

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), and accordingly will not be offered, sold or delivered, directly or indirectly within the United States of America, its possessions and other areas subject to its jurisdiction or to, or for the account or for the benefit of, a U.S. person (as defined in Regulation S under the 1933 Act), except in limited circumstances. See "Plan of Distribution".

New Issue

## SHORT FORM PROSPECTUS

December 7, 2005



# DUNDEE REAL ESTATE INVESTMENT TRUST

**\$65,000,000**

**2,600,000 REIT Units, Series A**

This short form prospectus qualifies the distribution of 2,600,000 REIT Units, Series A ("Units") of Dundee Real Estate Investment Trust ("Dundee REIT") at a price of \$25.00 per Unit.

Our outstanding Units are listed on the Toronto Stock Exchange under the symbol "D.UN". The closing price of the Units on the Toronto Stock Exchange on November 24, 2005, the day before announcement of this offering, was \$25.56. The Toronto Stock Exchange has conditionally approved the listing of these Units. Listing is subject to Dundee REIT fulfilling all of the requirements of the Toronto Stock Exchange on or before February 23, 2006.

### Price: \$25.00 per Unit

	<u>Price to the Public</u>	<u>Underwriters' Fee</u>	<u>Net Proceeds to Dundee REIT (1)</u>
Per Unit . . . . .	\$25.00	\$1.00	\$24.00
Total offering (2) . . . . .	\$65,000,000	\$2,600,000	\$62,400,000

- (1) After deducting the Underwriters' fee but before deducting expenses of this offering, estimated to be \$450,000, which will be paid from the proceeds of this offering.
- (2) We have granted to the Underwriters an option (the "Over-Allotment Option") exercisable in whole or in part for a period of 30 days from the closing of this offering, to purchase up to 390,000 additional Units on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the total Price to the Public, Underwriters' Fee and Net Proceeds to Dundee REIT will be \$74,750,000, \$2,990,000 and \$71,760,000, respectively. See "Plan of Distribution." This prospectus qualifies the grant of the Over-Allotment Option and the issuance of Units on the exercise of the Over-Allotment Option.

The price of the Units offered under this prospectus was established by negotiation between us and TD Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., National Bank Financial Inc., Canaccord Capital Corporation, Desjardins Securities Inc., HSBC Securities (Canada) Inc. and Trilon Securities Corporation (collectively, the "Underwriters"). **The Underwriters may offer the Units at a price lower than that stated above. See "Plan of Distribution".**

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

**There are certain risks inherent in an investment in our Units and in our activities. Prospective investors should carefully consider these risk factors before purchasing Units. See "Risk Factors".** In the opinion of counsel, the Units will not, at the date hereof, be precluded as investments as set out under "Eligibility for Investment".

A return on an investment in Units is not comparable to the return on investment in a fixed income security. The recovery of your investment in Units is at risk, and the anticipated return on your investment in Units is based on many performance assumptions. Although we intend to make distributions of our available cash to holders of Units, these cash distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors disclosed in our continuous disclosure documents. In addition, the market value of the Units may decline if we are unable to meet our cash distribution targets in the future, and that decline may be significant.

It is important for you to consider the particular risk factors that may affect the real estate industry, and therefore the stability of the distributions that holders of Units receive. See, for example, "Risks Inherent in the Real Estate Industry May Affect Our Financial Performance" under the section "Risk Factors" in our annual information form dated March 24, 2005. That section also describes our assessment of certain of those risk factors, as well as the potential consequences to you if a risk should occur.

The after-tax return to unitholders from an investment in Units will depend, in part, on the composition for income tax purposes of distributions paid by Dundee REIT on its Units, portions of which may be fully or partially taxable or may constitute tax deferred distributions which are not subject to tax at the time of receipt but reduce a unitholder's cost base in the Unit for tax purposes. The composition may change over time, thus affecting a unitholder's after-tax return. Distributions of the taxable income of Dundee REIT are generally taxed as ordinary income or as dividends in the hands of a unitholder. Distributions in excess of the taxable income of Dundee REIT are generally tax-deferred (and reduce a unitholder's cost base in the Unit for tax purposes).

*(Continued on next page)*

*(Continued from front cover)*

We are not a trust company and are not registered under applicable legislation governing trust companies as we do not carry on the business of a trust company. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued and delivered by us and accepted by the Underwriters in accordance with the conditions of the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on our behalf by Osler, Hoskin & Harcourt LLP and on behalf of the Underwriters by Torys LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. It is anticipated that definitive certificates representing the Units will be available for delivery at closing, which is anticipated to be December 14, 2005 but in any event no later than December 21, 2005.

One of the Underwriters, Dundee Securities Corporation, is an indirect subsidiary of Dundee Corporation. Dundee Realty, an indirect subsidiary of Dundee Corporation, together with its affiliates hold an approximate 33% voting interest in Dundee REIT by virtue of their holding of Special Trust Units. **Accordingly, we are a related issuer of Dundee Securities Corporation for the purposes of applicable Canadian securities legislation.** See “Plan of Distribution”.

An affiliate of one of the Underwriters, HSBC Securities (Canada) Inc., has provided us with a secured revolving credit facility. **Consequently, we may be a connected issuer of HSBC Securities (Canada) Inc. for the purposes of applicable Canadian securities legislation.** See “Plan of Distribution”.

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All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

### DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Dundee REIT at 30 Adelaide Street East, Suite 1600, Toronto, Ontario, M5C 3H1 (telephone 416-365-3535). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of Dundee REIT at the above-noted address and telephone number.

The following documents, filed with the various securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the annual information form of Dundee REIT dated March 24, 2005;
- (b) the management information circular of Dundee REIT dated April 7, 2005 prepared in connection with the annual and special meeting of unitholders held on May 5, 2005, other than the disclosure under the headings entitled "Statement of Corporate Governance Practices", "Report on Executive Compensation" and "Unitholder Return Performance Graph";
- (c) the audited consolidated financial statements of Dundee REIT as at December 31, 2004 and December 31, 2003 and for the year ended December 31, 2004 and the six months ended December 31, 2003, together with the notes thereto and the auditors' report thereon;
- (d) management's discussion and analysis of financial condition and results of operations of Dundee REIT for the year ended December 31, 2004;
- (e) the unaudited consolidated financial statements of Dundee REIT as at September 30, 2005 and for the nine months ended September 30, 2005; and
- (f) management's discussion and analysis of the financial condition and results of operation of Dundee REIT for the nine months ended September 30, 2005.

Any documents of the type referred to above, any comparative interim financial statements and any material change reports (excluding confidential material change reports, if any) filed by Dundee REIT with the provincial securities commissions or similar authorities in Canada after the date of this short form prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference into and form an integral part of this short form prospectus. **Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document that also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or omission to state a material fact that was required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall be deemed, except as so modified or superseded, not to constitute a part of this short form prospectus.**

### **FORWARD-LOOKING STATEMENTS**

This prospectus includes or incorporates by reference certain statements that are “forward-looking statements”. All statements, other than statements of historical fact, in this prospectus that address activities, events or developments that we or a third party expect or anticipate will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect our current beliefs and are based on information currently available to us and on assumptions we believe are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under “Risk Factors” and elsewhere in this prospectus. Certain of these risk factors and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this prospectus are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. These forward-looking statements are made as of the date of this prospectus and we assume no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise.

### **TERMS USED TO DESCRIBE DUNDEE REIT AND ITS BUSINESS**

Dundee REIT’s investment and operating activities are limited, because our operating business is carried out by Dundee Properties LP, our principal operating subsidiary. For simplicity, we use terms in this prospectus to refer to our business and operations as a whole. Accordingly, in this prospectus, unless the context otherwise requires, when we use terms such as “we”, “us” and “our”, we are referring to Dundee REIT and its subsidiary entities, including trusts and partnerships in which Dundee REIT owns directly or indirectly more than a 50% equity interest. When we use expressions such as “our business”, we are referring to the business of Dundee REIT and these subsidiary entities as a whole. When we use expressions such as “our properties”, “our portfolio”, “we own” or “we invest in” in relation to our properties, we are referring to Dundee REIT’s ownership of and investment in our properties indirectly through Dundee Properties LP. When we use expressions such as “we operate” in relation to the operations of Dundee REIT, we are referring to Dundee REIT’s operation through its indirect interest in Dundee Properties LP.

## DUNDEE REIT

We are a provider of high quality, affordable business premises. We focus on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties in Canada. Our diversified portfolio consists of approximately 15.6 million square feet of gross leasable area, located primarily in our target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton. Our portfolio is well diversified by asset type, geographic location and tenant mix. Through our joint interest in Dundee Management LP, we currently provide property management services to our tenants and other businesses.

We believe that our experienced and entrepreneurial management team, real estate expertise, diversified real estate portfolio, market presence and track record of creating value for investors are competitive advantages that help us achieve our objectives. Our objectives are to:

- Provide holders of our units with predictable and sustainable cash distributions, payable monthly and, to the extent reasonably possible, on a Canadian income tax deferred basis, from a portion of the cash flow generated from our commercial revenue producing properties;
- Prudently increase cash distributions as the performance of our underlying business warrants;
- Improve the overall value of our enterprise through the effective management of our business and finances; and
- Improve the overall value of our enterprise by acquiring additional commercial revenue producing properties that add value to our overall portfolio.

Our strategy is to preserve and increase the value of our properties through prudent and innovative management, build and maintain a diversified portfolio of properties and meet our tenants' needs by offering a high level of service. In order to further our external growth strategy, we make strategic acquisitions, reposition properties where opportunities exist and build on our third party property management business.

