AMENDED AND RESTATED PRELIMINARY PROSPECTUS

New Issue January 20, 2004

DUNDEE R·E·I·T™

DUNDEE REAL ESTATE INVESTMENT TRUST

$100,031,250

4,125,000 REIT Units, Series A

This prospectus qualifies the distribution of 4,125,000 REIT Units, Series A (''Units'') of Dundee Real Estate Investment Trust. We were formed in connection with the reorganization of the business of Dundee Realty Corporation on June 30, 2003, pursuant to which substantially all of its commercial real estate division, including senior management, and a joint interest in its property management business, were transferred to us.

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 objectives are to: (i) provide holders of our units with predictable and sustainable cash distributions, payable monthly, from a portion of the cash flow generated from our commercial revenue producing properties; (ii) prudently increase cash distributions as the performance of our underlying business warrants; (iii) improve the overall value of our enterprise through the effective management of our business and finances; and (iv) improve the overall value of our enterprise by acquiring additional commercial revenue producing properties that add value to our overall portfolio. We own a diversified portfolio consisting of approximately 11.1 million square feet of gross leasable area, located primarily in our target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton.

We make monthly cash distributions to our unitholders, including our principal investor, expected to be equal to at least 80% of our distributable income on an annual basis. See ''Distribution Policy''.

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 January 19, 2004 was $25.00.

Price: $24.25 per Unit

	Price to the Public	Underwriters' Fee	Net Proceeds to Dundee REIT (1)
Per Unit	$24.25	$0.97	$23.28
Total offering (2)	$100,031,250	$4,001,250	$96,030,000

(1) After deducting the Underwriters' fee but before deducting expenses of this offering, estimated to be $1,300,000, 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 412,000 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 $110,022,250, $4,400,890 and $105,621,360, 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 Dundee REIT, TD Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Dundee Securities Corporation, National Bank Financial Inc. and CIBC World Markets Inc. (collectively, the ''Underwriters''). **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 under certain statutes as set out under ''Eligibility for Investment''.

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 Dundee REIT 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. The Underwriters may engage in market stabilization activities as described under ''Plan of Distribution''.

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. It is anticipated that definitive certificates representing the Units will be available for delivery at closing, which is anticipated to be February 19, 2004 but in any event no later than February 26, 2004.

TD Securities Inc. is an affiliate of the Canadian chartered bank with which we expect to enter into the Interim Facility to provide stand-by financing for the acquisition of the Pauls Portfolio. See ''Indebtedness — Interim Facility'', ''Recent Developments'' and ''Use of Proceeds''. **Accordingly, Dundee REIT may be considered a connected issuer of TD Securities Inc. for the purposes of applicable Canadian securities legislation. See ''Plan of Distribution''.**

Dundee Securities Corporation is an indirect, wholly-owned subsidiary of Dundee Bancorp. Dundee Realty, a subsidiary of Dundee Bancorp, together with its affiliates holds an approximate 37% voting interest in Dundee REIT by virtue of their holding of Special REIT Units. See ''Structure of Dundee REIT'' and ''Declaration of Trust and Description of REIT Units — Special REIT Units''. Dundee Realty is also a promoter of Dundee REIT for the purposes of applicable Canadian securities legislation. See ''Promoter and Principal Unitholders''. **Accordingly, Dundee REIT is a related issuer of Dundee Securities Corporation for the purposes of applicable Canadian securities legislation. See ''Plan of Distribution''.**

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ELIGIBILITY FOR INVESTMENT

In the opinion of our counsel, Osler, Hoskin & Harcourt LLP, and counsel to the Underwriters, Torys LLP, subject to compliance with the prudent investment standards and general investment provisions of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, standards, procedures or goals and, in certain cases, subject to the filing of such policies, standards, procedures or goals, the Units offered hereby will not, at the date hereof, be precluded as investments under the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Pension Benefits Act (Ontario)
Financial Institutions Act (British Columbia)
The Insurance Act (Manitoba)
The Pension Benefits Act (Manitoba)
Loan and Trust Corporations Act (Alberta)
Insurance Act (Alberta)
Employment Pension Plans Act (Alberta)
The Pension Benefits Act, 1992 (Saskatchewan)
Pension Benefits Act (New Brunswick)
Supplemental Pension Plans Act (Québec)
An Act respecting insurance (Québec) (for an insurer, as defined therein, incorporated under the laws of the Province of Québec, other than a mutual association or a professional corporation)
An Act respecting trust companies and savings companies (Québec) (for a trust company, as defined therein, incorporated under the laws of Québec, which invests its own funds and funds received as deposits and for a savings company, as defined therein, incorporated under the laws of Québec, which invests its own funds)

In addition, in the opinion of such counsel, based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (the ''Tax Act''), on publicly available published materials of the current administrative policies and assessing practices of the Canada Customs and Revenue Agency (''CCRA''), in part on certificates as to factual matters, and upon the assumptions set out in ''Certain Canadian Federal Income Tax Considerations'', (i) the Units will be, on the closing date of the offering (the ''Closing Date''), qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (collectively, ''Plans'') and registered education savings plans (''RESPs''), each as defined in the Tax Act, provided Dundee REIT is a mutual fund trust or a registered investment under the Tax Act on that date; and (ii) the Units will not, if issued on the Closing Date, constitute ''foreign property'', on that date, for Plans, registered pension plans or other persons subject to tax under Part XI of the Tax Act, provided that Dundee REIT is a mutual fund trust under the Tax Act on that date and at all relevant times restricts its investment in foreign property or is a registered investment under the Tax Act on that date. RESPs are not subject to the foreign property rules. See ''Certain Canadian Federal Income Tax Considerations''.

