require us to be cautious in managing our debt, we have confidence in our ability to refinance our maturities. Further discussion and information is provided on page 22 under Financing Activities.

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	
	2009	2008	2009	2008
Cash generated from operating activities	\$ 15,973	\$ 12,631	\$ 48,165	\$ 33,860
Cash utilized in investing activities	(14,012)	(10,880)	(19,227)	(146,923)
Cash generated from (utilized in) financing activities	28,283	(17,994)	11,363	171,829
Increase (decrease) in cash and cash equivalents	\$ 30,244	\$ (16,243)	\$ 40,301	\$ 58,766

At September 30, 2009, cash and cash equivalents were \$109.6 million, an increase of \$40.3 million compared to December 31, 2008, mainly due to proceeds received from the equity offering completed in the quarter. Funds utilized during the quarter included \$26.5 million to purchase a 50% interest in 720 Bay Street, Toronto, offset by \$14.9 million received on the sale of two industrial properties. 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. With over \$109.6 million in cash, a further \$32.6 million available to us through our revolving credit facility and four unencumbered properties that can be leveraged, we are confident that we have adequate capital resources for the remainder of 2009 and 2010.

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	
	2009	2008	2009	2008
Net income	\$ 7,727	\$ 2,125	\$ 6,814	\$ 6,894
Non-cash items:				
Amortization of market rent adjustments on acquired leases	(2,586)	(3,174)	(7,979)	(9,466)
All other depreciation and amortization	12,500	14,138	38,423	40,920
(Gain) loss on disposal of rental properties	(3,988)	(169)	5,016	257
Deferred unit compensation expense	220	150	638	248
Future income taxes	107	(38)	464	106
Straight-line rent adjustment	(241)	(294)	(641)	(728)
	13,739	12,738	42,735	38,231
Deferred leasing costs incurred	(1,166)	(1,788)	(3,023)	(3,528)
Change in non-cash working capital	3,400	1,681	8,453	(843)
Cash generated from operating activities	\$ 15,973	\$ 12,631	\$ 48,165	\$ 33,860

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

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

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

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

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

Leasing costs and tenant improvements

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

Year-to-date, 1.0 million square feet have been leased and occupied, and we have incurred \$7.3 million of leasing costs and tenant improvements. Included in this amount is \$1.0 million incurred at IBM Corporate Park in Calgary for which we received a credit to the purchase price when the property was acquired in 2008. Excluding these costs, leasing costs and tenant improvements were \$6.3 million resulting in an average per square foot leasing cost of \$8.07 for office and \$2.92 for industrial space. The leasing costs related to office space are higher than normal due to the completion of several large long-term leasing deals.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)	5,100,857	1,660,109	6,760,966
Occupied and committed	95.9%	92.0%	94.9%
Square footage leased and occupied in 2009	683,884	258,901	942,785
Leasing costs	\$ 2,632	\$ 216	\$ 2,848
Tenant improvements	\$ 3,895	\$ 540	\$ 4,435

Excludes redevelopment properties.

The table below provides our annualized estimates of expected leasing activity and leasing costs over a two- to three-year time horizon. These estimates are based on our portfolio at December 31, 2008, and assume that market conditions remain consistent with our current experience.

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

Commitments and contingencies

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

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

For the year ending December 31	Operating lease payments	Capital lease payments
2009	\$ 296	\$ 36
2010	1,040	142
2011	911	106
2012	774	—
2013	653	—
Total	\$ 3,674	\$ 284

Funds from operations

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

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Net income	\$ 7,727	\$ 2,125	\$ 6,814	\$ 6,894
Add (deduct):				
Depreciation of rental properties	7,021	6,990	21,208	20,113
Amortization of deferred leasing costs, tenant improvements and intangibles	5,377	6,985	16,900	20,488
Imputed amortization of leasing costs related to the rent supplement	—	—	—	17
Provision for impairment in value of discontinued assets	297	—	9,301	—
(Gain) loss on disposal of rental property	(4,285)	(169)	(4,285)	257
Future income taxes	107	(38)	464	106
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(35)	(66)	(131)	(209)
FFO	\$ 16,209	\$ 15,827	\$ 50,271	\$ 47,666
FFO per unit — basic	\$ 0.74	\$ 0.75	\$ 2.36	\$ 2.24
FFO per unit — diluted	\$ 0.73	\$ 0.73	\$ 2.31	\$ 2.21

FFO per unit was \$0.74 for the quarter, representing a 1% decrease compared to the same period in 2008, mainly as a result of the dilutive effect of the equity offering completed in the quarter and the impact of reclassifying Greenbriar Mall as discontinued at the end of the second quarter. Total FFO increased by 2% to \$16.2 million in the quarter driven by NOI growth from comparative properties and accretive acquisitions. Below-market rents, which result in a non-cash amortization to our operating results, contributed \$2.7 million to FFO in the quarter and \$8.3 million year-to-date.

Diluted FFO, distributable income and AFFO per unit amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures. The weighted average number of units outstanding for basic and diluted FFO calculations for the quarter are 21,883,358 and 25,312,351, respectively. Year-to-date, the weighted average number of units outstanding for basic and diluted FFO calculations are 21,289,297 and 24,718,195, respectively. Diluted FFO includes interest and amortization adjustments of \$2.3 million and \$6.9 million for the three- and nine-month periods, respectively. The basic and diluted weighted average number of units outstanding include 52,988 and 77,574 vested deferred trust units for the three- and nine-month periods, respectively.

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	
	2009	2008	2009	2008
Cash generated from operating activities	\$ 15,973	\$ 12,631	\$ 48,165	\$ 33,860
Add (deduct):				
Deferred leasing costs incurred	1,166	1,788	3,023	3,528
Amortization of deferred financing costs incurred prior to June 30, 2003	11	17	55	45
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	(12)	—	(33)	—
Amortization of tenant inducements	60	43	199	122
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(35)	(66)	(131)	(209)
Amortization of deferred financing costs	(302)	(302)	(933)	(947)
Change in non-cash working capital	(3,400)	(1,681)	(8,453)	843
Distributable income	\$ 13,461	\$ 12,430	\$ 41,892	\$ 37,242
Distributable income per unit — basic	\$ 0.62	\$ 0.59	\$ 1.97	\$ 1.75
Distributable income per unit — diluted	\$ 0.62	\$ 0.59	\$ 1.97	\$ 1.78
Distributions per unit	\$ 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 quarter ended September 30, 2009, distributable income per unit was \$0.62 and declared distributions per unit were \$0.55, representing an 89% payout ratio. In the prior year comparative period, distributable income per unit was \$0.59 and declared distributions per unit were \$0.55, representing a 93% payout ratio. Distributable income exceeds distributions paid and payable by \$1.3 million for the quarter. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

Distributions

The distributions presented in the table below comprise \$29.3 million relating to REIT Units and \$5.7 million relating to LP B Units.

	Declared distributions	4% bonus distributions	Total
2009 distributions			
Paid in cash or reinvested in units	\$ 30,372	\$ 75	\$ 30,447
Payable at September 30, 2009	4,516	9	4,525
Total distributions	\$ 34,888	\$ 84	\$ 34,972
2009 reinvestment			
Reinvested to September 30, 2009	\$ 1,869	\$ 75	\$ 1,944
Reinvested on October 15, 2009	256	9	265
Total distributions reinvested	\$ 2,125	\$ 84	\$ 2,209
Distributions paid in cash	\$ 32,763		
Reinvestment to distribution ratio	6.1%		
Cash distribution payout ratio	93.9%		

Distributions declared in the period ended September 30, 2009, totalled \$34.9 million, up \$0.3 million over the comparative period. The increase reflects a higher number of units outstanding as a result of the equity issue in September of this year, as well as distributions reinvested and vested deferred units exchanged for REIT A Units, offset by the purchase and cancellation of units under the normal course issuer bid in the second half of 2008. Of this amount, \$2.1 million, or approximately 6%, was reinvested in additional units resulting in a cash payout ratio of 94%.

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

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Net income	\$ 7,727	\$ 2,125	\$ 6,814	\$ 6,894
Cash flow from operating activities	15,973	12,631	48,165	33,860
Distributions paid and payable	12,158	11,596	34,972	34,877
Excess (shortfall) of cash flow from operating activities over cash distributions	3,815	1,035	13,193	(1,017)

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

Distributions paid and payable exceeded net income by \$4.4 million for the quarter and \$28.2 million for the nine-month period. This excess was mainly a result of a provision for impairment on a discontinued property and non-cash depreciation and amortization expense, which are not considered in determining our cash distribution policy.

Adjusted funds from operations

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Distributable income	\$ 13,461	\$ 12,430	\$ 41,892	\$ 37,242
Adjusted for:				
Normalized leasing costs and tenant improvements	(1,514)	(1,514)	(4,542)	(4,542)
Normalized non-recoverable recurring capital expenditures	(200)	(200)	(600)	(600)
AFFO	\$ 11,747	\$ 10,716	\$ 36,750	\$ 32,100
AFFO per unit — basic	\$ 0.54	\$ 0.50	\$ 1.73	\$ 1.51

Management believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-GAAP measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs. Please see our description of distributable income on page 18, which reconciles distributable income to cash flow from operating activities.

Our calculation of AFFO starts with distributable income adjusted for an estimated amount of normalized non-recoverable maintenance capital expenditures, leasing costs and tenant improvements that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of normalized leasing costs and tenant improvements are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2008, adjusted for properties that have been sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

AFFO per unit was \$0.54 for the quarter, representing an increase of 8% compared to the same period in 2008, due to strong performance from our properties and fees earned by the property manager. This growth offset approximately \$0.4 million of non-recurring items, including \$0.2 million related to Greenbriar Mall and the dilutive impact of our equity offering completed in the quarter.