Dundee REIT is an unincorporated, open-ended real estate investment trust governed by the laws of Ontario. Dundee REIT is a "mutual fund trust" as defined in the *Income Tax Act* (Canada), but is not a "mutual fund" within the meaning of applicable Canadian securities legislation. Our head office is located at 30 Adelaide Street East, Suite 1600, Toronto, Ontario, M5C 3H1. A copy of our Declaration of Trust is available from our Secretary during the period of distribution of the Units and will be available on SEDAR at [www.sedar.com](http://www.sedar.com).

## RECENT DEVELOPMENTS

The following table provides an overview of the properties we have acquired since March 24, 2005, the date of our most recent annual information form. Additional details regarding these properties are set out below.

Property	Property Type	Interest Acquired	Occupancy on acquisition	Acquired GLA (sq. ft.)	Purchase Price (\$'000's)	Date Acquired
56 Wellesley Street West, Toronto	Office	50%(1)	100%	108,000	14,150	April 1, 2005
120 Valleywood Drive, Markham	Flex Industrial	50%(1)	100%	30,000	1,670	April 1, 2005
2280 boul. Alfred-Nobel, Montréal	Office	100%	—	86,000	5,485	April 8, 2005
1000 boul. Saint-Jean, Montréal	Office	100%	98%	112,000	16,133	April 14, 2005
22000 Trans Canada Hwy. and 115 boul. Hymus, Montréal	Industrial	100%	100%	371,000	24,548	April 18, 2005
1415-1511 rue Berlier, Laval	Flex Industrial	100%	100%	64,000	4,442	May 5, 2005
375-425 Britannia Road, Mississauga	Industrial	100%	99%	121,000	10,485	May 30, 2005
Joffre Place, Calgary	Office	100%	96%	111,000	18,310	June 2, 2005
975 boul. Saint-Joseph, Gatineau	Office	100%	99%	194,000	25,945	June 17, 2005
400-480 boul. Armand Frappier, Laval	Office	100%	94%	198,000	35,513	June 20, 2005
2285 Speakman Drive, Mississauga	Office	100%	100%	131,000	13,161	June 27, 2005
199 Traders Blvd. East, Mississauga	Industrial	100%	100%	77,000	7,246	August 9, 2005
Scotia Centre, St. John's	Office	100%	100%	190,000	33,370	August 18, 2005
9975-9995 boul. de Catania, Brossard	Flex Industrial	100%	95%	124,000	15,989	August 30, 2005
1523-1531 rue Berlier, Laval	Industrial	100%	100%	6,000	540	August 30, 2005
3913-3917 81st Avenue, Leduc (Edmonton)	Land for development	100%	—	—	718	September 23, 2005
ACC Centre, Calgary	Flex industrial	100%	98%	64,000	6,900	November 8, 2005
35 Fitzgerald Road, Ottawa	Office	100%	100%	63,000	11,800	November 9, 2005
2695 Ave. Dollard, Lasalle	Industrial	100%	100%	68,000	4,500	November 17, 2005
TOTAL				<u>2,118,000</u>	<u>250,905</u>	

(1) As a result of this acquisition, we now own 100% of this property.

### **Acquisition of 50% interest in each of 56 Wellesley Street West and 120 Valleywood Drive**

On April 1, 2005, we completed the purchase of the outstanding 50% interest in each of 56 Wellesley Street West, a 216,000 square foot office building located in downtown Toronto, Ontario and 120 Valleywood Drive, a 59,000 square foot multi-tenant flex industrial building located in Markham, Ontario, for approximately \$14.2 million and \$1.7 million, respectively. We now own 100% of each property.

### **Acquisition of 2280 Boulevard Alfred-Nobel**

On April 8, 2005, we completed the purchase of 2280 Boulevard Alfred-Nobel, an 86,000 square foot, four-storey building containing Class A office space located in Technoparc Saint-Laurent, Montréal, Québec, for approximately \$5.5 million. The property was constructed in 2000 and complements our existing Technoparc Saint-Laurent assets which were acquired in 2004. The property includes sufficient land and density to construct a 50,000 square foot second phase.

### **Acquisition of 1000 Boulevard St. Jean**

On April 14, 2005, we completed the purchase of 1000 Boulevard St. Jean, a 112,000 square foot, seven-storey suburban office building located in Montréal, Québec for approximately \$16.1 million. The property is in close proximity to our existing properties at 953-981 and 985 St-Jean, 1-243 Place Frontenac and 300 Ave. Labrosse.

### **Acquisition of 22000 Trans Canada Highway and 115 Boulevard Hymus**

On April 18, 2005, we completed the purchase of 22000 Trans Canada Highway and 115 Boulevard Hymus, single tenant industrial buildings totaling 371,000 square feet and offering 22 foot and 30 foot clear ceiling heights located in Montréal, Québec, for approximately \$24.5 million. The buildings were built/renovated between 2000 and 2002 and are leased for 20 years to a major North American manufacturer and distributor of spices and noodles.

### **Acquisition of 1415-1511 and 1523-1531 Rue Berlier**

On May 5, 2005, we completed the purchase of 1415-1511 rue Berlier, a 64,000 square foot, multi-tenant flex industrial building located in Laval, Québec, for approximately \$4.4 million. On August 30, 2005, we completed the purchase of 1523-1531 Rue Berlier, a 6,000 square foot industrial property located in Laval, Québec, for approximately \$0.5 million. The buildings were constructed between 2000 and 2002 and comprise an entire complex.

### **Acquisition of 375-425 Britannia Road**

On May 30, 2005, we completed the purchase of 375-425 Britannia Road (Britannia Business Centre), a 121,000 square foot, multi-tenant office and industrial complex located along Highway 401 in Mississauga, Ontario for approximately \$10.5 million. The complex was developed in 1988 and is leased to a variety of tenants.

### **Acquisition of Joffre Place**

On June 2, 2005, we completed the purchase of Joffre Place, a 111,000 square foot, six-storey office building located in the Beltline district of Calgary, Alberta for approximately \$18.3 million. The complex was developed in 1980 and is leased to a variety of tenants.

### **Acquisition of 975 Boulevard St. Joseph**

On June 17, 2005, we completed the purchase of 975 Boulevard St. Joseph located in Gatineau, Québec, a 194,000 square foot, five-storey, suburban office building, for approximately \$25.9 million. The building was constructed in 1983 and was renovated and expanded in 2001. The federal and provincial governments are the primary tenants.

#### **Acquisition of 400-480 Boulevard Armand Frappier**

On June 20, 2005, we completed the purchase of 400-480 Boulevard Armand Frappier, a 198,000 square foot, four building office complex located in Laval, Québec, for approximately \$35.5 million. The complex was constructed between 1999 and 2003.

#### **Acquisition of 2285 Speakman Drive**

On June 27, 2005, we completed the purchase of 2285 Speakman Drive, a 131,000 square foot, four-storey office building located in Mississauga, Ontario, for approximately \$13.2 million. This building is in the same research park as 2599 Speakman Drive, which we acquired in January 2005.

#### **Acquisition of 199 Traders Boulevard East**

On August 9, 2005, we completed the purchase of 199 Traders Boulevard East, a 77,000 square foot, single tenant office and industrial building located in Mississauga, Ontario, for approximately \$7.2 million. The building is located in a business park and was built in 1996.

#### **Acquisition of Scotia Centre**

On August 18, 2005, we completed the purchase of the Scotia Centre, a 190,000 square foot, eleven-storey Class A office building located in St. John's, Newfoundland, for approximately \$33.4 million. The building was constructed in 1987.

#### **Acquisition of 9975-9995 Boulevard de Catania**

On August 30, 2005, we completed the purchase of 9975-9995 Boulevard de Catania, a 124,000 square foot multi-tenant flex industrial building located in Brossard, Québec, for approximately \$16.0 million. The building was completed in 2004 and is the first phase of a larger office and industrial park located at the junction of two major highways.

#### **Acquisition of 3913-3917 81st Avenue**

On September 23, 2005, we completed the purchase of 3913-3917 81st Avenue, a parcel of land located in Leduc, Alberta for approximately \$0.7 million. We are constructing a 29,000 square foot design/build industrial property for a tenant. The estimated cost of construction is \$2.6 million and is scheduled to be completed in 2006. The tenant, from whom we purchased the land, has committed to a 15-year lease.

#### **Acquisition of the ACC Centre**

On November 8, 2005, we completed the purchase of the ACC Centre, a 64,000 square foot multi-tenant flex industrial property located in Calgary, Alberta, for approximately \$6.9 million. The building was constructed in 1998 and is located in close proximity to a portfolio of properties we acquired in February 2004.

#### **Acquisition of 35 Fitzgerald Road**

On November 9, 2005, we completed the purchase of 35 Fitzgerald Road, a 63,000 square foot, five-storey office building located in Ottawa, Ontario, for approximately \$11.8 million. The building was constructed in 2001, is leased primarily to the federal government and is located next to two of our other properties which are occupied by the same government agency.

#### **Acquisition of 2695 Avenue Dollard**

On November 17, 2005, we completed the purchase of 2695 Avenue Dollard, a 68,000 square foot industrial building located in Lasalle, Québec, for approximately \$4.5 million. This transaction involved a ten-year sale/leaseback. The building is located approximately one block from 2580 Avenue Dollard, another property we purchased in March of this year.