NON-GAAP TERMS

In addition to using financial measures prescribed by Canadian generally accepted accounting principles (''GAAP''), we use non-GAAP financial measures and other terms in this prospectus. These terms include ''distributable income'', ''FFO'' (or funds from operations) and ''EBITDA'' (or earnings before interest, taxes, depreciation and amortization) which are defined elsewhere in this prospectus. These terms do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar terms and measures presented by other similar issuers. These non-GAAP measures and terms are intended to provide additional information on our performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

For example, distributable income is presented in this prospectus because our distribution policy requires that at least 80% of our distributable income be distributed to unitholders. FFO is presented in this prospectus because we believe it is generally accepted as one of the most meaningful and useful measures of the performance of real estate operations. FFO does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund our needs, nor should it be considered as the only measure of liquidity. EBITDA is presented in this prospectus because we believe it is relevant to an understanding of the economics of our business, since it is a measure of the funds available from operations to service debt and satisfy certain fixed obligations. EBITDA should not be construed as an alternative to net income or to cash flow from operating activities (as determined in accordance with GAAP), as an indicator of our performance or as a measure of liquidity.

FORWARD-LOOKING STATEMENTS

This prospectus includes 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, one of our subsidiary entities. 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 the Properties, we are referring to Dundee REIT’s ownership of and investment in the 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.

When we use the expression ‘‘our trustees’’ in this prospectus, we are referring to the trustees of Dundee REIT.

All information in this prospectus with respect to occupancy rates, expiry dates, average contract rent and premium of market rent over contract rent of our Properties does not give effect to the rent supplement described under ‘‘Management of Dundee REIT — Master Property Management Agreement’’. Where we refer to the term ‘‘market rent’’, we have estimated market rent through reference to recent leasing activity in the market, leasing interest in the Properties and publicly available market research.

PROSPECTUS SUMMARY

This summary highlights the principal features of this offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain terms used in this prospectus are defined in the Glossary of Terms and Expressions. Unless otherwise noted, the information in this prospectus does not give effect to any exercise of the Over-Allotment Option granted to the Underwriters by us, as described under ''Plan of Distribution''. Unless otherwise noted, the information in this prospectus does not include the acquisition of the Palladium Campus or Telus Tower and does not give effect to the proposed acquisition of the Pauls Portfolio. See ''Recent Developments''.

Dundee REIT

General

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.

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 portfolio consists of approximately 11.1 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.

Background

We were formed in connection with the reorganization (the ''Reorganization'') of the business of Dundee Realty on June 30, 2003, pursuant to which substantially all of Dundee Realty's commercial real estate division, including senior management, and a joint interest in its property management business, were transferred to us.

The Reorganization was the culmination of a process initiated by management of Dundee Realty to explore potential transactions to surface value for Dundee Realty's shareholders. Management of Dundee Realty believed that our structure would result in more favourable valuations for our equity securities as compared to the common shares of Dundee Realty, and would provide us with enhanced access to capital for the purposes of funding our operations and the growth of our business.

Prior to completing the Reorganization, Dundee Realty had developed into a diversified Canadian public real estate company with assets having a book value of over $1 billion. From the time of its establishment in 1995, the major milestones in Dundee Realty's history included the following:

- In April and October 1996, Dundee Realty, which was then an Alberta Stock Exchange-listed company, acquired certain real estate businesses and assets from Dundee Bancorp and other parties. These businesses included Canlight Real Estate Services, a property syndication and management business, and the Preston Group, a Saskatoon-based group of real estate companies.
- In July 1997, Dundee Realty's common shares were listed on the TSX.
- From 1996 to 1998, Dundee Realty significantly expanded its operations by making a series of strategic acquisitions, including V&A Properties Ltd. and The Lehndorff Group, an established transatlantic commercial real estate business. In addition to a substantial property portfolio, the acquisition of The Lehndorff Group provided Dundee Realty with a significant European shareholder base.
- In 1999, Dundee Realty acquired a portfolio of primarily industrial properties in Montréal for approximately $88 million. These properties comprised approximately 2.5 million square feet of gross leasable area.
- By the end of 2000, Dundee Realty had completed the integration of its employees and operations from numerous business acquisitions into a single operating platform, allowing Dundee Realty to reduce costs and improve management reporting.
- In 2001, Dundee Realty successfully completed the redevelopment of the State Street Financial Centre, a 413,934 square foot Class A office building located in downtown Toronto. Dundee Realty received the

2001 awards of ''Office Project of the Year'' and ''Office Deal of the Year'' for this project from the National Association of Industrial and Office Properties (NAIOP).