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	
	2009	2008	2009	2008
Investment in rental properties	\$ (1,191)	\$ (1,964)	\$ (3,222)	\$ (2,946)
Investment in tenant improvements	(1,369)	(595)	(4,821)	(1,842)
Acquisition of rental properties	(26,481)	(9,092)	(26,481)	(155,348)
Acquisition deposit on rental properties	—	100	—	—
Repayment of promissory note	—	—	—	12,116
Net proceeds from disposal of rental properties	14,937		14,937	
Change in restricted cash, net	92	671	360	1,097
Cash utilized in investing activities	\$ (14,012)	\$ (10,880)	\$ (19,227)	\$ (146,923)

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

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Investing activities				
Acquisition of rental properties	\$ 25,948	\$ 11,484	\$ 25,948	\$ 160,772
Building improvements	1,196	1,935	3,525	2,811

Building improvements

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Building improvements:				
Recurring recoverable	\$ 1,196	\$ 1,713	\$ 3,328	\$ 1,934
Recurring non-recoverable	—	—	32	159
Non-recurring	—	222	165	718
Total	\$ 1,196	\$ 1,935	\$ 3,525	\$ 2,811

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 \$1.2 million (September 30, 2008 — \$1.9 million). Recurring recoverable expenditures were all incurred in our office portfolio and include \$0.6 million for elevator modernization, \$0.1 million for roofing upgrades, and \$0.1 million for fire panel upgrades.

Acquisition

On September 1, 2009, we purchased our partner's 50% interest in 720 Bay Street in Toronto for \$25.9 million, inclusive of transaction costs. As the mortgage matured on the acquisition closing date, our former partner elected to repay the balance outstanding with the proceeds received rather than have us assume the mortgage and refinance the debt.

Purchase obligation

We have an agreement to purchase, from a former joint venture partner, a fully leased office building that is currently under construction, at a future date for \$20.8 million. Maximum adjustments to the closing price will not exceed \$0.5 million. The closing is expected to take place in the first half of 2010. Funding for this purchase is available through cash on hand and an available line of credit.

Construction obligation

We have agreed to construct an office building in Yellowknife, Northwest Territories. The building is fully leased to the Government of Canada for a ten-year term and construction costs are estimated to be \$20.0 million. Funding for this development is available through cash on hand and an available line of credit.

Financing activities

We finance the ownership of our assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures. Our debt strategy includes managing our maturity schedule to help mitigate interest rate risk and limit exposure in any given year as well as fixing the rates and extending loan terms as long as possible when interest rates are favourable. During the third quarter of 2009, we issued 3,852,500 REIT A Units for total proceeds of \$70.7 million less costs of \$3.6 million related to the offering. In addition, we repaid \$24.3 million of mortgage debt that matured in the quarter.

The following table details our cash generated from financing activities.

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Mortgages placed, net of costs	\$ (21)	\$ (60)	\$ 36,248	\$ 95,311
Mortgage principal repayments	(3,892)	(3,590)	(11,561)	(10,176)
Mortgage lump sum repayments	(24,306)	—	(48,539)	(508)
Term debt principal repayments	(30)	(27)	(95)	(88)
Convertible debentures issued, net of costs	—	—	—	119,200
Distributions paid on Units	(10,712)	(9,055)	(31,933)	(27,143)
Purchase of REIT A Units under normal course issuer bid	—	(5,276)	—	(5,370)
Units issued, net of costs	67,244	14	67,243	603
Cash generated from (utilized in) financing activities	\$ 28,283	\$ (17,994)	\$ 11,363	\$ 171,829

Debt

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

September 30, 2009 December 31, 2008

Financing activities

Average interest rate	5.75%	5.83%
Level of debt (debt-to-gross book value)	58.4%	61.4%
Interest coverage ratio ⁽¹⁾	2.3 times	2.3 times
Proportion of total debt due in current year	1.2%	10.2%
Debt — average term to maturity (years)	5.2	5.5
Variable rate debt as percentage of total debt	3.7%	5.8%

⁽¹⁾ The interest coverage ratio is calculated as NOI from continuing operations plus interest and fee income, less general and administrative expense from continuing operations, divided by interest expense.

We currently use cash flow performance indicators, including the interest coverage ratio, to assess our ability

to meet our financing obligations. Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. Our current interest coverage ratio is 2.3 times, and reflects our ability to cover interest expense requirements. Our average interest rate as at September 30, 2009, was 5.75%, down slightly from the start of the year, mainly reflecting lower interest rates on variable rate mortgages.

Effective June 30, 2009, we classified our 50% interest in Greenbriar Mall located in Atlanta, Georgia, as a discontinued asset as discussed in Note 18 of the consolidated financial statements. As a result, we have excluded \$17.2 million of mortgage debt from our analysis due to its non-recourse nature.

Variable rate debt as a percentage of total debt decreased to 3.7% as a result of the reclassification of Greenbriar Mall as a discontinued asset.

	September 30, 2009			December 31, 2008		
	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages	\$ 679,183	\$ 31,291	\$ 710,474	\$ 703,409	\$ 51,039	\$ 754,448
Term debt	249	—	249	345	—	345
6.5% Debentures	3,289	—	3,289	3,277	—	3,277
5.7% Debentures	7,733	—	7,733	7,703	—	7,703
6.0% Debentures	118,632	—	118,632	117,922	—	117,922
Total	\$ 809,086	\$ 31,291	\$ 840,377	\$ 832,656	\$ 51,039	\$ 883,695
Percentage	96.3%	3.7%	100%	94.2%	5.8%	100%

Mortgages payable include \$2.9 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2008 — \$3.8 million). Amounts recorded as at September 30, 2009 for the 6.5%, 5.7% and 6.0% Debentures are net of \$1.8 million of premiums allocated to their conversion features (December 31, 2008 — \$2.0 million). The fair value adjustments and premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activity

During the quarter, we made scheduled repayments of \$3.9 million on mortgages and term debt and repaid an additional \$24.3 million upon the maturity of mortgages related to two properties.

A demand revolving credit facility is available up to a formula-based maximum not to exceed \$40.0 million, bearing interest generally at the bank prime rate (2.25% as at September 30, 2009) plus 1.5%, or bankers' acceptance rates, plus 3.0%. As a result of the sale of two properties which provided collateral security for the facility, as at September 30, 2009, the formula-based amount available is \$32.6 million. The facility is now secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. Currently, \$1.2 million of the facility is being utilized in the form of a letter of guarantee. The facility matures on April 30, 2010.

We currently have \$109.6 million in cash, a revolving credit facility and four unencumbered properties which may be leveraged to provide additional financing. On October 1, 2009, we repaid \$6.0 million relating to the only remaining mortgage maturing in 2009.

Changes in debt levels are as follows:

	For the three months ended September 30, 2009			
	Mortgages	Term debt	Convertible debentures	Total
Debt as at June 30, 2009	\$ 738,838	\$ 279	\$ 129,405	\$ 868,522
Scheduled repayments	(3,892)	(30)	—	(3,922)
Lump sum repayments	(24,306)	—	—	(24,306)
Amortization and other adjustments	(166)	—	249	83
Debt as at September 30, 2009	\$ 710,474	\$ 249	\$ 129,654	\$ 840,377

	For the nine months ended September 30, 2009			
	Mortgages	Term debt	Convertible debentures	Total
Debt as at December 31, 2008	\$ 754,448	\$ 345	\$ 128,902	\$ 883,695
New debt placed	36,779	—	—	36,779
Scheduled repayments	(11,561)	(96)	—	(11,657)
Lump sum repayments	(48,538)	—	—	(48,538)
Discontinued liability	(17,237)	—	—	(17,237)
Amortization and other adjustments	(3,417)	—	752	(2,665)
Debt as at September 30, 2009	\$ 710,474	\$ 249	\$ 129,654	\$ 840,377

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	Weighted average interest rate on balance due at maturity %	Weighted average face rate on balance due at maturity %
2009	\$ 5,957	\$ 3,959	\$ 9,916	1.2	5.71
2010	5,867	16,816	22,683	2.7	5.24
2011	71,987	16,647	88,634	10.5	6.01
2012	99,994	14,622	114,616	13.5	5.57
2013	102,480	11,236	113,716	13.4	4.79
2014 and thereafter	467,437	29,414	496,851	58.7	6.01
Total	\$ 753,722	\$ 92,694	846,416	100.0	5.68

Fair value adjustments	1,128
Deferred financing costs	(7,167)
Total	\$ 840,377

Convertible debentures

With respect to the 6.5% Debentures, the total principal outstanding at October 30, 2009, was \$3.5 million, and is convertible into 139,520 REIT A Units. With respect to the 5.7% Debentures, the total principal outstanding at October 30, 2009, was \$7.8 million, and is convertible into approximately 260,200 REIT A Units. For the 6.0% Debentures, the total principal outstanding at October 30, 2009, was \$125.0 million and is convertible into approximately 3,019,323 REIT A Units.