#### **Disposition of Simcoe Town Centre**

On November 15, 2005, we completed the sale of Simcoe Town Centre, a 128,000 square foot retail property located in Norfolk, Ontario. We received gross proceeds of approximately \$6.2 million, of which \$5.4 million was used to retire outstanding debt associated with the property. A loss of \$3.9 million was recognized on the sale.

## Current Discussions Regarding Acquisitions and Dispositions

Consistent with our past practices and in the normal course of business, we are engaged in discussions with respect to possible acquisitions of new properties and dispositions of existing properties in our portfolio. However, there can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any acquisition or disposition would be. We expect to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

The following table provides an overview of the properties in respect of which we have entered into an agreement to purchase. We have not completed the acquisition of these properties as of the date of this prospectus and we cannot assure you that these acquisitions will be completed.

<u>Property</u>	<u>Property Type</u>	<u>Interest to be Acquired</u>	<u>Occupancy</u>	<u>GLA (sq. ft.)</u>	<u>Estimated Purchase Price (\$000's)</u>
70 Disco Road, Toronto .....	Industrial	100%	100%	99,000	7,438
3820 Commerce Road, London and 147 Massey Road, Guelph .....	Industrial	100%	100%	81,000	7,994
545-579 rue Le Breton, Longueuil .....	Flex Industrial	100%	100%	38,000	2,390
630 Kernaghan Avenue, Winnipeg .....	Industrial	100%	100%	455,000	20,250
Entrust Building, Ottawa .....	Office	100%	100%	146,000	32,025
Palladium Phase 3 Lands, Ottawa .....	Vacant land with potential parking income	100%	—	—	800
Park 19, Edmonton .....	Industrial	100%	100%	48,000	2,675
3915 Commerce Road, London .....	Industrial	100%	100%	83,000	6,453
SEC Portfolio, Quebec .....	Multi-building office and industrial portfolio	100%	99%	274,000	20,780
TOTAL .....				<u>1,224,000</u>	<u>100,805</u>

We may choose to satisfy the purchase price for an acquisition in cash or by issuing Units or other securities or with any combination of the foregoing. We may also finance acquisitions through credit facilities or other indebtedness.

Certain properties within the Dundee Properties LP portfolio were acquired on a tax deferred basis. Accordingly, Dundee Properties LP's tax cost in certain properties will be less than the fair market value of those properties. If one or more of those properties are disposed of, the gain recognized by Dundee Properties LP for tax purposes will be in excess of that which it could have realized if it had acquired the properties with a tax cost equal to their fair market values. In addition, any disposition by us or one of our subsidiary entities of real estate located in the United States will be potentially subject to U.S. tax.

## Amendments to our Declaration of Trust

At our annual and special meeting of unitholders held on May 5, 2005, unitholders approved certain changes to our Declaration of Trust relating to how we define distributable income and relating to our Units and REIT Units, Series B. As a result of implementing these changes, the definitions of distributable income in our Declaration of Trust now include certain additional adjustments for non-cash items and adjustments to exclude non-cash revenues and certain expenses. We believe these changes will allow Unitholders to better assess the sustainability of cash distributions. See the definitions of "Distributable Income" and "Distributable Series B Income" in the Glossary of Terms in this prospectus.

The terms of our Units and REIT Units, Series B were also changed to allow REIT Units, Series B to be converted into Units on a one-for-one basis at the option of the holder. Our Declaration of Trust and other important agreements to which we are a party were also changed to simplify the manner in which Dundee Realty receives units of Dundee REIT on surrender or exchange of Dundee Realty's units of Dundee Properties LP.



## DISTRIBUTION POLICY

The following outlines the distribution policy of Dundee REIT as contained in our Declaration of Trust, but is not intended to be a complete description. You should refer to the Declaration of Trust for the full text of our distribution policy. Our distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of unitholders of Dundee REIT.

Our distribution policy requires us to make cash distributions to our unitholders, including our principal investor. Investors in our units receive distributions in one of three ways, depending on the nature of their investment in our business. Holders of Units receive cash distributions from Dundee REIT derived from Dundee REIT's investment in Trust A. Although there are currently no REIT Units, Series B outstanding, holders of REIT Units, Series B would receive cash distributions from Dundee REIT derived from Dundee REIT's investment in Trust B. Our principal investor, Dundee Realty, holds most of its equity investment in our business in the form of LP Class B Units, Series 1 of Dundee Properties LP, and receives cash distributions from Dundee Properties LP derived from the distributable income of Dundee Properties LP.

We make monthly cash distributions to Unitholders and holders of REIT Units, Series B expected to be equal to at least 80% of Distributable Income and Distributable Series B Income on an annual basis. See the definitions of "Distributable Income" and "Distributable Series B Income" in the Glossary of Terms in this prospectus. Distributions in respect of a month are paid on or about each Distribution Date to unitholders of record as at the close of business on the corresponding Distribution Record Date. This means that the distribution for any month is generally paid to unitholders of record at the close of business on the last day of the month on or about the 15th day of the following month. To date, Dundee REIT has declared distributions of \$0.183 per Unit payable in each month since July 2003.

Holders of LP Class B Units, Series 1 are entitled to receive distributions from Dundee Properties LP *pro rata* with distributions made by us on Units and REIT Units, Series B. If our trustees determine that it would be in our best interests, they may reduce for any period the percentage of such Distributable Income and Distributable Series B Income to be distributed to the applicable unitholders, which will result in a corresponding reduction in distributions on LP Class B Units, Series 1. To date, Dundee Properties LP has declared distributions of \$0.183 per LP Class B Unit, Series 1 payable in respect of each month since July 2003.

In addition, on December 31 of each year, we will make payable to such unitholders, and such unitholders will have an enforceable right to payment on such date of, a distribution of sufficient net realized capital gains, net income, and net recapture income for the taxation year ending on that date, net of any capital losses or non capital losses recognized on or before the end of such year such that we will not be liable for ordinary income taxes for such year, net of tax refunds. The payment of such amounts shall be made on or before the following January 15th. Our trustees are required to take all necessary steps to ensure that the amount and timing of distributions on each Unit and REIT Unit, Series B are the same. We also pay distributions on the Special Trust Units, although they are nominal.

Where our trustees determine that we do not have available cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable on the due date for such payment, the payment may, at the option of our trustees, include the issuance of additional Units and REIT Units, Series B, as the case may be, or fractions of such Units and REIT Units, Series B, as the case may be, if necessary, having a fair market value as determined by our trustees equal to the difference between the amount of such distribution and the amount of cash which has been determined by our trustees to be available for the payment of such distribution in the case of Units and REIT Units, Series B, respectively. Notwithstanding the foregoing, distributions on the Special Trust Units will only be made in cash.

Unless our trustees determine otherwise, immediately after any *pro rata* distribution of additional units to holders of Units and REIT Units, Series B, the number of the outstanding Units and REIT Units, Series B, respectively, will automatically be consolidated such that each of such holders will hold after the consolidation the same number of Units and REIT Units, Series B, respectively, as such holder held before the distribution of additional units. Each unit certificate representing the number of units prior to the distribution of additional units will be deemed to represent the same number of units after the non-cash distribution of additional units and the consolidation. In no case will Units be consolidated with REIT Units, Series B or vice versa.

Notwithstanding the foregoing, where tax is required to be withheld from a unitholder's share of the distribution, the consolidation will result in such unitholder holding that number of units equal to (i) the number of units held by such unitholder prior to the distribution plus the number of units received by such unitholder in connection with the distribution (net of the number of whole and part units withheld on account of withholding taxes) multiplied by (ii) the fraction obtained by dividing the aggregate number of units outstanding prior to the distribution by the aggregate number of units that would be outstanding following the distribution and before the consolidation if no withholding were required in respect of any part of the distribution payable to any unitholder. Such unitholder will be required to surrender the unit certificates, if any, representing such unitholder's original units, in exchange for a unit certificate representing such unitholder's post-consolidation units.

## DESCRIPTION OF REIT UNITS

The following is a summary, which does not purport to be complete, of certain terms of the REIT Units. You should refer to the Declaration of Trust for the full text of its provisions and a complete description of the REIT Units.

The Declaration of Trust authorizes the issuance of an unlimited number of three classes of units: Units, REIT Units, Series B and Special Trust Units. The Special Trust Units may only be issued to holders of and will not be transferable separately from LP Class B Units, Series 1 to which they relate, and will be used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1.

### Units and REIT Units, Series B

Each Unit and REIT Unit, Series B represents an undivided beneficial interest in Dundee REIT and in distributions made by Dundee REIT, whether of net income, net realized capital gains or other amounts and, in the event of our termination or winding up, in our net assets remaining after the satisfaction of all our liabilities. No Unit or REIT Unit, Series B, will have preference or priority over any other. The distribution entitlement of the Units and the REIT Units, Series B is derived from different sources. In the case of the Units, the distribution entitlement is derived from the securities of Trust A held by Dundee REIT and, in the case of the REIT Units, Series B, the distribution entitlement is derived from the securities of Trust B held by Dundee REIT. Notwithstanding the foregoing, our trustees will take all necessary steps to ensure that the timing, amount and nature of the distributions on the Units and the REIT Units, Series B will be the same.

Each Unit and REIT Unit, Series B entitles the holder thereof to one vote for each whole Unit and REIT Unit, Series B, as the case may be, held at all meetings of unitholders of Dundee REIT. Each REIT Unit, Series B is convertible at any time at the option of the holder into one fully-paid and non-assessable Unit.

Issued and outstanding REIT Units may be subdivided or consolidated from time to time by our trustees with the approval of a majority of our unitholders. Unitholder approval will not be required for an automatic consolidation as described under "Distribution Policy".