- Dundee Realty received 71 awards and distinctions between 1996 and 2002, including recognition as one of the three fastest growing companies in Canada based on revenue from 1996 to 2001 (according to *Profit Magazine* in 2002 and 2001), one of the three fastest growing companies in Canada based on profits (according to the *Financial Post* magazine in 2001) and one of the best companies to work for in Canada (according to *Report on Business Magazine* in 2002).

- From 1996 to 2002, Dundee Realty's assets grew from $68.7 million to approximately $1.0 billion (as measured by book value) and its diluted funds from operations per share grew from $0.44 to $3.28 (39.8% compounded annually).(1)

- From September 1998 to October 2002, Dundee Realty utilized a significant portion of its free cash flow from operations in order to repurchase approximately 39% of its outstanding common shares (based on the number of common shares outstanding in September 1998).

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(1) Diluted net income per share grew from $0.38 to $0.69 (10.5% compounded annually) over the same period. Diluted funds from operations per share represents net income (calculated in accordance with GAAP), adjusted to add back depreciation and amortization and future income taxes and to exclude gains or losses from the sale and diminution in value of real estate assets, divided by the number of issued and outstanding common shares of Dundee Realty.

Relationship with Dundee Bancorp

Dundee Realty was originally established as a real estate enterprise by Dundee Bancorp, when Dundee Bancorp transferred certain of its real estate assets to Dundee Realty in April and October 1996. Dundee Bancorp was the principal shareholder of Dundee Realty. Pursuant to the Reorganization, Dundee Realty became a subsidiary of Dundee Bancorp, and Dundee Bancorp retained an effective equity interest in our business of approximately 43%. As at December 31, 2003, Dundee Bancorp's equity interest in our business was approximately 37%. We hold our interest in Dundee Realty Management, the former property management business of Dundee Realty, jointly with Dundee Bancorp's subsidiary, Dundee Realty.

Dundee Bancorp is a holding company dedicated to wealth management, financial services and real estate. Through its subsidiaries, Dundee Bancorp provides a broad range of wealth management and financial services to individuals, institutions and corporations. Dundee Bancorp also holds and manages its own portfolio of investments.

Dundee Bancorp is not involved in the day-to-day management of our business. However, Dundee Bancorp is entitled to appoint up to one less than a majority of our trustees, subject to maintaining its equity interest in our business at a certain level. Dundee Bancorp is also entitled to vote its Special REIT Units for the election of our remaining trustees. Dundee Bancorp has certain other contractual rights, including a pre-emptive right with respect to the issuance of units of Dundee REIT, the right to participate in certain take-over bids and other transactions involving the units of Dundee REIT, registration rights with respect to its REIT Units, Series B (none of which are currently outstanding) and the right to have its nominee appointed as a director of the general partner of Dundee Properties LP. See ''Management of Dundee REIT — Appointment of Trustees'', ''Declaration of Trust and Description of REIT Units — Issuance of REIT Units'', ''Description of Dundee Properties LP — Partnership Units and — Sale of REIT Units, Series B''.

Dundee Bancorp's pre-emptive right allows Dundee Bancorp to acquire a sufficient number of units of Dundee REIT or LP Class B Units, Series 1 of Dundee Properties LP so as to maintain its percentage outstanding voting and equity interest in Dundee REIT. Dundee Bancorp elected not to exercise its pre-emptive right under the Declaration of Trust in connection with the offering of 2.6 million Units in November 2003. Dundee Bancorp has also elected not to exercise its pre-emptive right under the Declaration of Trust in connection with this offering.

RECENT DEVELOPMENTS

Offering of 2.6 million REIT Units, Series A

On November 5, 2003, we completed a public offering of 2.6 million Units at a price of $21.70 per Unit. The net proceeds from this offering were approximately $51.6 million (after deducting the underwriters' fees and expenses of the offering). The net proceeds were used to repay certain indebtedness relating to our Properties and for general purposes including the acquisition of the Palladium Campus in Ottawa, Ontario.

Acquisition of Palladium Campus

On November 27, 2003, we completed the purchase of the Palladium Campus, a 229,000 square foot office complex located in suburban Ottawa, Ontario for a purchase price of approximately $37.2 million. Construction of this three building complex was completed in 2001 and is currently leased to three tenants, IBM, DRS Technologies and Spirent Communications, under leases running until 2011. One tenant has a right to terminate its lease in 2008, subject to providing notice and paying certain penalties. Total annual contract rent from the complex is approximately $4 million. In connection with the acquisition, we assumed existing first mortgages having an aggregate principal amount of approximately $31.2 million and an interest rate of approximately 7.3%.