Equity

The following table summarizes the changes in our outstanding equity:

	REIT A Units	REIT B Units	LP B Units	Total
Units issued and outstanding on December 31, 2008	16,947,240	16,316	3,454,188	20,417,744
Units issued pursuant to DRIP	156,505	—	—	156,505
Units issued pursuant to the Unit Purchase Plan	8,727	—	—	8,727
Units issued pursuant to Deferred Unit Incentive Plan	239,873	—	—	239,873
Units issued pursuant to public offering	3,852,500	—	—	3,852,500
Unit redemption	(30)	—	—	(30)
Total units outstanding on September 30, 2009	21,204,815	16,316	3,454,188	24,675,319
Percentage of all units	86%	—	14%	100%
Units issued pursuant to DRIP on October 15, 2009	12,817	—	—	12,817
Units issued pursuant to the Unit Purchase Plan	1,001	—	—	1,001
Unit redemption	(170)	—	—	(170)
Total units outstanding on October 30, 2009	21,218,463	16,316	3,454,188	24,688,967
Percentage of all units	86%	— %	14%	100%

Normal course issuer bid

For the period September 26, 2008 to September 25, 2009, we had the ability to purchase up to a maximum of 1,326,762 REIT A Units through the facilities of the TSX. No units were acquired in 2009 pursuant to this bid.

On September 23, 2009, the Trust renewed its normal course issuer bid. Under the bid, Dundee REIT has the ability to purchase for cancellation up to a maximum of 1,648,026 REIT A Units (representing 10% of the REIT's public float, comprising 16,480,260 REIT A Units on September 17, 2009) through the facilities of the TSX. The bid commenced on September 26, 2009, and will remain in effect until the earlier of September 25, 2010, or the date on which the Trust has purchased the maximum number of units permitted under the bid. As of September 30, 2009, the maximum number of REIT A Units remaining for purchase under the bid is 1,648,026. Based on the closing price of the REIT A Units on September 30, 2009, the Trust may purchase up to \$32.1 million worth of REIT A Units.

OUR RESULTS OF OPERATIONS

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Revenues				
Rental properties revenue	\$ 47,741	\$ 46,341	\$ 143,105	\$ 133,119
Interest and fee income	299	972	1,267	2,885
	48,040	47,313	144,372	136,004
Expenses				
Rental properties operating expenses	17,822	17,271	52,683	48,846
Interest	12,510	12,764	37,702	35,796
Depreciation of rental properties	6,979	6,761	20,640	19,437
Amortization of deferred leasing costs, tenant improvements and intangibles	5,350	6,897	16,623	20,215
General and administrative	1,666	1,750	5,098	4,864
	44,327	45,443	132,746	129,158
Income before income taxes	3,713	1,870	11,626	6,846
Income taxes				
Current income taxes	4	63	10	4
Future income taxes	87	7	464	199
	91	70	474	203
Income before discontinued operations	3,622	1,800	11,152	6,643
Discontinued operations	4,105	325	(4,338)	251
Net income	\$ 7,727	\$ 2,125	\$ 6,814	\$ 6,894

Income statement results***Rental properties revenue***

Revenues include net rental income from rental properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions completed in the second half of 2008 and in 2009 and comparative property growth were the primary drivers of the \$1.4 million, or 3%, 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 \$0.7 million decrease over the comparative quarter is mainly a result of investing undeployed cash in lower yielding investments.

Rental properties operating expenses

Operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, and repairs and maintenance. Expenses for the quarter increased \$0.6 million, or 3%, reflecting higher recoverable operating costs and the additional costs associated with properties acquired over the course of 2008.

Interest expense

Interest expense for the quarter declined \$0.3 million over the comparative quarter, mainly reflecting the repayment of mortgage debt in the current and prior quarters. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, remains strong at 2.3 times.

Depreciation of rental properties

Acquisitions completed in 2008 and 2009 resulted in a \$0.2 million, or 3%, increase in depreciation over the comparative period.

Amortization of deferred leasing costs, tenant improvements and intangibles

Amortization decreased \$1.5 million, or 22%, over the comparative quarter, which is mainly dependent on the timing of lease expiries.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations. Expenses for the quarter were \$1.7 million, in line with the comparative period.

Income tax expense

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

Discontinued operations

Discontinued operations include assets that have been sold or classified as held for sale and meet specific criteria as discontinued assets in accordance with GAAP. These operations are disclosed separately on the consolidated statements of net income. Discontinued operations for the quarter include the sale of two industrial properties for proceeds of \$15.1 million. The disposition of Greenbriar Mall, which was classified as held for sale in June 2009, has not been finalized as at September 30, 2009. Effective July 1, 2009, the Trust no longer has control of the property as all operational decisions and all benefits of the property's operations, including cash flow, flow to the lender. Further information is provided in Note 18 to the interim consolidated financial statements.

Related-party transactions

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms and as disclosed in Note 17 to the interim consolidated financial statements. During the nine-month period, we received \$1.4 million related to the DRC Services Agreement and paid \$3.9 million related to the Asset Management Agreement.

Net operating income

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

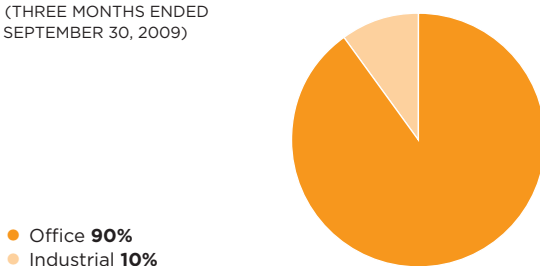
	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Net income	\$ 7,727	\$ 2,125	\$ 6,814	\$ 6,894
Add (deduct):				
Interest expense	12,510	12,764	37,702	35,796
Depreciation of rental properties	6,979	6,761	20,640	19,437
Amortization of deferred leasing costs, tenant improvements and intangibles	5,350	6,897	16,623	20,215
General and administrative expenses	1,666	1,750	5,098	4,864
Interest and fee income	(299)	(972)	(1,267)	(2,885)
Income taxes	91	70	474	203
Depreciation, amortization, interest gain (loss) on disposal of rental properties and impairment loss, included in discontinued operations	(3,917)	381	6,275	1,984
NOI including discontinued operations	\$ 30,107	\$ 29,776	\$ 92,359	\$ 86,508

We define NOI as the total of rental property revenues, including property management income, less rental property operating expenses. NOI, before discontinued operations, increased 3% for the quarter over the comparative period. The increase is attributable to strong comparable property growth and income generated by properties acquired in 2008 and 2009. Discontinued operations includes the results of two properties in Edmonton that were sold on August 31, 2009, and the results and impairment loss of Greenbriar Mall effective June 30, 2009.

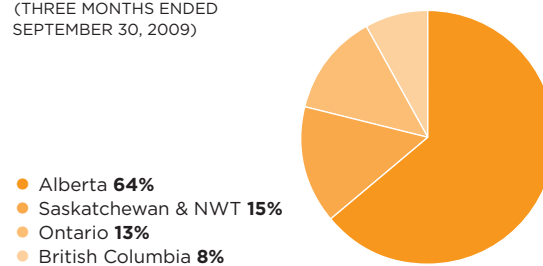
	For the three months ended September 30				For the nine months ended September 30			
	2009	2008	Growth		2009	2008	Growth	
Amount			%	Amount			%	
Office	\$ 26,979	\$ 26,490	\$ 489	2	\$ 82,228	\$ 76,155	\$ 6,073	8
Industrial	2,940	2,580	360	14	8,194	8,118	76	1
NOI	29,919	29,070	849	3	90,422	84,273	6,149	7
Discontinued operations	188	706	(518)		1,937	2,235	(298)	
NOI including discontinued operations	\$ 30,107	\$ 29,776	\$ 331	1	\$ 92,359	\$ 86,508	\$ 5,851	7

	For the three months ended September 30				For the nine months ended September 30			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
British Columbia	\$ 2,539	\$ 2,458	\$ 81	3	\$ 7,517	\$ 6,789	\$ 728	11
Alberta	19,086	19,534	(448)	(2)	58,877	57,122	1,755	3
Saskatchewan & NWT	4,377	3,861	516	13	12,833	11,054	1,779	16
Ontario	3,917	3,217	700	22	11,195	9,308	1,887	20
NOI	29,919	29,070	849	3	90,422	84,273	6,149	7
Discontinued operations	188	706	(518)		1,937	2,235	(298)	
NOI including discontinued operations	\$ 30,107	\$ 29,776	\$ 331	1	\$ 92,359	\$ 86,508	\$ 5,851	7

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



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



NOI comparative portfolio

NOI shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2008. Discontinued operations contributing to NOI in comparative periods are shown separately to conform to the required income statement presentation. Comparative NOI and acquisitions exclude GAAP adjustments that relate to straight-line rents and amortization of market rent adjustments on acquired leases.

	For the three months ended September 30				For the nine months ended September 30			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
Office	\$ 21,467	\$ 20,938	\$ 529	3	\$ 65,983	\$ 61,406	\$ 4,577	7
Industrial	2,897	2,551	346	14	8,101	8,023	78	1
Comparative properties	24,364	23,489	875	4	74,084	69,429	4,655	7
Acquisitions	2,788	2,186	602		7,933	4,790	3,143	
Rent supplement	—	—	—		—	34	(34)	
GAAP adjustments	2,767	3,395	(628)		8,405	10,020	(1,615)	
NOI	29,919	29,070	849	3	90,422	84,273	6,149	7
Discontinued operations	188	706	(518)		1,937	2,235	(298)	
NOI including discontinued operations	\$ 30,107	\$ 29,776	\$ 331	1	\$ 92,359	\$ 86,508	\$ 5,851	7

	For the three months ended September 30				For the nine months ended September 30			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
British Columbia	\$ 2,174	\$ 2,181	\$ (7)	—	\$ 6,403	\$ 6,362	\$ 41	1
Alberta	15,975	15,859	116	1	49,365	46,983	2,382	5
Saskatchewan & NWT	4,293	3,754	539	14	12,572	10,825	1,747	16
Ontario	1,922	1,695	227	13	5,744	5,259	485	9
Comparative properties	24,364	23,489	875	4	74,084	69,429	4,655	7
Acquisitions	2,788	2,186	602		7,933	4,790	3,143	
Rent supplement	—	—	—		—	34	(34)	
GAAP adjustments	2,767	3,395	(628)		8,405	10,020	(1,615)	
NOI	29,919	29,070	849	3	90,422	84,273	6,149	7
Discontinued operations	188	706	(518)		1,937	2,235	(298)	
NOI including discontinued operations	\$ 30,107	\$ 29,776	\$ 331	1	\$ 92,359	\$ 86,508	\$ 5,851	7

Comparative property NOI increased 4% in the quarter. Comparative office NOI increased by \$0.5 million, or 3%, for the quarter, reflecting increases in rental rates on renewals as well as contractual rent increases. Comparative industrial NOI increased by 14% compared to 2008, largely as a result of overall increases in rental rates. Properties acquired in 2008 and 2009 contributed \$0.6 million to NOI growth. This increase includes impressive occupancy growth at Air Miles Tower in Toronto, which is now 99% occupied compared to 91% when acquired in January 2008.