No certificates will be issued for fractional REIT Units and fractional REIT Units will not entitle the holders thereof to vote, except to the extent such fractional REIT Units represent in the aggregate one or more whole REIT Units. The REIT Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of such act or any other legislation. Furthermore, Dundee REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on nor intend to carry on the business of a trust company.

### Special Trust Units

The Special Trust Units are not transferable separately from the LP Class B Units, Series 1 to which they relate. The Special Trust Units will automatically be transferred upon a transfer of the corresponding LP Class B Units, Series 1. In addition, as LP Class B Units, Series 1 are surrendered for REIT Units, Series B or otherwise exchanged by the holder, the corresponding Special Trust Units will be automatically redeemed by Dundee REIT for a nominal amount and will be immediately cancelled. Each Special Trust Unit entitles the holder thereof to the number of votes at any meeting of unitholders which is equal to the number of REIT Units, Series B which may be obtained upon the surrender of the LP Class B Unit, Series 1 to which the Special Trust Unit relates. Accordingly, holders of Special Trust Units are currently entitled to one vote for each Special Trust Unit held at all

meetings of unitholders of Dundee REIT. The Special Trust Units entitle the holders thereof to receive nominal amounts as distributions and upon the liquidation, dissolution or winding-up of Dundee REIT, although the Special Trust Units rank equally and rateably without discrimination, preference or priority, with the Units and REIT Units, Series B in respect of distributions and on the liquidation, dissolution or winding-up of Dundee REIT. Holders of Special Trust Units are not entitled to receive a certificate evidencing ownership of such units.

### **Issuance of REIT Units**

We may allot and issue new REIT Units from time to time as our trustees determine, including for cash, through public offerings, through rights offerings to existing unitholders (i.e., in which unitholders receive rights to subscribe for new REIT Units in proportion to their existing holdings of REIT Units, which rights may be exercised or sold to other investors) or through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing unitholders). In certain instances, we may issue new REIT Units as consideration for, or in connection with, the acquisition of new properties or assets. The price or the value of the consideration for which new REIT Units may be issued will be determined by our trustees in their sole discretion, generally in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of REIT Units. We may issue new REIT Units, Series B only pursuant to the terms of the Exchange and Support Agreement. We may issue Special Trust Units only in tandem with LP Class B Units, Series 1. Other than the pre-emptive rights granted to Dundee Corporation pursuant to our Declaration of Trust, unitholders do not have any pre-emptive rights whereby additional REIT Units we propose to issue are first offered to existing unitholders.

The Declaration of Trust provides Dundee Corporation with a pre-emptive right pursuant to which our trustees will not issue, or agree to issue, any REIT Units, or any securities which are convertible or exchangeable for or into REIT Units, to any person unless our trustees first make an offer to Dundee Corporation to issue that number of REIT Units or securities, at a price per unit determined by our trustees, necessary to maintain the percentage of the outstanding voting interest in Dundee REIT held by Dundee Corporation and its affiliates at the date of the offer. This pre-emptive right, however, will not apply to any issuances of REIT Units by us pursuant to our DRIP plan or under the Exchange and Support Agreement. Dundee Corporation will have the option to specify whether it will acquire its proportionate share by way of REIT Units or the comparable number of LP Class B Units, Series 1 and Special Trust Units. Dundee Corporation also has the option to purchase more than its proportionate share and, in such event, any excess portion of the units subscribed for by Dundee Corporation will be issued to Dundee Corporation on the same terms and conditions as issued to any other person. Any units not taken up by Dundee Corporation may be issued to any person within three months of the date of such offer at not less than the price offered to Dundee Corporation. Dundee Corporation has waived its pre-emptive right in connection with this offering.

### **REIT Unit Redemption Right**

REIT Units are redeemable at any time on demand by the holders thereof by sending a notice to us at our head office in a form approved by our trustees and completed and executed in a manner satisfactory to our trustees, who may require supporting documentation as to identity, capacity or authority. A unitholder not otherwise holding a fully registered REIT Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice from his or her investment dealer or other intermediary who will be required to deliver the completed redemption form to us. For the purposes of this section “— REIT Unit Redemption Right”, the term “REIT Units” shall exclude Special Trust Units. Upon receipt by us of a written redemption notice and other documents that may be required, all in a manner satisfactory to our trustees, a holder of REIT Units shall cease to have any rights with respect to the tendered REIT Units, including any right to receive any distributions thereon which are declared payable after receipt of the redemption notice by us and the holder thereof shall be entitled to receive a price per REIT Unit (the “Redemption Price”) of a series equal to the lesser of:

- (a) 90% of the “market price” of the REIT Units of such series on the principal market on which the REIT Units of such series are quoted for trading on the trading day prior to the day on which the REIT Units of such series were surrendered to us for redemption (the “Redemption Date”); and
- (b) 100% of the “closing market price” of the REIT Units of such series on the principal market on which the REIT Units of such series are quoted for trading on the Redemption Date.

For the purposes of this calculation, the “market price” in respect of REIT Units of a series shall be an amount equal to the 20-day weighted average of the closing price of the REIT Units of such series for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the REIT Units of such series traded on a particular day, the “market price” shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 20 trading days, the “market price” shall be the weighted average of the following prices established for each of the 20 trading days: (i) the weighted average of the last bid and last asking prices of the REIT Units of such series for each day on which there was no trading; (ii) the closing price of the REIT Units of such series for each day on which there was trading if the exchange or market provides a closing price; and (iii) the weighted average of the highest and lowest prices of the REIT Units of such series for each day that there was trading if the exchange or market does not provide a closing price but provides only the highest and lowest prices of the REIT Units of such series traded on a particular day.

If a unitholder is not entitled to receive cash upon redemption of REIT Units as a result of the limitations in (b) or (c) below, the Redemption Price will be equal to the fair market value of the REIT Units as determined by our trustees.

The “closing market price” in respect of REIT Units of a series shall be (i) an amount equal to the closing price of the REIT Units of such series if there was a trade on the date and the exchange or market provides a closing price; (ii) an amount equal to the weighted average of the highest and lowest prices of the REIT Units of such series if there was trading and the exchange or other market does not provide a closing price but provides only the highest and lowest trading prices of the REIT Units of such series traded on a particular day; or (iii) the weighted average of the last bid and last asking prices of the REIT Units of such series if there was no trading on that date.

For the purposes of determining the Redemption Price for any REIT Units, Series B tendered for redemption where the REIT Units, Series B are not listed for trading on any stock exchange or market, the foregoing rules for determining the Redemption Price for the REIT Units will be modified and, in particular, the Redemption Price for the REIT Units, Series B will be based upon the relevant price (the market price or closing market price, as the case may be) of the Units.

The aggregate Redemption Price payable by us in respect of any REIT Units tendered for redemption during any calendar month will be satisfied by way of a cheque drawn on a Canadian chartered bank or a trust company in Canadian funds, payable no later than the last day of the calendar month following the month in which the REIT Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their REIT Units is subject to the limitations that:

- (a) the total amount payable by us in respect of such REIT Units and all other REIT Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that our trustees may, in their sole discretion, waive such limitation in respect of all REIT Units tendered for redemption in any particular calendar month;
- (b) at the time such REIT Units are tendered for redemption, the outstanding REIT Units of the applicable series (or, in the case of REIT Units, Series B where that series is not listed, the Units) shall be listed for trading or quoted on a stock exchange or market which our trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units of such series; and
- (c) the normal trading of outstanding REIT Units of the applicable series (or, in the case of REIT Units, Series B where that series is not listed, the Units) is not suspended or halted on any stock exchange on which the REIT Units of such series are listed (or, if not listed on a stock exchange, on any market on which the REIT Units of such series are quoted for trading) on the Redemption Date for the REIT Units of such series or for more than five trading days during the ten day trading period commencing immediately after the Redemption Date for the REIT Units of such series.

The payment of the Redemption Price in cash in respect of Units and REIT Units, Series B will be derived from different sources. In the case of Units, the payment of the Redemption Price in cash will be satisfied solely from the bank account maintained for the benefit of holders of Units. The payment of the Redemption Price for

REIT Units, Series B will be satisfied solely from the bank account maintained for the benefit of holders of REIT Units, Series B.

If a unitholder is not entitled to receive cash upon the redemption of REIT Units as a result of the foregoing limitations in (b) and (c) above, then each REIT Unit tendered for redemption shall, subject to obtaining all applicable regulatory approvals, be redeemed by way of a distribution *in specie* of series 2 notes issued by Trust A, in the case of Units and series 2 notes issued by Trust B, in the case of REIT Units, Series B. The aggregate principal amount of such series 2 notes would be equal to the product of the Redemption Price per unit payable by us and the number of Units tendered. However, no series 2 notes in a principal amount of less than \$100 will be distributed and, where the principal amount of series 2 notes to be received by the former Unitholder upon redemption *in specie* would otherwise include a principal amount of less than a multiple of \$100, such principal amount will be rounded down to the next lowest multiple of \$100 and the excess will be paid in cash. The term of such notes will be 10 years, less a day, subject to earlier redemption at our option, and they will bear interest at a market rate determined by the trustees of Trust A or Trust B, as applicable, at the time of issuance thereof, payable on the 30th day of each calendar month that such series 2 notes are outstanding. In such circumstances, series 1 notes and units of Trust A and Trust B, as the case may be, will be redeemed. The series 2 notes issued by Trust A will then be distributed in satisfaction of the Redemption Price of Units and the series 2 notes issued by Trust B will then be distributed in satisfaction of the Redemption Price of REIT Units, Series B.