Acquisition of Telus Tower

On December 3, 2003, we completed the purchase of a 50% interest in the Telus Tower, a 28 storey, 705,000 square foot office building in Calgary, Alberta for a purchase price of approximately $68 million. Our strategic partner for this acquisition, H&R Real Estate Investment Trust, acquired the remaining 50% and also manages the building. The Telus Tower was constructed in 1981 and is a Class A office tower located on the edge of the financial core of downtown Calgary. Telus Communications leases approximately 93% of the building until 2016. Telus Communications has the option to terminate its lease of four floors in 2006 and another four floors in 2008, in each case upon the payment of certain penalties. The balance of the building is leased to the Government of Alberta and to local tenants. In connection with the acquisition, we assumed our pro-rata share (approximately $43.5 million) of an existing first mortgage having an aggregate principal amount of approximately $87 million and an effective interest rate of approximately 6.4%.

We believe that the Palladium Campus and Telus Tower will generate an unlevered return of approximately 9.5% and provide a levered return in excess of 15% over the first 12 months following the acquisitions.

Agreement to Acquire Pauls Portfolio

On December 19, 2003, we entered into an agreement with a private developer to acquire 1.5 million square feet of newly constructed office, industrial and flex space in the Calgary and Toronto markets (collectively, with the buildings under construction described below, the ''Pauls Portfolio'') for a purchase price of approximately $155 million. The acquisition is conditional on the lenders' consent to our assumption of the assumed debt and the release of the private developer from such indebtedness and other customary conditions. The portfolio consists of nine flex industrial properties and three office properties in Calgary totalling approximately 596,000 square feet and three flex industrial properties, four industrial warehouse properties and one office property in Toronto totalling approximately 928,000 square feet. We believe that this portfolio of properties will generate an unlevered return of 8.4% and a levered return in excess of 11.5% over the first 12 months following the acquisition. The average age of the buildings in the portfolio is about three years. There are currently 66 tenants in the portfolio.

Flex industrial space offers affordable business premises for tenants. Features of flex industrial space include upgraded industrial space with a large office component including high ceilings and the flexibility to create unique, non-traditional work environments.

As part of our agreement, we have an option to acquire at a discount to the then current market value (i) a 73,000 square foot office building presently under construction in Mississauga upon its completion and leasing and (ii) 400,000 square feet of flex industrial buildings in Mississauga upon their completion and leasing. We have agreed to provide an initial mezzanine loan of approximately $12.5 million to the private developer to complete and lease the existing building as well as additional loans not exceeding an aggregate of $1.5 million to assist in the development and leasing of the other buildings to be constructed. Assuming these additional acquisitions are completed, we will have added a total of approximately 2 million square feet of office, industrial and flex space to our portfolio.

The acquisition of the Pauls Portfolio will be financed by the assumption of debt of approximately $65.7 million at an average interest rate of 6.21%, additional property financing secured against the Pauls Portfolio and the proceeds of this offering or, if this offering is not completed, from available operating credit facilities and the Interim Facility. The transaction is scheduled to close in February 2004.

Sale of Centennial Mall

We and our partners have entered into an agreement to sell Centennial Mall, Brampton for approximately $12 million, our share of which will be approximately $6 million. This transaction is scheduled to close on February 11, 2004.

Effect of Recent Developments on Our Portfolio

After giving effect to all of the recent developments described above, and based on our portfolio at September 30, 2003, we will have a total portfolio of 13.1 million square feet, comprised of 4.3 million square feet of office, 7.5 million square feet of industrial and 1.3 million square feet of retail properties. Our average stabilized portfolio occupancy will increase to 94.3% from 93.6%, our average lease term will increase by 12% to 4.4 years from 4.0 years and our average in-place contract rent will increase to $8.39 per square foot from $7.90 per square foot.

OBJECTIVES AND STRATEGY

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.

Strategy

Effectively Managing our Business

We preserve and increase the value of our properties through prudent and innovative management. The asset management function is integrated throughout our business, involving our analysts, internal leasing agents, property managers, regional managers and our senior executives. Our senior management has ultimate responsibility for identifying the strengths and weaknesses of individual assets and our portfolio as a whole so that we may improve returns while lowering risk within our portfolio. We conduct regular reviews of assets in our portfolio to determine whether they are being used for their optimal purpose. Assets in our portfolio that exceed our expectations are examined to determine if their performance can be replicated with our other properties. We target assets for disposition that are no longer appealing to us due to their market or physical attributes. We strive to recognize market trends early enough so that we can take advantage of acquisition and redevelopment opportunities before our competitors.

We employ what we believe to be conservative policies in managing our financial position to reach our objectives. Wherever possible, we utilize fixed rate debt financing with terms which are appropriate for our properties. We stagger debt maturities for new financings in order to manage risk. We attempt to structure the timing of the expiry of significant tenant leases to coincide with the maturity dates of the indebtedness on those properties.