Comparative office portfolio

	For the three months ended September 30				For the nine months ended September 30			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
British Columbia	\$ 2,174	\$ 2,181	\$ (7)	—	\$ 6,403	\$ 6,362	\$ 41	1
Alberta	13,078	13,308	(230)	(2)	41,264	38,960	2,304	6
Saskatchewan & NWT	4,293	3,754	539	14	12,572	10,825	1,747	16
Ontario	1,922	1,695	227	13	5,744	5,259	485	9
Comparative properties	21,467	20,938	529	3	65,983	61,406	4,577	7
Acquisitions	2,788	2,186	602		7,933	4,790	3,143	
Rent supplement	—	—	—		—	34	(34)	
GAAP adjustments	2,724	3,366	(642)		8,312	9,925	(1,613)	
Office NOI	\$ 26,979	\$ 26,490	\$ 489	2	\$ 82,228	\$ 76,155	\$ 6,073	8

We achieved growth in our comparative office portfolio particularly in Saskatchewan and the Northwest Territories, and Ontario, with average committed occupancy reaching 95.9%. NOI from our office portfolio in Alberta decreased by \$0.2 million, or 2%, compared to the same quarter in 2008. The decrease is mainly because of approximately \$0.5 million of one-time items related to non-recoverable expenses and recovery adjustments in our Alberta portfolio. Excluding these items, Alberta NOI increased by \$0.3 million, or 2%, mainly due to occupancy and rental rate increases. Our portfolio in Saskatchewan and the Northwest Territories also produced strong growth due to occupancy increases at two buildings in Yellowknife and Saskatoon as well as the impact of base-year government leases that contributed an additional \$0.2 million as a result of cost reductions. The Ontario portfolio produced strong NOI growth driven by the leasing of two previously vacant floors at State Street Financial Centre in Toronto, which offset increased vacancy elsewhere.

Comparative industrial portfolio

	For the three months ended September 30				For the nine months ended September 30			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
Alberta	\$ 2,897	\$ 2,551	\$ 346	14	\$ 8,101	\$ 8,023	\$ 78	1
Comparative properties	2,897	2,551	346	14	8,101	8,023	78	1
GAAP adjustments	43	29	14		93	95	(2)	
Industrial NOI	\$ 2,940	\$ 2,580	\$ 360	14	\$ 8,194	\$ 8,118	\$ 76	1

Our industrial portfolio increased by \$0.3 million mainly due to rental rate increases and leasing of our Barlow Trail property in Calgary, offsetting vacancy at a property in Edmonton.

NOI prior quarter comparison

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 April 1, 2009. Comparative property NOI decreased by 2%, or \$0.6 million, mainly as a result of net non-recurring items in the second and third quarters of 2009. NOI from the office portfolio decreased by \$0.9 million, or 4%, reflecting in part \$0.2 million of non-recurring costs incurred in the third quarter compared to \$0.5 million in cost recoveries recorded in the second quarter. Excluding these items, office NOI decreased \$0.2 million, or 1%, which is the result of vacancy at a building in Calgary. Our industrial portfolio increased \$0.3 million, or 11%, mostly driven by the leasing of 56,000 square feet of space at an industrial building in Calgary. NOI in Saskatchewan and the Northwest Territories increased by \$0.1 million, reflecting increased occupancy in Yellowknife and contractual rent increases.

	September 30, 2009	June 30, 2009	For the three months ended	
			Amount	Growth %
Office	\$ 24,097	\$ 24,992	\$ (895)	(4)
Industrial	2,897	2,606	291	11
Comparative properties	26,994	27,598	(604)	(2)
Acquisitions	158	—	158	
GAAP adjustments	2,767	2,738	29	
NOI	29,919	30,336	(417)	(1)
Discontinued operations	188	909	(721)	
NOI including discontinued operations	\$ 30,107	\$ 31,245	\$ (1,138)	(4)

	September 30, 2009	June 30, 2009	For the three months ended	
			Amount	Growth %
British Columbia	\$ 2,397	\$ 2,389	\$ 8	—
Alberta	16,851	17,395	(544)	(3)
Saskatchewan & NWT	4,293	4,215	78	2
Ontario	3,453	3,599	(146)	(4)
Comparative properties	26,994	27,598	(604)	(2)
Acquisitions	158	—	158	
GAAP adjustments	2,767	2,738	29	
NOI	29,919	30,336	(417)	(1)
Discontinued operations	188	909	(721)	
NOI including discontinued operations	\$ 30,107	\$ 31,245	\$ (1,138)	(4)

QUARTERLY INFORMATION

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

	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Revenues								
Rental properties revenue	\$ 47,741	\$ 46,906	\$ 48,458	\$ 48,784	\$ 46,341	\$ 44,047	\$ 42,731	\$ 41,571
Interest and fee income	299	491	477	788	972	746	1,167	1,021
	48,040	47,397	48,935	49,572	47,313	44,793	43,898	42,592
Expenses								
Rental properties								
operating expenses	17,822	16,570	18,291	18,492	17,271	15,591	15,984	15,290
Interest	12,510	12,617	12,575	12,710	12,764	11,787	11,245	9,754
Depreciation of								
rental properties	6,979	6,838	6,823	6,736	6,761	6,538	6,138	6,140
Amortization of deferred								
leasing costs, tenant								
improvements and								
intangibles	5,350	5,634	5,639	6,508	6,897	6,754	6,563	7,240
General and administrative	1,666	1,711	1,721	1,878	1,750	1,693	1,422	1,534
	44,327	43,370	45,049	46,324	45,443	42,363	41,352	39,958
Income before								
 income and large								
 corporations taxes								
	3,713	4,027	3,886	3,248	1,870	2,430	2,546	2,634
Income taxes (recovery)								
Current income and								
large corporations taxes	4	—	6	9	63	(4)	(55)	8
Future income taxes	87	137	240	150	7	95	97	(15,077)
Income tax expense								
(recovery)	91	137	246	159	70	91	42	(15,069)
Income before								
 discontinued operations								
	3,622	3,890	3,640	3,089	1,800	2,339	2,504	17,703
Discontinued operations	4,105	(8,662)	219	477	325	(232)	158	11,521
Net income (loss)	\$ 7,727	\$ (4,772)	\$ 3,859	\$ 3,566	\$ 2,125	\$ 2,107	\$ 2,662	\$ 29,224
Net income (loss) per unit								
Basic	\$ 0.35	\$ (0.23)	\$ 0.18	\$ 0.17	\$ 0.10	\$ 0.10	\$ 0.13	\$ 1.38
Diluted ⁽¹⁾	\$ 0.35	\$ (0.23)	\$ 0.18	\$ 0.17	\$ 0.10	\$ 0.10	\$ 0.13	\$ 1.38

⁽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 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net income (loss)	\$ 7,727	\$ (4,772)	\$ 3,859	\$ 3,566	\$ 2,125	\$ 2,107	\$ 2,662	\$ 29,224
Add (deduct):								
Depreciation of rental properties	7,021	7,095	7,092	6,993	6,990	6,763	6,360	6,193
Amortization of deferred leasing costs, tenant improvements and intangibles	5,377	5,779	5,744	6,621	6,985	6,850	6,653	7,286
Future income taxes	107	67	290	221	(38)	76	68	(15,539)
Imputed amortization of leasing costs related to the rent supplement	—	—	—	—	—	8	10	6
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(35)	(35)	(61)	(80)	(66)	(87)	(56)	(77)
(Gain) loss on disposal of rental properties and land held for sale	(4,285)	—	—	(336)	(169)	426	—	(4,968)
Provision for (reversal of) impairment in value of rental property	297	9,004	—	—	—	—	—	(6,298)
Income tax expense related to discontinued operations	—	—	—	—	—	—	—	300
Funds from operations	\$ 16,209	\$ 17,138	\$ 16,924	\$ 16,985	\$ 15,827	\$ 16,143	\$ 15,697	\$ 16,127
Funds from operations per unit								
Basic ⁽¹⁾	\$ 0.74	\$ 0.82	\$ 0.81	\$ 0.82	\$ 0.75	\$ 0.76	\$ 0.74	\$ 0.76
Diluted	\$ 0.73	\$ 0.80	\$ 0.79	\$ 0.80	\$ 0.73	\$ 0.74	\$ 0.72	\$ 0.76
Cash generated from operating activities	\$ 15,973	\$ 14,807	\$ 17,385	\$ 7,266	\$ 12,631	\$ 9,644	\$ 11,585	\$ 9,952
Add (deduct):								
Deferred leasing costs incurred	1,166	1,012	845	1,465	1,788	980	760	690
Amortization of deferred financing costs incurred prior to June 30, 2003	11	21	23	21	17	18	11	20
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	(12)	(12)	(9)	(7)	—	—	—	(4)
Amortization of tenant inducements	60	58	81	68	43	41	37	25
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(35)	(35)	(61)	(80)	(66)	(87)	(56)	(77)
Amortization of deferred financing costs	(302)	(326)	(305)	(309)	(302)	(332)	(313)	(57)
Income tax expense related to discontinued operations	—	—	—	—	—	—	—	300
Change in non-cash working capital	(3,400)	(1,098)	(3,955)	5,035	(1,681)	2,199	325	1,471
Distributable income ("DI")	\$ 13,461	\$ 14,427	\$ 14,004	\$ 13,459	\$ 12,430	\$ 12,463	\$ 12,349	\$ 12,320
Distributable income per unit								
Basic ⁽¹⁾	\$ 0.62	\$ 0.69	\$ 0.67	\$ 0.65	\$ 0.59	\$ 0.59	\$ 0.58	\$ 0.58
Diluted	\$ 0.62	\$ 0.68	\$ 0.67	\$ 0.65	\$ 0.59	\$ 0.59	\$ 0.58	\$ 0.58
Weighted average units outstanding for FFO and DI								
Basic	21,883,358	21,018,003	20,956,343	20,720,901	21,248,773	21,300,089	21,179,939	21,107,542
Diluted	25,312,351	24,456,839	24,392,013	24,144,476	24,676,672	24,719,316	24,609,778	21,566,798