If a unitholder is not entitled to receive cash upon the redemption of REIT Units as a result of the limitation in (a) above, the holder will receive a combination of cash and, subject to obtaining all applicable regulatory approvals, series 2 notes of Trust A or Trust B, as the case may be, determined in accordance with our Declaration of Trust.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of REIT Units to dispose of their REIT Units. Notes of Trust A or Trust B which may be distributed to unitholders *in specie* in connection with a redemption will not be listed on any stock exchange, no market is expected to develop and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. The notes of Trust A and Trust B so distributed may not be qualified investments for Plans or RESPs, depending upon the circumstances at the time. See “Certain Canadian Federal Income Tax Considerations”.

Special Trust Units are redeemable for a nominal amount in the event of the surrender, exchange or sale to Dundee REIT of the related LP Class B Units, Series 1.

## CONSOLIDATED CAPITALIZATION

The material changes in our consolidated capitalization from December 31, 2004 to November 28, 2005 are as follows:

- Indebtedness increased by \$268.1 million as a result of: (i) a \$140.7 million net increase in mortgage financing; (ii) a \$96.9 million increase resulting mainly from the issuance of \$100.0 million principal amount of 5.7% convertible unsecured subordinated debentures on April 1, 2005, net of conversions of \$2.0 million principal amount of 6.5% convertible unsecured subordinated debentures by the holders thereof; (iii) a \$33.0 million net increase in revolving credit facilities as result of the financing of property acquisitions; and (iv) a \$2.5 million decrease in term debt mainly due to a property disposition;
- non-controlling interest decreased mainly as a result of distributions, net of earnings for the period and the issuance of 413,281 LP Class B Units, Series 1 pursuant to the provisions of the Amended and Restated Dundee Properties Limited Partnership Agreement dated June 14, 2005 and;
- Unitholders’ equity decreased mainly due to distributions, net of: (i) earnings for the period and the issuance of 450,764 Units pursuant to the DRIP plan and the provisions of the Amended and Restated Dundee Properties Limited Partnership Agreement dated June 14, 2005; (ii) the issuance of 81,040 Units as a result of the conversion of \$2.0 million principal amount of 6.5% convertible unsecured subordinated debentures by the holders thereof; and (iii) the issuance of 16,764 Units pursuant to our deferred unit incentive plan.

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement between the Underwriters and us, we have agreed to sell and the Underwriters have severally agreed to purchase, subject to the terms and conditions contained in the Underwriting Agreement, on December 14, 2005 or on such other date as may be agreed between Dundee REIT and the Underwriters but, in any event, not later than December 21, 2005, a total of 2,600,000 Units at a price of \$25.00 per Unit payable in cash to Dundee REIT against delivery. The Underwriting Agreement provides that we will pay to the Underwriters an aggregate fee of \$2,600,000 in respect of all of the Units offered or \$1.00 per Unit in consideration of their services in connection with this offering.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of financial markets and may also be terminated on the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any of such Units are purchased under the Underwriting Agreement.

We have granted to the Underwriters an option (the “Over-Allotment Option”) exercisable in whole or in part for a period of 30 days from the closing of this offering, to purchase up to 390,000 additional Units on the same terms as set out above solely to cover over-allotments, if any. We have agreed to pay to the Underwriters a fee of \$1.00 per Unit with respect to Units issued under the Over-Allotment Option. This prospectus qualifies the grant of the Over-Allotment Option and the issuance of Units on the exercise of the Over-Allotment Option.

This offering is being made in each of the provinces of Canada. The Units have not and will not be registered under the 1933 Act and, subject to certain exceptions, may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell the Units within the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the 1933 Act), except in accordance with the Underwriting Agreement pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the Units in the United States. In addition, until 40 days after the commencement of the offering of the Units pursuant to this prospectus, an offer or sale of Units within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act if such offer is made otherwise than in compliance with Rule 144A.

We have agreed to indemnify the Underwriters and their directors, officers and employees against certain liabilities pursuant to the Underwriting Agreement, including liabilities under Canadian securities legislation.

We have agreed that we will not, directly or indirectly, without the prior written consent of TD Securities Inc. and Scotia Capital Inc. (the “Lead Underwriters”), on behalf of the Underwriters, issue, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any equity securities or any securities convertible into, or exchangeable or exercisable for equity securities, for a period commencing on the date of the Underwriting Agreement and ending on the date that is 90 days after the closing of this offering, except (i) pursuant to the exercise of convertible or exchangeable securities, options or warrants to purchase Units which are outstanding on the date hereof or have been issued with the consent of the Lead Underwriters; (ii) as full or partial consideration for arm’s length acquisitions of assets or shares; (iii) Units issued pursuant to our DRIP plan or deferred unit incentive plan; and (iv) debentures or units issued pursuant to the DRIP plan-like arrangements in the Dundee Properties LP limited partnership agreement.

Dundee Corporation has waived its pre-emptive right under the Declaration of Trust in connection with this offering.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Underwriters propose to offer the Units initially at the offering price specified on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Units at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the price paid by the Underwriters to Dundee REIT.

The Toronto Stock Exchange has conditionally approved the listing of these Units. Listing is subject to Dundee REIT fulfilling all of the requirements of the TSX on or before February 23, 2006.

Pursuant to the policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Underwriters may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under Universal Market Integrity Rules relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. We have been advised that in connection with the offering and pursuant to the first-mentioned exception, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

One of the Underwriters, Dundee Securities Corporation, is an indirect subsidiary of Dundee Corporation. Dundee Realty, an indirect subsidiary of Dundee Corporation, together with its affiliates hold an approximate 33% voting interest in Dundee REIT by virtue of their holding of Special Trust Units and Units. Accordingly, we are a related issuer of Dundee Securities Corporation for the purposes of applicable Canadian securities legislation. The terms of the offering of the Units were negotiated at arm's-length between TD Securities Inc. and Scotia Capital Inc. (of which we are neither a related issuer nor a connected issuer) and us. The Underwriters participated in the drafting of this prospectus, the negotiation of the pricing of the Units and the due diligence process in respect of this offering. Dundee Securities Corporation will not receive any benefit in connection with this offering other than as described in this prospectus.

One of the Underwriters, HSBC Securities (Canada) Inc., is an affiliate of a Canadian chartered bank which has provided our subsidiary with a secured revolving credit facility. Part of the proceeds of the offering will be used to repay indebtedness under this credit facility. Consequently, we may be considered to be a connected issuer of HSBC Securities (Canada) Inc. under applicable Canadian securities legislation. The amount outstanding under the credit facility at November 28, 2005 amounted to approximately \$39.0 million. The credit facility is secured by first and second mortgages against certain of our properties as well as by a general security agreement against our personal property, subject to personal property security granted pursuant to specific property indebtedness. We are in compliance in all material respects with the terms of the credit facility. Neither HSBC Securities (Canada) Inc. nor the Canadian chartered bank affiliated with it was involved in our decision to distribute the Units offered hereby. The terms of the offering of the Units were determined through negotiation between TD Securities Inc. and Scotia Capital Inc. and us.

#### **USE OF PROCEEDS**

The net proceeds from the sale of Units under this short form prospectus are estimated to be approximately \$61,950,000 (\$71,310,000 if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of this offering. The Underwriters' fee and the expenses of this offering will be paid out of the proceeds of this offering. We will use the net proceeds of this offering to repay certain revolving indebtedness and indebtedness relating to our properties, and for general purposes, including for funding strategic acquisitions.

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to Dundee REIT, and Torys LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Holder of Units. Generally, Units will be considered to be capital property to a Holder provided that the Holder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Holders should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to (a) a Holder that is a “financial institution” for purposes of the mark-to-market rules contained in the Tax Act or (b) a Holder that is a “specified financial institution” or (c) a Holder an interest in which is a “tax shelter investment” (all within the meaning of the Tax Act). Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units acquired pursuant to this offering.

This summary assumes that Dundee REIT qualifies as a “mutual fund trust” as defined in the Tax Act and will continue to qualify as a mutual fund trust at all relevant times. This summary also assumes that Dundee REIT is not established or maintained primarily for the benefit of Non-Residents. If Dundee REIT were not to qualify as a mutual fund trust at any particular time, the Canadian federal income tax considerations described below would, in some respects, be materially different.

This summary is based upon the facts set out in this prospectus, the provisions of the Tax Act in force at the date hereof, counsels’ understanding, based on publicly available published materials, of the current administrative policies and assessing practices of the CRA, all in effect as of the date hereof, and on the assumption that Dundee REIT qualifies as a registered investment under the Tax Act effective from the date of its settlement. There can be no assurance that CRA will not change its administrative policies and assessing practices. This summary takes into account all Tax Proposals and certificates as to certain factual matters. This summary assumes that the Tax Proposals will be enacted as proposed, but there can be no assurance that the Tax Proposals will be enacted in the form proposed, if at all. This summary does not otherwise take into account or anticipate any changes in the law, whether by judicial, governmental or legislative decision or action, or any changes in the administrative policies and assessing practices of the CRA, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in the prospectus.

**This summary is not exhaustive of all possible Canadian income tax considerations applicable to an investment in Units. Moreover the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Holder’s particular circumstances, including the province(s) or territory(ies) in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any prospective purchaser of Units or any Holder. Prospective unitholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on the prospective unitholder’s particular circumstances.**

## *Units*

### *Distributions*

A Holder of Units is generally required to include in computing income for a particular taxation year the portion of the net income for tax purposes of Dundee REIT for that year, including net realized taxable capital gains, that is paid or payable or deemed to be paid or payable to the Holder in that year, whether that amount is received in cash, additional Units or otherwise. No amount is required to be included in income in respect of the further bonus distribution reinvested in Units under the DRIP plan.