Building and Maintaining a Diversified Portfolio

We believe that diversifying our real estate portfolio, balancing by asset type, geographic location and tenant mix, decreases the overall risk profile of our business. Accordingly, we will continue to own, acquire and manage properties in our target markets that will provide this diversification. We have an established presence and a critical mass of properties in our target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton.

We are committed to maintaining the high quality of our portfolio and upgrading our properties in order to respond to the evolving needs of our current and prospective tenants. Through our preventative maintenance program, we regularly analyze and inspect our properties in order to minimize future capital expenditures.

Meeting the Needs of Tenants

We recognize that strong tenant relationships are critical to our success, and so we strive to meet our tenants' needs by offering a high level of service. For instance, we have found that our tenants' greatest need is to be heard, and we listen. Through our web-based ''dundeeplus'' service response system, we make it our goal to respond to tenant service requests within 30 minutes. We examine and evaluate a range of potential service offerings and, when we determine that a particular service would be beneficial to our tenants, we aim to deliver the service at the lowest reasonable cost. We offer additional services to help our tenants carry on their business more efficiently, such as the ability to submit and track maintenance reports on-line, as well as an ''e-concierge'' service for local events and attractions. We offer up-to-date telecom and fibre optic capabilities in many of our buildings. We incur what we believe to be appropriate marketing, leasing and tenant improvement expenditures and look for opportunities with our tenants to expand and redevelop assets within our portfolio.

We leverage our relationships with suppliers in order to reduce operating costs for our tenants, while still generating additional revenue for our business. Through our national procurement program, we have been able to pass along savings to our tenants for elevator, cleaning, security and other services. Our electricity and gas supply contracts have resulted in both cost savings and operating cost stability for our tenants.

We believe that continually improving upon our responsiveness and providing our tenants with a high level of service puts us in a better position to maintain tenancies and re-lease vacant space quickly, with lower transaction costs.

External Growth Strategy

We intend to achieve external growth by making strategic acquisitions, repositioning properties where opportunities exist and building on our third party property management business.

We believe that our target markets are large enough and that there are sufficient acquisition opportunities within these markets to enable us to pursue our strategy and continue to grow prudently and profitably. Since the ownership of properties in the markets in which we compete is relatively fragmented, we believe that there are opportunities to further develop synergies in each market and within our business to enhance cash flow and increase returns generated on an individual asset basis.

We use our experience and expertise to select appropriate properties for acquisition that complement our portfolio and will maintain or increase the financial performance of our enterprise. We will continue to focus on acquisitions of mid-sized, central business district and suburban office and industrial properties. We concentrate on acquiring properties that are, in our view, superior in quality and located in close proximity to our existing properties in order to enhance profit margins and better accommodate our tenants' changing needs. We review potential acquisitions against investment criteria that focus primarily on security of future cash flows, initial return on equity, potential for capital appreciation and the potential to increase value by more efficient management of the assets being acquired.

We will reposition properties where we have an opportunity as a result of the ownership of similar or neighbouring properties or to accommodate the needs of existing tenants. Similarly, we will pursue acquisitions where we believe that we have an opportunity to use our skills or our tenant base to develop an asset with greater performance and stable income, either through renovation, leasing or redevelopment.

Through our joint interest in Dundee Management LP, we currently provide property management services to our tenants and other businesses. Finding opportunities to increase the revenues that we generate from our third party property management business will remain a priority.

COMPETITIVE ADVANTAGES

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 will help us achieve our objectives.

Long Standing Experienced Management Team with Entrepreneurial Culture

Our management team has significant breadth and depth of expertise in the commercial real estate industry. The senior officers of Dundee REIT are all experienced, former senior officers of Dundee Realty. Most of our regional managers served in similar capacities with Dundee Realty. We believe that our managers are focused, disciplined and committed to delivering sustainable value, as evidenced by Dundee Realty's track record of performance.

As an accomplished and entrepreneurial real estate enterprise, we believe that our people are empowered to make a difference in our organization. Our managers have previous experience in various leading real estate organizations as well as in other diverse industries, which has contributed to the development of our unique, innovative culture. We have distinguished ourselves as one of the best companies to work for in Canada. We believe that our experience, combined with our culture, positions us to attract high quality talent to assume key positions and lead us into the future.

Real Estate Expertise

Our organization has dedicated and experienced local managers in each of the major markets in which we operate. These individuals continually seek opportunities for expansion, renovation, operating cost reductions and revenue enhancement from the properties in their local markets.

We believe that we have the ability to identify acquisition and development opportunities which are not apparent to our competitors. Historically, these opportunities included Dundee Realty's acquisition of companies that had the first opportunity to buy the properties they managed, the acquisition of real estate requiring recapitalization, or innovative redevelopments such as the State Street Financial Centre.

Our strong tenant relationships have enabled us to maintain high tenant retention rates. Because we are responsive to their changing needs, our tenants have consistently chosen to renew their leases and we have benefited from the cost efficiencies of maintaining their business. Our relationships with our tenants have also resulted in many tenants consolidating their requirements by leaving other premises and renting additional space from us.