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

SECTION III – DISCLOSURE CONTROLS AND PROCEDURES

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

For an explanation of our disclosure controls and procedures, please refer to our 2008 Annual Report or our annual information form for the year ended December 31, 2008, filed on SEDAR (www.sedar.com).

SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

For a full list and explanation of our risks and uncertainties, please refer to our 2008 Annual Report or our annual information form for the year ended December 31, 2008, filed on SEDAR (www.sedar.com).

SECTION V – CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

Management of Dundee REIT believes that certain policies may be subject to estimation and management's judgment. For a list and explanation of these policies, please refer to Note 2 of the interim consolidated financial statements and to our 2008 Annual Report.

CHANGES IN ACCOUNTING POLICIES

Deferred recoverable costs

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

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

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

Future changes in accounting policies

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

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (“ASB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis.

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

Phase 1 of the project was completed in 2008, which included identifying major accounting differences or their relevance to the Trust and formulated key IFRS conversion issues to be dealt with in Phase 2 of the project. Key employees with responsibility for financial reporting have been provided with IFRS education.

Phase 2 of the project is currently underway, including the formation of functional implementation teams that are responsible for effecting required changes to business and accounting processes and systems. We have evaluated our internal valuation processes and have commenced discussions with external appraisers in order to establish a process to assess the fair values of our investment properties as of January 1, 2010. We will provide updated disclosure where appropriate.

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, 2009	December 31, 2008
			(Restated, see Note 2)
Assets			
Rental properties	4	\$ 1,118,264	\$ 1,145,993
Deferred costs	5	33,908	33,438
Amounts receivable	6	8,243	11,877
Prepaid expenses and other assets	7	4,712	5,443
Cash and cash equivalents		109,568	69,267
Intangible assets	8	41,861	49,969
Discontinued assets	18	10,978	—
		\$ 1,327,534	\$ 1,315,987
Liabilities			
Debt	9	\$ 840,377	\$ 883,695
Amounts payable and accrued liabilities	10	23,387	18,772
Distributions payable	11	4,525	3,749
Future income tax liability	14	2,232	3,387
Intangible liabilities	8	34,146	41,941
Discontinued liabilities	18	17,237	—
		921,904	951,544
Unitholders' equity	12	405,630	364,443
		\$ 1,327,534	\$ 1,315,987

See accompanying notes to the consolidated financial statements

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



NED GOODMAN
Trustee



MICHAEL J. COOPER
Trustee

Consolidated statements of net income and comprehensive income

(unaudited) (in thousands of dollars, except per unit amounts)		For the three months ended September 30		For the nine months ended September 30	
	Note	2009	2008	2009	2008
Revenues					
Rental properties revenue		\$ 47,741	\$ 46,341	\$ 143,105	\$ 133,119
Interest and fee income		299	972	1,267	2,885
		48,040	47,313	144,372	136,004
Expenses					
Rental properties operating expenses		17,822	17,271	52,683	48,846
Interest	13	12,510	12,764	37,702	35,796
Depreciation of rental properties		6,979	6,761	20,640	19,437
Amortization of deferred leasing costs, tenant improvements and intangibles		5,350	6,897	16,623	20,215
General and administrative		1,666	1,750	5,098	4,864
		44,327	45,443	132,746	129,158
Income before income taxes		3,713	1,870	11,626	6,846
Provision for income taxes	14				
Current income taxes		4	63	10	4
Future income taxes		87	7	464	199
		91	70	474	203
Income before discontinued operations		3,622	1,800	11,152	6,643
Discontinued operations	18	4,105	325	(4,338)	251
Net income		\$ 7,727	\$ 2,125	\$ 6,814	\$ 6,894
Basic and diluted income (loss) per unit					
Continuing operations	15	\$ 0.16	\$ 0.08	\$ 0.52	\$ 0.32
Discontinued operations		0.19	0.02	(0.20)	0.01
Net income		\$ 0.35	\$ 0.10	\$ 0.32	\$ 0.33
Net income		\$ 7,727	\$ 2,125	\$ 6,814	\$ 6,894
Other comprehensive income (loss)					
Change in foreign currency translation adjustment		(497)	175	(799)	285
Comprehensive income		\$ 7,230	\$ 2,300	\$ 6,015	\$ 7,179

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity

(unaudited) (in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity,							
January 1, 2009		20,417,744	\$ 536,093	\$ 806,598	\$ (972,790)	\$ (5,275)	\$ 364,626
Adjustment to opening unitholders' equity to comply with new accounting standard	2	—	—	(183)	—	—	(183)
Unitholders' equity,							
January 1, 2009 (restated)		20,417,744	536,093	806,415	(972,790)	(5,275)	364,443
Net income		—	—	6,814	—	—	6,814
Distributions paid	11	—	—	—	(30,447)	—	(30,447)
Distributions payable	11	—	—	—	(4,525)	—	(4,525)
Public offering of REIT A Units	12	3,852,500	70,693	—	—	—	70,693
Distribution							
Reinvestment Plan	12	156,505	2,263	—	—	—	2,263
Unit Purchase Plan	12	8,727	135	—	—	—	135
Deferred Unit Incentive Plan	12	—	638	—	—	—	638
Deferred Units exchanged for REIT A Units	12	239,873	—	—	—	—	—
Issue costs	12	—	(3,585)	—	—	—	(3,585)
Unit redemption		(30)	—	—	—	—	—
Change in foreign currency translation adjustment		—	—	—	—	(799)	(799)
Unitholders' equity,							
September 30, 2009		24,675,319	\$ 606,237	\$ 813,229	\$(1,007,762)	\$ (6,074)	\$ 405,630

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity (continued)

(unaudited) (in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity,							
January 1, 2008		20,863,819	\$ 544,850	\$ 796,138	\$ (926,605)	\$ (6,243)	\$ 408,140
Adjustment to opening unitholders' equity to comply with new accounting standard	2	—	—	(183)	—	—	(183)
Unitholders' equity,							
January 1, 2008 (restated)		20,863,819	544,850	795,955	(926,605)	(6,243)	407,957
Net income		—	—	6,894	—	—	6,894
Distributions paid		—	—	—	(31,015)	—	(31,015)
Distributions payable		—	—	—	(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	—	248	—	—	—	248
Deferred Units exchanged for REIT A Units	12	10,492	—	—	—	—	—
Normal course issuer bid		(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		—	2,160	—	—	—	2,160
Change in foreign currency translation adjustment		—	—	—	—	285	285
Unitholders' equity,							
September 30, 2008		20,999,453	\$ 552,070	\$ 802,849	\$ (962,282)	\$ (5,958)	\$ 386,679

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(unaudited) (in thousands of dollars, except per unit amounts)		For the three months ended September 30		For the nine months ended September 30	
	Note	2009	2008	2009	2008
Generated from (utilized in) operating activities					
Net income		\$ 7,727	\$ 2,125	\$ 6,814	\$ 6,894
Non-cash items:					
Depreciation of rental properties		7,021	6,990	21,208	20,113
Amortization of deferred leasing costs, tenant improvements and intangibles		5,377	6,985	16,900	20,488
Amortization of deferred financing costs		302	302	933	947
Amortization of fair value adjustment on acquired debt		(200)	(139)	(618)	(628)
Loss (gain) on disposal of rental properties	18	(4,285)	(169)	(4,285)	257
Provision for impairment in value of discontinued assets		297	—	9,301	—
Deferred unit compensation expense		220	150	638	248
Future income taxes		107	(38)	464	106
Amortization of market rent adjustments on acquired leases		(2,586)	(3,174)	(7,979)	(9,466)
Straight-line rent adjustment		(241)	(294)	(641)	(728)
		13,739	12,738	42,735	38,231
Deferred leasing costs incurred		(1,166)	(1,788)	(3,023)	(3,528)
Change in non-cash working capital	20	3,400	1,681	8,453	(843)
		15,973	12,631	48,165	33,860
Generated from (utilized in) investing activities					
Investment in rental properties		(1,191)	(1,964)	(3,222)	(2,946)
Investment in tenant improvements		(1,369)	(595)	(4,821)	(1,842)
Acquisition of rental properties	3	(26,481)	(9,092)	(26,481)	(155,348)
Acquisition deposit on rental properties		—	100	—	—
Net proceeds from disposal of rental properties		14,937	—	14,937	—
Repayment of promissory note		—	—	—	12,116
Change in restricted cash, net		92	671	360	1,097
		(14,012)	(10,880)	(19,227)	(146,923)
Generated from (utilized in) financing activities					
Mortgages placed, net of costs		(21)	(60)	36,248	95,311
Mortgage principal repayments		(3,892)	(3,590)	(11,561)	(10,176)
Mortgage lump sum repayments		(24,306)	—	(48,539)	(508)
Term debt principal repayments		(30)	(27)	(95)	(88)
Convertible debentures issued, net of costs		—	—	—	119,200
Distributions paid on Units	11	(10,712)	(9,055)	(31,933)	(27,143)
REIT A Units purchased under normal course issuer bid		—	(5,276)	—	(5,370)
Units issued for cash, net of costs		67,244	14	67,243	603
		28,283	(17,994)	11,363	171,829
Increase (decrease) in cash and cash equivalents		30,244	(16,243)	40,301	58,766
Cash and cash equivalents, beginning of period		79,324	112,736	69,267	37,727
Cash and cash equivalents, end of period		\$ 109,568	\$ 96,493	\$ 109,568	\$ 96,493