The non-taxable portion of any net realized capital gains of Dundee REIT that is paid or payable or deemed to be paid or payable to a Holder in a taxation year will not be included in computing the Holder’s income for the year. Any other amount in excess of the net income of Dundee REIT that is paid or payable or deemed to be paid or payable to a Holder in a year (including the further bonus distribution reinvested in Units under the DRIP plan) will not generally be included in the Holder’s income for the year. However, where such an amount is paid or payable to a Holder, other than as proceeds of disposition or deemed disposition of Units or any part thereof, the adjusted cost base of the Units held by the Holder will be reduced by such amount (except to the extent that it represents the Holder’s share of the non-taxable portion of the net realized capital gains of Dundee REIT for the year, the taxable portion of which was designated by Dundee REIT in respect of the Holder). Where reductions to a Holder’s adjusted cost base of Units for the year will result in the adjusted cost base becoming a negative amount, such amount will be treated as a capital gain realized by the Holder in the year and the Holder’s adjusted cost base of the Units at the beginning of the next year will then be nil.

Provided that appropriate designations are made by Dundee REIT, such portions of its net taxable capital gains, taxable dividends received or deemed to be received on shares of taxable Canadian corporations and foreign source income as are paid or payable or deemed to be paid or payable to a Holder will effectively retain their



character and be treated as such in the hands of the Holder for the purposes of the Tax Act, and Holders may be entitled to claim a foreign tax credit for foreign taxes paid by Dundee REIT. To the extent that amounts are designated as having been paid to Holders out of the net taxable capital gains of Dundee REIT, such designated amounts will be deemed for tax purposes to be received by unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains described below. To the extent that amounts are designated as having been paid to unitholders out of taxable dividends received or deemed to be received on shares of taxable Canadian corporations, the normal gross-up and dividend tax credit provisions will be applicable in respect of Holders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by Holders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, the deduction in computing taxable income will be available to Holders that are corporations, and an additional refundable 6<sup>2</sup>/<sub>3</sub>% tax will be payable by Holders that are Canadian-controlled private corporations in certain circumstances.

#### *Dispositions of Units*

Upon the disposition or deemed disposition by a Holder of a Unit, whether on redemption or otherwise, the Holder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the unitholder's adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by Dundee REIT that is otherwise required to be included in the unitholder's income (such as an amount designated as payable by Dundee REIT to a redeeming unitholder out of capital gains or income of Dundee REIT as described above).

For the purpose of determining the adjusted cost base to a Holder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the unitholder as capital property immediately before that acquisition. The adjusted cost base of a Unit to a Holder will include all amounts paid by the Holder for the Unit, with certain adjustments. The cost to a unitholder of Units received in lieu of a cash distribution of income of Dundee REIT will be equal to the amount of such distribution that is satisfied by the issuance of such Units. The cost of Units acquired on the reinvestment of distributions under the DRIP plan will be the amount of such investment. There will be no net increase or decrease in the aggregate adjusted cost base of all of a unitholder's Units as a result of the receipt of the further bonus distribution reinvested in Units under the DRIP plan; however, the adjusted cost base per Unit will be reduced.

Where the redemption price for Units is paid by the transfer by Dundee REIT of Operating Trust Notes issued by one of our Operating Trusts to the redeeming Holder, the proceeds of disposition to the Holder of the Units will be equal to the fair market value of the property so transferred less the portion of any income or capital gain realized by Dundee REIT in connection with the redemption of those Units that has been designated by Dundee REIT as payable to the redeeming Holder as described above. Where Dundee REIT has designated such capital gain or income as payable to a redeeming Holder, the unitholder will be required to include in income such income and the taxable portion of the capital gain so designated. The adjusted cost base of the Operating Trust Notes transferred by Dundee REIT to a unitholder upon an *in specie* redemption of Units to that Holder will generally be equal to the fair market value of such notes at the time of transfer less any accrued but unpaid interest on such notes at that time. The Holder will thereafter be required to include in income interest on any such notes in accordance with the provisions of the Tax Act. To the extent that the Holder is thereafter required to include in income any interest accrued to the date of the acquisition of such notes by the Holder, an offsetting deduction will be available.

#### *Capital Gains and Capital Losses*

One-half of any capital gain realized by a Holder and the amount of any net taxable capital gains designated by Dundee REIT in respect of a Holder will be included in the Holder's income as a taxable capital gain. One-half of any capital loss realized by a Holder on a disposition or deemed disposition of Units may generally be deducted only from taxable capital gains of the Holder in accordance with the provisions of the Tax Act.

Where a Holder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Holder's capital loss from the disposition will generally be reduced by the amount of any dividends received by Dundee REIT previously designated by Dundee REIT to the Holder, except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

### *Alternative Minimum Tax*

In general terms, net income of Dundee REIT, paid or payable or deemed to be paid or payable to a Holder who is an individual or a certain type of trust, that is designated as taxable dividends or as net taxable capital gains and capital gains realized on the disposition of Units may increase the Holder's liability for alternative minimum tax.

### **Status of Dundee REIT Units**

#### ***Qualified Investment***

Provided Dundee REIT is, on closing of the offering, a mutual fund trust or a registered investment within the meaning of the Tax Act, Units will be, at that time, qualified investments for Plans and RESPs (as defined below), subject to the specific provisions of any particular plan. If Dundee REIT ceases to qualify as a mutual fund trust and as a registered investment under the Tax Act, the Units will not be qualified investments under the Tax Act for Plans and RESPs. Operating Trust Notes received as a result of a redemption *in specie* of Units may not be qualified investments for Plans and RESPs, and this could give rise to adverse consequences to such plan or the annuitant or beneficiary under that plan. Accordingly, Plans and RESPs that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of units of Dundee REIT were held by non-residents and partnerships other than Canadian partnerships, Dundee REIT would thereafter cease to be a mutual fund trust. The December 6, 2004 Notice of Ways and Means Motion to implement the tax proposals contained in the 2004 Federal Budget does not contain this proposal and the Department of Finance indicated in a concurrent release that further discussions would be pursued with the private sector in this regard.

#### ***Foreign Property***

Legislation, with effect from January 1, 2005, has eliminated the limit in respect of foreign property that may be held by pension funds and certain other tax-exempt persons or plans.

### **Taxation of Dundee REIT**

The taxation year of Dundee REIT is the calendar year. In each taxation year, Dundee REIT will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains computed in accordance with the detailed provisions of the Tax Act, less the portion thereof that it deducts in respect of the amounts paid or payable or deemed to be paid or payable in the year to unitholders. An amount will be considered to be payable to a unitholder in a taxation year if it is paid to the unitholder in the year by Dundee REIT or if the unitholder is entitled in that year to enforce payment of the amount. The income for purposes of the Tax Act of Dundee REIT for each taxation year will include such amount of Dundee REIT's income for tax purposes, including net taxable capital gains, as is paid or becomes payable or deemed to be paid or payable to Dundee REIT in the year in respect of the Operating Trust Units and all interest that accrues to the end of the year or becomes receivable or is received by Dundee REIT on the Operating Trust Notes before the end of the year, except to the extent that interest was included in computing its income in a preceding taxation year. Dundee REIT will not be subject to tax on any payments of principal on the Operating Trust Notes. Dundee REIT will, generally, also not be subject to tax on any amounts received as distributions on the Operating Trust Units that are in excess of the income of each Operating Trust that is paid or payable or deemed to be paid or payable by such trust to Dundee REIT in a year, which amounts will generally reduce the adjusted cost base of the Operating Trust Units immediately prior to the receipt of such amounts. Where the adjusted cost base of the Operating Trust Units would otherwise be a negative amount, Dundee REIT will be deemed to realize a capital gain in such amount in that year, and its adjusted cost base of the Operating Trusts Units at the beginning of the next taxation year will then be nil.

In computing its income for purposes of the Tax Act, Dundee REIT may deduct reasonable administrative costs and other expenses incurred by it for the purpose of earning income. Dundee REIT may also deduct from its income for the year a portion of any reasonable expenses incurred by Dundee REIT to issue Units. The portion of such issue expenses deductible by Dundee REIT in a taxation year is 20% of such issue expenses, pro-rated where Dundee REIT's taxation year is less than 365 days.

An *in specie* redemption of the Operating Trust Notes and Operating Trust Units and the transfer by Dundee REIT of Operating Trust Notes to redeeming Holders will each be treated as a disposition by Dundee REIT of such Operating Trust Notes and Operating Trust Units for proceeds of disposition equal to the fair market value thereof. Dundee REIT's proceeds from the disposition of Operating Trust Notes will generally be reduced by any accrued but unpaid interest in respect thereof, which interest will be included in Dundee REIT's income in the year of disposition to the extent it was not included in Dundee REIT's income in a previous year. Dundee REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from these dispositions exceed (or are less than) the adjusted cost base of the Operating Trust Notes and Operating Trust Units, as the case may be, and any reasonable costs of disposition.

Under the Declaration of Trust, all of the income of Dundee REIT for each year other than taxable capital gains (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any net capital gains realized by Dundee REIT (computed in accordance with the detailed provisions of the Tax Act) in the year (excluding any capital gains or income which may be realized by Dundee REIT upon a transfer *in specie* of Dundee REIT's assets to redeeming unitholders in connection with a redemption of Units and designated by Dundee REIT as income or capital gains paid or payable to the redeeming unitholders) will be payable in the year to the unitholders by way of cash distributions, subject to the exceptions described below. Counsel has been advised that Dundee REIT intends to make distributions in each year to unitholders in an amount sufficient to ensure that Dundee REIT will generally not be liable for tax under Part I of the Tax Act in any year (after taking into account any applicable tax refunds to Dundee REIT).