We have the experience and expertise in repositioning assets to increase returns or add to the assets in our portfolio. We use this capability to further expand and redevelop properties that are currently in our portfolio as well as to identify opportunities to add to our portfolio.

Diversified Portfolio and Market Presence

Our portfolio is well diversified in terms of asset type, geographic location and tenant mix. Just over half of our portfolio, as measured by net operating income, consists of office properties, with the remaining approximately 32% consisting of industrial properties and 15% consisting of retail properties. Approximately 45% of our properties are located in Ontario, 21% in Québec, 28% in Western Canada and 6% in the United States, as measured by net operating income. We believe that this diversity is well suited to our objectives of providing consistent, predictable and sustainable distributions to our unitholders, and provides the potential for future capital appreciation.

We have an established presence in our target markets that gives us the critical mass to achieve our objectives. This presence provides us with the knowledge, management strength and infrastructure to identify opportunities to acquire and reposition properties, while reducing our costs. Our presence in our target markets also allows us to be responsive to our tenants' needs, providing a solid platform for internal and external growth.

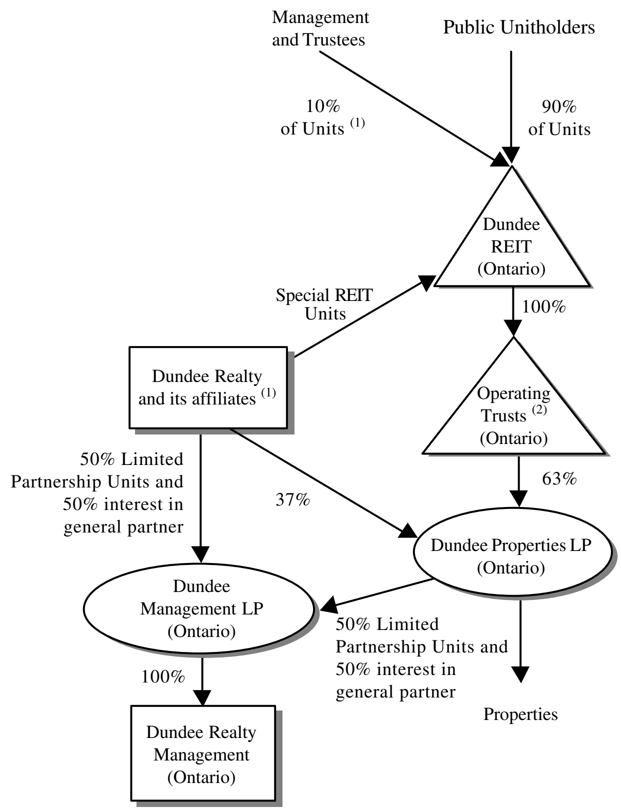
Track Record of Creating Value for Investors

We are managed by the same senior management team that was responsible for the success of Dundee Realty as a public real estate company. Through an innovative management approach and astute deployment of capital, our senior management team substantially increased the value of Dundee Realty.

Dundee Bancorp has had a significant ownership interest in our business from the time of our establishment as a real estate enterprise, and continues to be our principal investor. We also have a close relationship with our European unitholders who have maintained a substantial investment in us since our acquisition of The Lehndorff Group. We believe that the continued investment by our significant unitholders in our business represents evidence of their confidence in our management, the quality of our portfolio and our prospects for the future.

STRUCTURE OF DUNDEE REIT

The following chart is a simplified illustration of our organizational structure as at December 31, 2003, before giving effect to the issuance of Units pursuant to this offering:



(1) Dundee Realty and its affiliates hold non-voting limited partnership units of Dundee Properties LP, which represent an equity interest in Dundee Properties LP, as at December 31, 2003, of approximately 37%. Dundee Realty and its affiliates hold a corresponding voting interest in Dundee REIT by virtue of their holding of Special REIT Units. Dundee Realty is a subsidiary of Dundee Bancorp. The senior officers of Dundee REIT hold a 15% equity interest in Dundee Realty (excluding its equity interest in Dundee Properties LP).

(2) The Operating Trusts consist of Trust A and Trust B. Dundee REIT owns all of the units and notes of Trust A and Trust B. Trust A and Trust B own all of the voting limited partnership units of Dundee Properties LP, which collectively represent an equity interest in Dundee Properties LP, as at December 31, 2003 of approximately 63%. The general partner of Dundee Properties LP is wholly-owned by Dundee REIT.

See ''Structure of Dundee REIT'' for a more detailed illustration of our organizational structure. See also ''Management of Dundee REIT — Management of the Properties'', ''Declaration of Trust and Description of REIT Units'', ''Description of the Operating Trusts'' and ''Description of Dundee Properties LP''.

MANAGEMENT OF DUNDEE REIT

Our overall operations and affairs are subject to the control of our trustees. Our day-to-day operations are directed by our management team, which includes the senior officers of Dundee REIT, as well as other individuals employed by Dundee Realty Management, a subsidiary of Dundee Management LP, in which we have a joint interest with Dundee Realty.