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

Note 1

ORGANIZATION

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

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

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

At September 30, 2009, Dundee Corporation, the majority shareholder of Dundee Realty Corporation (“DRC”), directly and indirectly through its subsidiaries, held 921,299 REIT A Units and 3,454,188 LP B Units (December 31, 2008 – 780,851 and 3,454,188 Units, respectively).

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim 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 consolidated financial statements should be read in conjunction with the consolidated financial statements of Dundee REIT as at, and for the year ended, December 31, 2008.

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

These interim consolidated financial statements follow the same accounting policies and methods of application as used in the December 31, 2008 consolidated financial statements, except as follows:

Deferred recoverable costs

Amendments to CICA Handbook Section 1000, "Financial Statement Concepts", and new CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces CICA Handbook Section 3062, "Goodwill and Other Intangible Assets", have been issued and apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The objectives of these amendments and new section are to:

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

Under these changes, effective January 1, 2009, the deferral and matching of recoverable operating expenses over future revenues is no longer appropriate. The impact of this accounting change increased rental properties by \$1,943 and decreased deferred costs by \$2,126. Unitholders' equity also decreased by \$183 for maintenance costs previously capitalized as deferred recoverable costs but which are now required to be expensed under the revised accounting pronouncements.

Note 3

PROPERTY ACQUISITIONS

On September 1, 2009, the Trust acquired the remaining 50% interest in 720 Bay Street, Toronto, for a purchase price of \$25,948. This is the only acquisition to date in 2009. Below are the acquisitions completed by the Trust in the comparative nine-month period, which have contributed to the operating results from the date of acquisition.

For the nine months ended September 30, 2009	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
720 Bay Street, Toronto	office	50	123,870	100	\$ 25,948	\$ —	September 1, 2009
Total			123,870	100	\$ 25,948	\$ —	

For the nine months 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	

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

For the nine months ended September 30	2009	2008
Rental properties		
Land	\$ 2,415	\$ 30,531
Buildings	19,836	126,440
	22,251	156,971
Tenant improvements acquired	1,844	6,271
Intangible assets		
Value of in-place leases	842	7,431
Lease origination costs	443	2,012
Value of above-market rent leases	—	419
Value of tenant relationships	1,089	5,944
	26,469	179,048
Intangible liabilities		
Value of below-market rent leases	(521)	(18,276)
Total purchase price	\$ 25,948	\$ 160,772

The consideration paid consists of:

Cash		
Paid during the period	\$ 26,481	\$ 155,348
Deposit	—	2,350
	26,481	157,698
Assumed mortgages at fair value	—	2,111
Assumed accounts payable, accrued liabilities and adjustments to purchase price	(533)	963
Total consideration	\$ 25,948	\$ 160,772

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

Note 4

RENTAL PROPERTIES

	September 30, 2009			December 31, 2008		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 218,834	\$ —	\$ 218,834	\$ 223,382	\$ —	\$ 223,382
Buildings and improvements	1,002,270	(105,215)	897,055	1,013,958	(93,928)	920,030
Fixed assets and equipment	2,034	(791)	1,243	2,439	(882)	1,557
Rental properties under development	1,132	—	1,132	1,024	—	1,024
Total	\$1,224,270	\$ (106,006)	\$ 1,118,264	\$1,240,803	\$ (94,810)	\$ 1,145,993

Note 5

DEFERRED COSTS

	September 30, 2009			December 31, 2008 (Restated, see Note 2)		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Deferred leasing costs	\$ 13,717	\$ (4,026)	\$ 9,691	\$ 12,455	\$ (3,765)	\$ 8,690
Tenant improvements	44,545	(20,328)	24,217	42,862	(18,114)	24,748
Total	\$ 58,262	\$ (24,354)	\$ 33,908	\$ 55,317	\$ (21,879)	\$ 33,438

Note 6

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments of \$3,726 (December 31, 2008 — \$2,805).

	September 30, 2009	December 31, 2008
Trade receivables, net	\$ 2,812	\$ 2,372
Straight-line rent receivables	7,197	6,714
Other accounts receivables	(1,766)	2,791
	\$ 8,243	\$ 11,877

	September 30, 2009	December 31, 2008
Trade receivables	\$ 3,784	\$ 2,921
Less: Provision for impairment of trade receivables	(972)	(549)
Trade receivables, net	\$ 2,812	\$ 2,372

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

	2009	2008
As at January 1	\$ 549	\$ 413
Provision for impairment of trade receivables	1,015	87
Receivables written off during the period as uncollectible	(572)	(65)
Reduction of other receivables written off during the period	—	(217)
Translation adjustment	(20)	1
As at September 30	\$ 972	\$ 219

As at September 30, 2009, trade receivables of approximately \$385 were past due but not considered impaired. The Trust has ongoing relationships with these tenants and default is not expected.

Note 7

PREPAID EXPENSES AND OTHER ASSETS

	September 30, 2009	December 31, 2008
Prepaid expenses	\$ 2,784	\$ 2,175
Deposits	112	24
Restricted cash	1,816	3,244
Total	\$ 4,712	\$ 5,443

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

Note 8

INTANGIBLE ASSETS AND LIABILITIES

	September 30, 2009			December 31, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	\$ 2,494	\$ (975)	\$ 1,519	\$ 2,754	\$ (1,058)	\$ 1,696
Value of in-place leases	34,158	(18,448)	15,710	39,561	(19,462)	20,099
Lease origination costs	7,973	(3,704)	4,269	8,284	(3,402)	4,882
Value of tenant relationships	31,431	(11,068)	20,363	32,901	(9,609)	23,292
Total	\$ 76,056	\$ (34,195)	\$ 41,861	\$ 83,500	\$ (33,531)	\$ 49,969
Intangible liabilities						
Value of below-market rent leases	\$ 61,518	\$ (27,372)	\$ 34,146	\$ 68,654	\$ (26,713)	\$ 41,941

Note 9

DEBT

	September 30, 2009	December 31, 2008
Mortgages	\$ 710,474	\$ 754,448
Convertible debentures	129,654	128,902
Term debt	249	345
Total	\$ 840,377	\$ 883,695

Mortgages are secured by charges on specific rental properties.

Convertible debentures comprise \$118,632 of the 6.0% Debentures, \$7,733 of the 5.7% Debentures and \$3,289 of the 6.5% Debentures (December 31, 2008 — \$117,922, \$7,703 and \$3,277, respectively).

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

On April 1, 2005, the Trust issued \$100,000 principal amount convertible unsecured subordinated debentures (the “5.7% Debentures”). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, have a conversion price of \$30.00 per Unit and mature on March 31, 2015. As at September 30, 2009, the outstanding principal amount is \$7,806 (December 31, 2008 — \$7,806).

On June 21, 2004, the Trust issued \$75,000 principal amount convertible unsecured subordinated debentures (the “6.5% Debentures”). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually on June 30 and December 31 each year, have a conversion price of \$25.00 per Unit and mature on June 30, 2014. As at September 30, 2009, the outstanding principal amount is \$3,488 (December 31, 2008 — \$3,488).

A demand revolving credit facility was renewed on May 31, 2009, and is available up to a formula-based maximum not to exceed \$40,000, bearing interest generally at the bank prime rate (2.25% as at September 30, 2009) plus 1.5% or bankers’ acceptance rates plus 3.0%. The facility is secured by a first-ranking collateral mortgage on two of the Trust’s properties and a second-ranking collateral mortgage on one property. As at September 30, 2009, the formula-based amount available under this facility was \$32,608, less \$1,225 drawn in the form of letters of guarantee (December 31, 2008 — \$nil drawn). The facility expires on April 30, 2010.