Income of Dundee REIT which is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distributions will be distributed to holders of Units in the form of additional Units. Income of Dundee REIT payable to unitholders, whether in cash, additional Units, REIT Units, Series B or otherwise, will generally be deductible by Dundee REIT in computing its taxable income.

Losses incurred by Dundee REIT cannot be allocated to unitholders, but can be deducted by Dundee REIT in future years in computing its taxable income, in accordance with the Tax Act. In the event Dundee REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for such tax by an amount determined under the Tax Act based on the redemption of units of Dundee REIT during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset Dundee REIT's tax liability for the taxation year arising in connection with the transfer of property *in specie* to redeeming Holders on the redemption of Units and the related *in specie* redemption by Dundee REIT of the Operating Trust Notes and Operating Trust Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by Dundee REIT in connection with such redemptions may, at the discretion of the trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming unitholder. Such income or the taxable portion of any capital gain so designated must be included in the income of the redeeming unitholders (as income or taxable capital gains) and will be deductible by Dundee REIT in computing its income.

The Tax Act provides for a special tax under Part XII.2 on the designated income of certain trusts that have designated beneficiaries (including non-resident persons, certain tax-exempt persons and certain trusts and partnerships). The payment of this special tax by Dundee REIT or the Operating Trusts may have adverse tax consequences for certain unitholders, including non-resident persons. This special tax does not apply to a trust for a taxation year if it is a mutual fund trust throughout the year or if the sole beneficiary of the trust throughout the year is a mutual fund trust. Provided Dundee REIT qualifies as a mutual fund trust throughout a taxation year, this special tax will not apply to Dundee REIT or (assuming Dundee REIT is at all times its sole holder) each of the Operating Trusts for the year.

## **Taxation of the Operating Trusts**

The taxation year of each Operating Trust is the calendar year. Each Operating Trust will be taxable on its income determined under the Tax Act for each year, which will include its allocated share of the taxable income of Dundee Properties LP for the fiscal period of Dundee Properties LP ending on or before the year end of the Operating Trust, except to the extent such income is paid or payable or deemed to be paid or payable in such year to Dundee REIT, the sole unitholder of each Operating Trust, and is deducted by the Operating Trust in computing its income for tax purposes. Each Operating Trust will generally be entitled to deduct its expenses incurred to earn income from a business or property provided such expenses are reasonable and otherwise deductible under the relevant provisions of the Tax Act. Under the declarations of trust governing the Operating Trusts, all of the income of each Operating Trust for each year other than taxable capital gains (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any capital gains realized by the Operating Trust in the year, will generally be payable in the year to Dundee REIT, the sole unitholder of each Operating Trust. Counsel has been advised that each Operating Trust generally intends to make distributions in each year to Dundee REIT, its sole unitholder, in an amount sufficient to ensure that the Operating Trust will not be liable for tax under Part I of Tax Act in any year.

## **Taxation of Dundee Properties LP**

Dundee Properties LP is not subject to tax under the Tax Act. Generally, each partner of Dundee Properties LP, including each Operating Trust, is required to include in computing the partner's income the partner's share of the income or loss of Dundee Properties LP for its fiscal year ending in, or coincidentally with, the partner's taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of Dundee Properties LP will be computed for each fiscal year as if Dundee Properties LP were a separate person resident in Canada and will include its share of the income or loss of Dundee Management Limited Partnership and other partnerships in which it holds any interest and any capital gain or loss that may arise on the disposition or deemed disposition of its interests in such partnership. In computing the income or loss of Dundee Properties LP, deductions may generally be claimed in respect of its administrative and other expenses incurred for the purpose of earning income from business or property to the extent they are not capital in nature and do not exceed a reasonable amount and available capital cost allowances. The income or loss of Dundee Properties LP for a fiscal year will be allocated to the partners of Dundee Properties LP, including the Operating Trusts, on the basis of their respective share of such income or loss as provided in the limited partnership agreement of Dundee Properties LP, subject to the detailed rules in the Tax Act. Generally, distributions to partners in excess of the income of the Dundee Properties LP for a fiscal year will result in a reduction of the adjusted cost base of the partner's units in Dundee Properties LP by the amount of such excess. If, as a result, the Operating Trust's adjusted cost base at the end of a taxation year of its units in Dundee Properties LP would otherwise be a negative amount, the Operating Trust will be deemed to realize a capital gain in such amount for that year, and the Operating Trust's adjusted cost base at the beginning of the next taxation year of its units in the Dundee Properties LP will then be nil. If Dundee Properties LP were to incur losses for tax purposes, the Operating Trust's ability to deduct such losses may be limited by certain rules under the Tax Act.

These rules apply to the taxation of Dundee Properties LP as a partner of any of the partnerships in which it holds any interest.

## **Department of Finance Proposals**

On September 8, 2005, the Department of Finance (Canada) released a consultation paper and launched public consultations on tax and other issues related to publicly listed flow-through entities ("FTEs"), including trusts such as Dundee REIT. The focus of the paper was to, among other things, assess whether the tax system should be modified. Although not an exhaustive list, three possible policy responses were identified in the consultation paper to address the issues relating to FTEs: (i) limiting deductibility of interest expense by operating entities, (ii) taxing FTEs in a manner similar to corporations, or (iii) making the tax system more neutral with respect to all forms of business organizations by better integrating the personal and corporate tax system process. On November 23, 2005, the Department of Finance announced the consultation process was over and it intended to implement the third policy response and would not be imposing taxes on FTEs.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to Dundee REIT, and Torys LLP, counsel to the Underwriters, based upon the assumptions set out in “Certain Canadian Federal Income Tax Considerations” and certificates as to factual matters given by Dundee REIT, the Units will, on closing, be qualified investments under the Tax Act for Plans and RESPs. Legislation, with effect from January 1, 2005, has eliminated the limit in respect of foreign property that may be held by pension funds and certain other tax-exempt persons or plans.

## **RISK FACTORS**

An investment in Units is subject to a number of risks, including those set forth below and those set forth on pages 69 to 76 of our annual information form dated March 24, 2005 and in our management’s discussion and analysis for the year ended December 31, 2004.

### **Leverage and restrictive covenants**

We have third-party debt service obligations pursuant to our Indebtedness. The degree to which we are leveraged could have important consequences to Unitholders, including:

- Our ability to make distributions to Unitholders may be limited;
- Our ability to obtain additional debt financing for working capital, capital expenditures or acquisitions in the future may be limited;
- a portion of our cash flow from operations will be dedicated to the payment of the principal of and/or interest on Indebtedness, thereby reducing funds available for future operations; and
- certain of our borrowings may be at variable rates of interest, which exposes us to the risk of increased interest rates.

Certain of our competitors may operate on a less leveraged basis, and therefore could have greater financing flexibility than us. Our ability to make scheduled payments of interest on and to refinance our Indebtedness will depend upon our future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels and financial, competitive, business and other factors, many of which are beyond our control. These factors might inhibit us from refinancing Indebtedness at all or on favourable terms, which could have a negative impact on our ability to make distributions on the Units.

We may need to refinance Indebtedness as principal amounts become due, and there can be no assurance that we will be able to do so or will be able to do so on terms as favourable as those currently in place with respect to the Indebtedness. If we are unable to refinance our Indebtedness, or are only able to refinance our Indebtedness on less favourable terms, this may have a material adverse effect on our financial position, or distributable income. This, in turn, could result in the reduction or suspension of cash distributions to Unitholders.

Certain of our Indebtedness contains restrictive covenants that may limit the discretion of management with respect to certain business matters. These covenants place restrictions upon, among other things, our ability to (i) incur additional indebtedness, (ii) create liens or other encumbrances, (iii) pay distributions or certain other payments, investments, loans and guarantees, (iv) sell or otherwise dispose of assets, and (v) merge or consolidate with another entity. In addition, our Indebtedness may contain financial covenants that require us to maintain certain financial ratios and financial condition tests. Failure to comply with such obligations could result in an event of default which, if not cured or waived, could result in acceleration of the relevant Indebtedness. If any Indebtedness was to be accelerated, there can be no assurance that our assets would be sufficient to repay that Indebtedness in full. If an event of default under any Indebtedness was to occur, distributions may be suspended.

## **LEGAL MATTERS**

Certain legal matters in connection with the Units offered hereby will be passed upon by Osler, Hoskin & Harcourt LLP on our behalf and by Torys LLP on behalf of the Underwriters.

The partners and associates of Osler, Hoskin and Harcourt LLP, as a group, and Torys LLP, as a group, each beneficially own, directly and indirectly, less than 1% of the outstanding securities of Dundee REIT and its affiliates and associates.

### **AUDITORS, REGISTRAR AND TRANSFER AGENT**

Our auditors are PricewaterhouseCoopers LLP, chartered accountants, at its offices in Toronto, Ontario.

The transfer agent and registrar of the Units and Debentures is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

### **AUDITORS' CONSENT**

We have read the short form prospectus of Dundee Real Estate Investment Trust ("Dundee REIT") dated December 7, 2005 relating to the issue and sale of REIT Units, Series A of Dundee REIT. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the Trustees of Dundee REIT on the consolidated balance sheets of Dundee REIT as at December 31, 2004 and December 31, 2003 and the consolidated statements of net income, unitholders' equity and cash flows for the year ended December 31, 2004 and the six months ended December 31, 2003. Our report is dated February 10, 2005.