Board of Trustees of Dundee REIT

Pursuant to the Declaration of Trust, Dundee REIT may have between five and 12 trustees at any given time, although a majority of our trustees must be resident Canadians. Dundee REIT currently has 11 trustees. Pursuant to the Declaration of Trust, Dundee Bancorp is entitled to appoint up to one less than a majority of our trustees provided that Dundee Bancorp and its affiliates maintain their equity ownership in our business at a certain level. Based on its current ownership interest in Dundee REIT, Dundee Bancorp is currently entitled to appoint up to five of our trustees, but has chosen to appoint only three of our current trustees. Our remaining trustees must be elected annually at a meeting of unitholders. Dundee Bancorp is entitled to vote its Special REIT Units (which as at December 31, 2003 represent approximately 37% of the votes attaching to all outstanding REIT Units) at meetings of unitholders for the election of our remaining trustees. See ''Management of Dundee REIT — Appointment of Trustees''.

The board of trustees has established an Audit Committee, a Compensation Committee, a Governance and Environmental Committee and an Investment Committee. The Declaration of Trust requires that a majority of the trustees on each of these committees (other than the Investment Committee) be Independent Trustees and that a majority of the trustees on each of these committees be resident Canadians. The Audit Committee and Governance and Environmental Committee currently include only Independent Trustees.

The following table sets forth the name, municipality of residence, principal occupation and years of service as a director of Dundee Realty for each of our trustees:

Name and Municipality of Residence	Principal Occupation	Years of Service as Director of Dundee Realty
DR. GÜNTHER BAUTZ (1)(5) Ulm, Germany	Counsellor on Intellectual Property to Braun GmbH, a manufacturer of small electric appliances	5 years
DETLEF BIERBAUM (2)(4)(5) Cologne, Germany	Partner, Bankhaus Sal. Oppenheim jr. & Cie, KGaA, a private investment bank	5 years
DONALD K. CHARTER (6) Toronto, Ontario	Executive Vice-President, Dundee Bancorp, a financial services company, Chairman, President and Chief Executive Officer, Dundee Securities Corporation, an investment dealer	7 years
MICHAEL J. COOPER (2) Toronto, Ontario	President and Chief Executive Officer of Dundee REIT	7 years
PETER A. CROSSGROVE (1)(3)(4)(5) Caledon, Ontario	Chairman, Masonite International Inc., a door manufacturing company	5 years
ROBERT G. GOODALL (1)(3)(5) Mississauga, Ontario	President, Canadian Mortgage Capital Corporation, a mortgage brokerage company	7 years
DAVID J. GOODMAN (6) Toronto, Ontario	President and Chief Executive Officer, Goodman & Company Investment Counsel Ltd., an investment management company and Executive Vice President, Dundee Bancorp, a financial services company	7 years
NED GOODMAN (2)(3)(6)(7) Innisfil, Ontario	President and Chief Executive Officer, Dundee Bancorp, a financial services company	7 years
DUNCAN JACKMAN (5) Toronto, Ontario	Chairman and President, E-L Financial Corporation Limited, an insurance holding company	N/A

Name and Municipality of Residence	Principal Occupation	Years of Service as Director of Dundee Realty
GERT SILBER-BONZ (3)(5) . . . . Michelstadt, Germany	Business Consultant	5 years
ROBERT TWEEDY (4)(5) . . . . Toronto, Ontario	Chairman and Chief Executive Officer, Useppa Holdings Limited, a diversified management company, and Sklar Peppler Furniture Corporation, a furniture manufacturer	N/A

Notes:

(1) Member of the Audit Committee.

(2) Member of the Investment Committee.

(3) Member of the Compensation Committee.

(4) Member of the Governance and Environmental Committee.

(5) Independent Trustee.

(6) Dundee Bancorp appointee.

(7) Chairman of the board of trustees.

Senior Management of Dundee REIT

The senior officers of Dundee REIT consist of the following individuals:

MICHAEL J. COOPER . . . . Toronto, Ontario	President and Chief Executive Officer
JEFF B. BARNES . . . . Toronto, Ontario	Executive Vice-President and Chief Financial Officer
J. MICHAEL KNOWLTON . . . . Mississauga, Ontario	Executive Vice-President and Chief Operating Officer
P. JANE GAVAN . . . . Vaughan, Ontario	Executive Vice-President and General Counsel

The services of additional officers and personnel are provided by Dundee Management LP to support the senior officers of Dundee REIT in fulfilling their duties. Dundee Management LP provides a wide range of management and other services to us and to third parties. See ''Management of Dundee REIT — Senior Management of Dundee REIT''.

Investment Guidelines and Operating Policies

We are governed by investment guidelines and operating policies applicable to our business. These investment guidelines restrict the types of investments that we may make, while the operating policies address, among other things, the extent to which we may assume indebtedness and the leasing activities that we may undertake. See ''Investment Guidelines and Operating Policies''.