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

	Weighted average interest rates			Debt amount	
	September 30, 2009	December 31, 2008	Maturity dates	September 30, 2009	December 31, 2008
Fixed rate					
Mortgages	5.68%	5.70%	2009—2019	\$ 679,183	\$ 703,409
Convertible debentures	7.03%	7.03%	2014—2015	129,654	128,902
Term debt	9.03%	9.03%	2009—2011	249	345
Total fixed rate debt	5.90%	5.90%		809,086	832,656
Variable rate					
Mortgages	2.01%	4.54%	2013	31,291	51,039
Total variable rate debt	2.01%	4.54%		31,291	51,039
Total debt	5.75%	5.83%		\$ 840,377	\$ 883,695

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Convertible debentures	Total
2009	\$ 9,896	\$ 20	\$ —	\$ 9,916
2010	22,556	127	—	22,683
2011	88,532	102	—	88,634
2012	114,616	—	—	114,616
2013	113,716	—	—	113,716
2014 and thereafter	360,557	—	136,294	496,851
	709,873	249	136,294	846,416
Deferred financing costs and fair value adjustments	601	—	(6,640)	(6,039)
	\$ 710,474	\$ 249	\$ 129,654	\$ 840,377

Included in mortgages is \$2,941 in fair value adjustments (December 31, 2008 — \$3,755), which reflects the fair value adjustments for mortgages assumed as part of acquisitions, net of \$2,340 (December 31, 2008 — \$2,263) of unamortized deferred financing costs. The convertible debentures are reduced by a \$1,813 premium (December 31, 2008 — \$2,008) allocated to their conversion features and \$4,827 of unamortized deferred financing costs (December 31, 2008 — \$5,384). The fair value adjustment, premium and deferred financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Note 10

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2009	December 31, 2008
Trade payables	\$ 1,863	\$ 183
Accrued liabilities and other payables	9,947	9,086
Accrued interest	5,261	3,571
Deposits	5,426	5,030
Rent received in advance	890	902
Total	\$ 23,387	\$ 18,772

Note 11

DISTRIBUTIONS

The following table breaks down distribution payments for the period ended September 30, 2009:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	\$ 26,217	\$ 27	\$ 5,689	\$ 31,933
Paid by way of reinvestment in REIT A Units	2,263	—	—	2,263
Less: Payable at December 31, 2008	(3,114)	(3)	(632)	(3,749)
Plus: Payable at September 30, 2009	3,890	3	632	4,525
Total	\$ 29,256	\$ 27	\$ 5,689	\$ 34,972

The amount payable at September 30, 2009, was satisfied on October 15, 2009, by way of \$4,269 in cash and \$256 by way of 12,818 REIT A Units. Included in the total distributions is \$75, representing the 4% bonus distribution that forms part of the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

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

Note 12

UNITHOLDERS' EQUITY

	September 30, 2009		December 31, 2008	
	Number of Units	Amount	Number of Units	Amount
				(Restated, see Note 2)
REIT Units, Series A	21,204,815	\$ 317,685	16,947,240	\$ 271,087
REIT Units, Series B	16,316	359	16,316	371
LP Class B Units, Series 1	3,454,188	93,660	3,454,188	98,260
Cumulative foreign currency translation adjustment	—	(6,074)	—	(5,275)
Total	24,675,319	\$ 405,630	20,417,744	\$ 364,443

Dundee REIT Units

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

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

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

Special Trust Units are issued in connection with LP B Units. The Special Trust Units are not transferable separately from the LP B Units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP B Units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained upon the surrender or exchange of the LP B Units to which they relate. At September 30, 2009, 3,454,188 Special Trust Units were issued and outstanding (December 31, 2008 — 3,454,188).

	REIT Units, Series A		REIT Units, Series B		LP Class B Units, Series 1		Accumulated other comprehensive loss	Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount		Number of Units	Amount
Unitholders' equity,									
January 1, 2009	16,947,240	\$ 271,221	16,316	\$ 371	3,454,188	\$ 98,309	\$ (5,275)	20,417,744	\$ 364,626
Adjustment to opening unitholders' equity to comply with new accounting standard	—	(134)	—	—	—	(49)	—	—	(183)
Unitholders' equity,									
January 1, 2009 (restated)	16,947,240	271,087	16,316	371	3,454,188	98,260	(5,275)	20,417,744	364,443
Net income	—	5,710	—	15	—	1,089	—	—	6,814
Distributions paid	—	(25,366)	—	(24)	—	(5,057)	—	—	(30,447)
Distributions payable	—	(3,890)	—	(3)	—	(632)	—	—	(4,525)
Public offering of REIT A Units	3,852,500	70,693	—	—	—	—	—	3,852,500	70,693
Distribution Reinvestment Plan	156,505	2,263	—	—	—	—	—	156,505	2,263
Unit Purchase Plan	8,727	135	—	—	—	—	—	8,727	135
Deferred Unit Incentive Plan	—	638	—	—	—	—	—	—	638
Deferred Units exchanged for REIT A Units	239,873	—	—	—	—	—	—	239,873	—
Issue costs	—	(3,585)	—	—	—	—	—	—	(3,585)
Unit redemption	(30)	—	—	—	—	—	—	(30)	—
Change in foreign currency translation adjustment	—	—	—	—	—	—	(799)	—	(799)
Unitholders' equity,									
September 30, 2009	21,204,815	\$ 317,685	16,316	\$ 359	3,454,188	\$ 93,660	\$ (6,074)	24,675,319	\$ 405,630

Public offering of REIT A Units

On September 9, 2009, the Trust completed a public offering of 3,350,000 REIT A Units at a price of \$18.35 per unit for gross cash proceeds of \$61,473. On September 29, 2009, the Trust issued an additional 502,500 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriters for gross proceeds of approximately \$9,220. The exercise of the over-allotment option increased the total gross proceeds of the offering to approximately \$70,693. Costs related to the offering of \$3,585 were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

For the nine months ended September 30, 2009, 156,505 REIT A Units and nil LP B Units were issued under the DRIP for \$2,263 (September 30, 2008 — 3,195 REIT A Units and 138,840 LP B Units for \$7,689). For the same period, 8,727 REIT A Units were issued under the Unit Purchase Plan for \$135 (September 30, 2008 — 20,606 REIT A Units for \$669).

Conversion of debentures

Year-to-date, no debentures have been converted. During the period ended September 30, 2008, the Trust issued 24,920 REIT A Units upon conversion of \$623 of the 6.5% Debentures and 15,559 REIT A Units upon the conversion of \$467 of the 5.7% Debentures.

Deferred Unit Incentive Plan

During the nine months ended September 30, 2009, \$638 of compensation expense was recorded (September 30, 2008 — \$248) and is included in general and administrative expenses. Income deferred trust units are accounted for as a distribution and an issuance of REIT A Units when the related deferred trust units vest. No amount in relation to income deferred trust units is recognized in net income.

	Weighted average grant date value	Deferred trust units	Income deferred trust units	Total units
Outstanding at December 31, 2008	\$ 32.94	309,226	66,660	375,886
Granted during the period	13.49	98,003	25,059	123,062
REIT A Units issued	27.92	(189,311)	(50,562)	(239,873)
Fractional units paid in cash	—	—	(9)	(9)
Outstanding and payable at September 30, 2009	\$ 28.55	217,918	41,148	259,066
Vested but not issued at September 30, 2009	\$ 25.50	52,988	18,629	71,617

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

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

Normal course issuer bid

The Trust renewed its normal course issuer bid which commenced on September 26, 2009, and will remain in effect until the earlier of September 25, 2010, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 1,648,026 REIT A Units (representing 10% of the REIT's public float of 16,480,260 REIT A Units at the time of renewal through the facilities of the TSX). As of September 30, 2009, no purchases had been made. Based on the closing price of the REIT A Units on September 30, 2009, the Trust may purchase up to \$32,071 worth of REIT A Units.

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	
	2009	2008	2009	2008
Interest expense incurred, at stated rate of debt	\$ 12,413	\$ 12,626	\$ 37,433	\$ 35,641
Amortization of deferred financing costs	302	290	905	823
Amortization of fair value adjustments on acquired debt	(200)	(139)	(618)	(628)
Interest capitalized	(5)	(13)	(18)	(40)
Interest expense	\$ 12,510	\$ 12,764	\$ 37,702	\$ 35,796

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition (“fair value adjustment”). This fair value adjustment is amortized to interest expense over the remaining life of the debt using the effective interest rate method.

Note 14

INCOME TAXES

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

Canadian and U.S.-based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. A future income tax liability as at September 30, 2009 of \$2,232 (December 31, 2008 – \$3,387) has been recorded to reflect the future tax obligations of these subsidiaries and comprises amounts resulting from the differences in tax and book values relating to the underlying rental properties.

Note 15

INCOME (LOSS) PER UNIT

The weighted average number of units outstanding was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
REIT A Units and REIT B Units	18,376,182	17,547,813	17,757,535	17,598,175
LP B Units	3,454,188	3,441,157	3,454,188	3,385,061
Vested deferred trust units	52,988	259,803	77,574	259,719
Total weighted average number of units outstanding for basic income per unit amounts	21,883,358	21,248,773	21,289,297	21,242,955
Add incremental units:				
Unvested deferred trust units	—	2,444	—	4,521
Income deferred trust units	9,883	1,922	9,788	807
Total weighted average number of units outstanding for diluted income per unit amounts	21,893,241	21,253,139	21,299,085	21,248,283

The 3,419,124 incremental REIT A Units to be issued upon an assumed conversion of all debentures outstanding at September 30, 2009 (September 30, 2008 – 3,419,957) have been excluded from the calculation of diluted net income (loss) per unit as they are anti-dilutive.