(Signed) PricewaterhouseCoopers LLP

**Chartered Accountants**

Toronto, Ontario

December 7, 2005

### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, securities legislation further provides the purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## GLOSSARY OF TERMS

When used in this short form prospectus, the following terms have the meanings set forth below unless expressly indicated otherwise.

**“Business Day”** means any day other than a Saturday or a Sunday on which Schedule I Canadian chartered banks are open for business in Toronto, Ontario;

**“CRA”** means the Canada Revenue Agency;

**“Declaration of Trust”** means the amended and restated declaration of trust of Dundee REIT dated as of June 14, 2005;

**“Distributable Income”** means, for any period, the net income of Dundee REIT and its applicable consolidated subsidiaries for such period set out in its consolidated financial statements prepared as if Dundee REIT’s only assets are Trust A Units, Trust A Notes and all amounts on deposit in the bank account maintained for the Units, as determined in accordance with GAAP, adjusted as follows: (i) depreciation and amortization (except for amortization of deferred financing costs and non-recoverable deferred maintenance, all as incurred after the formation of Dundee REIT on June 30, 2003) and amortization of fair value debt adjustments shall be excluded; (ii) costs incurred with respect to distribution reinvestment plans, unit purchase plans, unit option plans, deferred unit plans or any other unit compensation incentive plan or similar plan shall be added back; (iii) any gains or losses on the disposition of any real property, any future income tax expenses or benefits and non-cash rental revenues recognized on a straight line basis or recognized as a result of the amortization of above or below market in-place leases recorded on an acquisition of a rental property shall be excluded, and (iv) to reflect any other adjustments determined to be appropriate by a majority of the trustees in their discretion;

**“Distributable Series B Income”** means, for any period, the net income of Dundee REIT and its applicable consolidated subsidiaries for such period set out in its consolidated financial statements prepared as if Dundee REIT’s only assets are Trust B Units, Trust B Notes and all amounts on deposit in the bank account maintained for the REIT Units, Series B, as determined in accordance with GAAP, adjusted as follows: (i) depreciation and amortization (except for amortization of deferred financing costs and non-recoverable deferred maintenance, all as incurred after the formation of Dundee REIT on June 30, 2003) and amortization of fair value debt adjustments shall be excluded; (ii) costs incurred with respect to distribution reinvestment plans, unit purchase plans, unit option plans, deferred unit plans or any other unit compensation incentive plan or similar plan shall be added back; (iii) any gains or losses on the disposition of any real property, any future income tax expenses or benefits and non-cash rental revenues recognized on a straight line basis or recognized as a result of the amortization of above or below market in-place leases recorded on an acquisition of a rental property shall be excluded, and (iv) to reflect any other adjustments determined to be appropriate by a majority of the trustees in their discretion;

**“Distribution Date”** means with respect to a distribution of Distributable Income or Distributable Series B Income by us, a Business Day determined by our trustees for any calendar month to be on or about the 15th day of the following month or such other date as may be determined from time to time by our trustees or otherwise in accordance with our Declaration of Trust with respect to all distributions;

**“Distribution Record Date”** means, until otherwise determined by our trustees, the last Business Day of each month of each year, except for the month of December where the Distribution Record Date shall be December 31;

**“DRIP plan”** means our distribution reinvestment and unit purchase plan pursuant to which holders of Units and REIT Units, Series B are entitled to elect to have cash distributions in respect of such units automatically reinvested in additional Units and to make optional cash purchases of additional Units;

**“Dundee Management LP”** means Dundee Management Limited Partnership, a limited partnership formed under the laws of the Province of Ontario of which Dundee Management (GP) Inc. (a corporation jointly owned by Dundee Realty and Dundee Properties LP) is the sole general partner and Dundee Properties LP and Dundee Realty are the sole limited partners;

“**Dundee Properties LP**” means Dundee Properties Limited Partnership, a limited partnership formed under the laws of the Province of Ontario of which Properties General Partner is the general partner and the Operating Trusts, Dundee Consolidated Properties and Dundee Realty are the sole limited partners;

“**Dundee Realty**” means Dundee Realty Corporation, a corporation governed by the laws of Ontario and a subsidiary of Dundee Corporation (formerly Dundee Bancorp Inc.);

“**Dundee REIT**” means Dundee Real Estate Investment Trust, an open-ended real estate investment trust formed under the laws of the Province of Ontario;

“**Exchange and Support Agreement**” means the amended and restated exchange and support agreement dated June 14, 2005 between Dundee REIT, Trust A, Trust B, Dundee Properties LP, Dundee Consolidated Properties and Dundee Realty;

“**GAAP**” means Canadian generally accepted accounting principles;

“**Holder**” means a holder of Units who acquires Units pursuant to this offering and who, for purposes of the Tax Act, is resident in Canada, deals at arm’s length with Dundee REIT and holds the Units as capital property;

“**Indebtedness**” means, collectively, the 6.5% convertible unsecured subordinated debentures due June 30, 2014, the Series 2005-1 5.7% convertible unsecured subordinated debentures due March 31, 2015 and all present and future debts, loans, liabilities, credit facilities and mortgage loan facilities to which we are or may become subject by reason of any obligations incurred for borrowed money.

“**LP Class B Units, Series 1**” means the LP Class B, Series 1 limited partnership units of Dundee Properties LP;

“**Operating Trust Notes**” means, collectively, the Trust A Notes and the Trust B Notes;

“**Operating Trust Units**” means, collectively, the Trust A Units and the Trust B Units;

“**Operating Trusts**” means, collectively, Trust A and Trust B;

“**Plans**” means trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the Tax Act;

“**REIT Units**” means, collectively, the Units, the REIT Units, Series B and the Special Trust Units;

“**REIT Units, Series A**” means the REIT Units, Series A of Dundee REIT, each representing an undivided beneficial interest in any distributions from Dundee REIT derived from Dundee REIT’s investment in Trust A Units and Trust A Notes;

“**REIT Units, Series B**” means the REIT Units, Series B of Dundee REIT, each representing an undivided beneficial interest in any distributions from Dundee REIT derived from Dundee REIT’s investment in Trust B Units and Trust B Notes;

“**Resident Canadian**” means an individual or corporation who is or deemed to be a resident of Canada for purposes of the Tax Act;

“**RESPs**” means trusts governed by registered education savings plans under the Tax Act;

“**Special Trust Units**” means the Special Trust Units of Dundee REIT issued to the holders of LP Class B Units, Series 1 providing rights to vote (and only a nominal economic interest) as a unitholder of Dundee REIT, all of which are currently indirectly held by Dundee Corporation;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

“**Tax Proposals**” means specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this prospectus;

“**Trust A**” means Dundee Properties Operating Trust A, an open-ended unit trust formed under the laws of the Province of Ontario, all of the units of which are owned by Dundee REIT;

“**Trust A Notes**” means interest bearing promissory notes of Trust A;



**“Trust A Unit”** means a trust unit of Trust A, representing an equal undivided beneficial interest in any distributions from Trust A;

**“Trust B”** means Dundee Properties Operating Trust B, an open-ended unit trust formed under the laws of the Province of Ontario, all of the units of which are owned by Dundee REIT;

**“Trust B Notes”** means interest bearing promissory notes of Trust B;

**“Trust B Unit”** means a trust unit of Trust B, representing an equal undivided beneficial interest in any distributions from Trust B;

**“TSX”** means the Toronto Stock Exchange;

**“Underwriters”** means TD Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., National Bank Financial Inc., Canaccord Capital Corporation, Desjardins Securities Inc., HSBC Securities (Canada) Inc. and Trilon Securities Corporation;

**“Underwriting Agreement”** means the underwriting agreement dated November 29, 2005 between Dundee REIT and the Underwriters;

**“Unitholders”** means holders of Units, but “unitholders”, when used in lower case type, refers to all holders of REIT Units;

**“Units”** means the REIT Units, Series A of Dundee REIT.

**CERTIFICATE OF DUNDEE REIT**

Dated: December 7, 2005

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

**DUNDEE REAL ESTATE INVESTMENT TRUST**

(Signed) MICHAEL J. COOPER  
President and Chief Executive Officer

(Signed) J. MICHAEL KNOWLTON  
Executive Vice-President and Chief Financial Officer

On Behalf of the Board of Trustees

(Signed) ROBERT G. GOODALL  
Trustee

(Signed) DUNCAN JACKMAN  
Trustee

**CERTIFICATE OF UNDERWRITERS**

Dated: December 7, 2005

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

TD SECURITIES INC.

SCOTIA CAPITAL INC.

By: (Signed) ANDREW G. PHILLIPS

By: (Signed) STEPHEN SENDER

CIBC WORLD MARKETS INC.

By: (Signed) MARK G. JOHNSON

DUNDEE SECURITIES CORPORATION

RBC DOMINION SECURITIES INC.

By: (Signed) DAVID G. ANDERSON

By: (Signed) IAN MACLURE

NATIONAL BANK FINANCIAL INC.

By: (Signed) CRAIG J. SHANNON

CANACCORD CAPITAL  
CORPORATION

DESJARDINS SECURITIES INC.

HSBC SECURITIES (CANADA) INC.

TRILON SECURITIES  
CORPORATION

By: (Signed) RONALD A. RIMER

By: (Signed) JEFFREY OLIN

By: (Signed) JEFFREY B. ALLSOP

By: (Signed) TREVOR D. KERR