Note 16

SEGMENTED INFORMATION

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

For the three months ended
September 30, 2009

	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	\$ 43,580	\$ 4,161	\$ 47,741	\$ —	\$ 47,741
Operating expenses	16,601	1,221	17,822	—	17,822
Net operating income	26,979	2,940	29,919	—	29,919
Depreciation of rental properties	6,170	809	6,979	—	6,979
Amortization of deferred leasing costs, tenant improvements and intangibles	4,984	366	5,350	—	5,350
Segment income	\$ 15,825	\$ 1,765	\$ 17,590	\$ —	17,590
Interest expense					(12,510)
General and administrative expenses					(1,666)
Interest and fee income					299
Income taxes					(91)
Discontinued operations					4,105
Net income					\$ 7,727
Capital expenditures					
Investment in rental properties	\$ (1,188)	\$ —	\$ (1,188)	\$ (3)	\$ (1,191)
Investment in tenant improvements	(1,330)	(39)	(1,369)	—	(1,369)
Acquisition of rental properties	(26,481)	—	(26,481)	—	(26,481)
Deferred leasing costs	(1,003)	(154)	(1,157)	(9)	(1,166)
Total capital expenditures	\$ (30,002)	\$ (193)	\$ (30,195)	\$ (12)	\$ (30,207)

For the three months ended September 30, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	\$ 42,495	\$ 3,846	\$ 46,341	\$ —	\$ 46,341
Operating expenses	16,005	1,266	17,271	—	17,271
Net operating income	26,490	2,580	29,070	—	29,070
Depreciation of rental properties	6,081	680	6,761	—	6,761
Amortization of deferred leasing costs, tenant improvements and intangibles	6,645	252	6,897	—	6,897
Segment income	\$ 13,764	\$ 1,648	\$ 15,412	\$ —	15,412
Interest expense					(12,764)
General and administrative expenses					(1,750)
Interest and fee income					972
Income taxes					(70)
Discontinued operations					325
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	(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 nine months ended
September 30, 2009

	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	\$ 130,873	\$ 12,232	\$ 143,105	\$ —	\$ 143,105
Operating expenses	48,645	4,038	52,683	—	52,683
Net operating income	82,228	8,194	90,422	—	90,422
Depreciation of rental properties	18,442	2,198	20,640	—	20,640
Amortization of deferred leasing costs, tenant improvements and intangibles	15,480	1,143	16,623	—	16,623
Segment income	\$ 48,306	\$ 4,853	\$ 53,159	\$ —	53,159
Interest expense					(37,702)
General and administrative expenses					(5,098)
Interest and fee income					1,267
Income taxes					(474)
Discontinued operations					(4,338)
Net income					\$ 6,814
Segment rental properties	\$1,026,356	\$ 90,776	\$ 1,117,132	\$ 1,132	\$ 1,118,264
Capital expenditures					
Investment in rental properties	\$ (3,097)	\$ (16)	\$ (3,113)	\$ (109)	\$ (3,222)
Investment in tenant improvements	(3,895)	(540)	(4,435)	(386)	(4,821)
Acquisition of rental properties	(26,481)	—	(26,481)	—	(26,481)
Deferred leasing costs	(2,632)	(216)	(2,848)	(175)	(3,023)
Total capital expenditures	\$ (36,105)	\$ (772)	\$ (36,877)	\$ (670)	\$ (37,547)

For the nine months ended September 30, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	\$ 121,349	\$ 11,770	\$ 133,119	\$ —	\$ 133,119
Operating expenses	45,194	3,652	48,846	—	48,846
Net operating income	76,155	8,118	84,273	—	84,273
Depreciation of rental properties	17,373	2,064	19,437	—	19,437
Amortization of deferred leasing costs, tenant improvements and intangibles	19,052	1,163	20,215	—	20,215
Segment income	\$ 39,730	\$ 4,891	\$ 44,621	\$ —	44,621
Interest expense					(35,796)
General and administrative expenses					(4,864)
Interest and fee income					2,885
Income taxes					(203)
Discontinued operations					251
Net income					\$ 6,894
Segment rental properties	\$ 1,021,262	\$ 103,015	\$ 1,124,277	\$ 20,859	\$ 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	(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)

Note 17

RELATED-PARTY TRANSACTIONS AND ARRANGEMENTS

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

For the period ended September 30, 2009, the Trust received total fees from DRC of \$1,403 (September 30, 2008 — \$1,348). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the period ended September 30, 2009, include \$2,578 for operating and administration costs of regional offices (September 30, 2008 — \$2,184).

The Trust paid total fees to DRC of \$3,920 in the period ended September 30, 2009 (September 30, 2008 — \$4,961), under the Asset Management Agreement. The decrease reflects that no acquisitions were completed in the current nine months compared to 2008.

Included in amounts receivable at September 30, 2009, is \$nil related to the Services Agreement (December 31, 2008 — \$(43)), \$33 related to the Asset Management Agreement (December 31, 2008 — \$210) and \$nil related to other amounts owed by DRC (December 31, 2008 — \$156). Accrued liabilities and other payables at September 30, 2009, include \$47 for amounts related to the Asset Management Agreement (December 31, 2008 — \$nil) and \$316 for other amounts collected on behalf of DRC (December 31, 2008 — \$nil).

Note 18

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

On August 31, 2009, the Trust sold two industrial properties for net consideration of \$14,937 and recognized a gain on sale of \$4,285.

As at June 30, 2009, the Trust classified a retail property, located in Atlanta, Georgia, which is directly owned by a subsidiary, as a discontinued asset. The Trust has determined that further funds required to meet the lender's debt-to-market value requirements on the property at the maturity of the mortgage are not warranted from a business perspective. As a result, the lender has commenced foreclosure proceedings on the property. The net assets of the property have been written down and the results of operations, along with comparative amounts, have been classified as discontinued operations. The Trust has recognized a total provision for impairment of \$9,301, which includes a \$4,868 write-down of the carrying value of the net assets of the property, a \$1,581 write-off of the future income tax liability associated with the U.S. operations, and a provision of \$6,054 for the accumulated foreign currency translation adjustment associated with the investment in the net assets of the property. The Trust's subsidiary received the foreclosure notice dated July 1, 2009, and accordingly, shows the mortgage liability of \$17,237 as a discontinued liability. Recourse under the mortgage is limited to the property and related assets. The discontinued assets of \$10,978 represent the Trust's carrying value of the property based on the estimated fair value.

As of July 1, 2009, the Trust no longer has effective control of the property as all the operational decisions and all the benefits of the property's operations, including the cash flows, flow to the lender. The results of operations related to the property for the three-month period ended September 30, 2009, are approximately \$1,082 of revenue, \$617 of operating expenses and \$398 of interest expense. As at September 30, 2009, the foreclosure has not been completed.

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

For the period ended September 30, 2008, the Trust recognized an additional \$257 in costs associated with the sale of the Eastern Portfolio to GE Real Estate and the sale of a property in Montréal.

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

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Revenues				
Rental properties revenue	\$ 280	\$ 1,486	\$ 3,578	\$ 4,343
Interest and other income	—	1	17	30
	280	1,487	3,595	4,373
Expenses				
Rental properties operating expenses	93	780	1,642	2,108
Interest	—	278	429	900
Depreciation of rental properties	42	229	568	676
Amortization of deferred leasing costs, tenant improvements and intangibles	27	88	277	273
General and administrative	1	1	1	1
	163	1,376	2,917	3,958
Income before undernoted	117	111	678	415
Provision for impairment in value of discontinued assets	297	—	9,301	—
Loss (gain) on disposal of rental properties	(4,285)	(169)	(4,285)	257
Current income taxes	(20)	—	—	—
Future income taxes	20	(45)	—	(93)
Net income (loss) from discontinued operations	\$ 4,105	\$ 325	\$ (4,338)	\$ 251

Note 19

COMMITMENTS AND CONTINGENCIES

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

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

Period ending September 30	Operating lease payments	Capital lease payments
2009	\$ 296	\$ 36
2010	1,040	142
2011	911	106
2012	774	—
2013	653	—
Total	\$ 3,674	\$ 284

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of approximately \$4,700.

Effective September 1, 2009, the Trust entered into three fixed price contracts to purchase natural gas with respect to 14 office properties in Calgary. The contracts expire on December 31, 2012, and lock the Trust in for total minimum payments of \$183 for the remainder of 2009 and \$598 annually for each of the years 2010, 2011 and 2012.

The Trust has a fixed price utility contract with respect to four office properties in Calgary. The contract is for a one-year period (expiring on December 31, 2009) and locks the Trust in for total minimum payments of \$409.

The Trust has entered into an agreement to purchase, from a former joint venture partner, a fully leased office building currently under construction, at a future date for \$20,788, with maximum adjustments to the closing price of \$500. The closing date is expected to be in the first half of 2010. Funding for this development is available through cash on hand and an available line of credit.

During the second quarter of 2009, the Trust committed to construct an office property in Yellowknife, Northwest Territories, which is fully leased for a ten-year term to the Government of Canada. Estimated construction costs are \$20,000. Funding for this development is available through cash on hand and an available line of credit.

Note 20

SUPPLEMENTARY CASH FLOW INFORMATION

	For the three months ended September 30		For the nine months ended September 30	
	2009	2008	2009	2008
Decrease (increase) in accounts receivable	\$ 1,489	\$ (149)	\$ 3,790	\$ 1,201
Decrease in deferred costs (other than leasing costs)	91	119	316	347
Decrease (increase) in prepaid expenses and other assets (excluding restricted cash and promissory notes)	(32)	175	(735)	17
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)	1,954	1,653	5,314	(2,616)
Increase (decrease) in accounts payable relating to leasing costs	(102)	(117)	(232)	208
Change in non-cash working capital	\$ 3,400	\$ 1,681	\$ 8,453	\$ (843)

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	
	2009	2008	2009	2008
Interest	\$ 10,809	\$ 10,787	\$ 36,113	\$ 33,756
Income taxes	16	176	21	146

Corporate information

Head office

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State Street Financial Centre
30 Adelaide Street East, Suite 1600
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Phone: (416) 365-3535
Fax: (416) 365-6565

Transfer agent

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

**COMPUTERSHARE
TRUST COMPANY OF CANADA**

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Auditors

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Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols

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

Distribution Reinvestment and Unit Purchase Plan

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

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

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

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

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



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