DRIP Plan

We have a distribution reinvestment and unit purchase plan entitling holders of Units and REIT Units, Series B to reinvest all cash distributions made by us in additional Units. The price at which Units will be acquired for DRIP plan participants will be determined by Dundee REIT but will generally be a price per Unit calculated by reference to a five day weighted average closing price of the Units on the TSX preceding the relevant Distribution Date. Participants electing to reinvest cash distributions in Units pursuant to our DRIP plan will receive a further ''bonus'' distribution equal to 4% of the amount of each cash distribution that they reinvest, which further distribution will also be reinvested in Units. Participants may also make optional cash purchases of additional Units pursuant to our DRIP plan. Participants in our DRIP plan will not receive a bonus distribution of Units in connection with any such optional cash purchases. Our principal investor, Dundee Bancorp, has the ability to reinvest distributions payable on its limited partnership units of Dundee Properties LP on the same economic terms as participants in our DRIP plan. In connection with the distributions we paid to our unitholders from October 2003 through December 2003, including our principal investor, an average of 49.5% of the total amount of the distributions were reinvested in additional Units and limited partnership units of Dundee Properties LP. See ''Distribution Policy — DRIP Plan'' and ''Description of Dundee Properties LP — Distributions''.

Management of the Properties

All but one of the Properties are managed by Dundee Management LP, with the assistance of its wholly-owned subsidiary, Dundee Realty Management. Nine of the Properties are co-owned and are managed by Dundee Realty Management directly. One of the Properties, 110 Sheppard Avenue East, Toronto is co-owned with H&R Real Estate Investment Trust and is managed by H&R Property Management Ltd. As well, the newly acquired Telus Tower, Calgary is co-owned with H&R Real Estate Investment Trust and is managed by H&R Property Management Ltd.

We have a joint interest with Dundee Realty in Dundee Management LP. Dundee Realty Management, as at December 31, 2003, had approximately 258 employees involved in its operations.

The terms under which the non co-owned Properties are managed are set out in the Master Property Management Agreement. Dundee Management LP also provides general administrative services to us pursuant to the Dundee REIT Administrative Services Agreement. See ''Management of Dundee REIT — Master Property Management Agreement'' and ''Management of Dundee REIT — Dundee REIT Administrative Services Agreement''.

Master Property Management Agreement

Pursuant to the Master Property Management Agreement, Dundee Management LP provides customary property management services to us, including (i) preparing an annual operating budget and leasing plan; (ii) preparing and maintaining books and records, performing accounting and preparing financial reports; (iii) providing information to us and certain other third parties in connection with a proposed sale, financing or refinancing of any real property; (iv) negotiating, settling and administering the terms of all tenancies and renewals; and (v) other general services necessary for the management, operation and maintenance of the non-co-owned Properties.

Under the terms of the Master Property Management Agreement, Dundee Realty has agreed to pay a rent supplement to Dundee Properties LP. The rent supplement contributes to our stable and predictable revenue stream by eliminating the leasing and rental rate uncertainty for certain premises that were vacant at the beginning of 2003 and expected to be leased in the near term, and by guaranteeing that certain leases expiring in 2003 would not be subject to any vacancy losses. The total rent supplement paid for the period from July, 2003 to December, 2003 was approximately $2.2 million. The term of the rent supplement is five years for retail and office space (expiring June 30, 2008), and three years for industrial space (expiring June 30, 2006). If, at any time, any of the premises to which the rent supplement applies is either sold by Dundee Properties LP or ceases to be managed by Dundee Management LP, the amount of the rent supplement will be permanently reduced by the amount attributed to such premises. See ''Management of Dundee REIT — Master Property Management Agreement''.

The initial term of the Master Property Management Agreement is five years, expiring on June 30, 2008. The Master Property Management Agreement will be extended for a five year period with the consent of Dundee Management LP. Thereafter, the agreement will be automatically extended for further five year periods with the consent of Dundee Management LP and Dundee Properties LP. Dundee Management LP may terminate the agreement within 60 days of receiving notice from Dundee Properties LP of its consent to extend the agreement for a further five year term. Dundee Management LP may terminate the agreement by providing six months' notice prior to the expiration date of the initial term or any extension term, provided that Dundee Properties LP has the option to delay the effective day of the termination for a further six month period. Dundee Properties LP can terminate the agreement by giving at least six months' notice to Dundee Management LP prior to the expiration date of any extension term (other than the first extension term).

The Master Property Management Agreement may be terminated by Dundee Management LP or Dundee Properties LP upon the occurrence of an event of default and will be automatically terminated immediately prior to the occurrence of certain insolvency events relating to Dundee Management LP or Dundee Properties LP. Either Dundee Properties LP or Dundee Management LP may terminate the Master Property Management Agreement with respect to a particular property in the event of material damage or the expropriation, taking or condemnation of such property. A termination fee is payable by Dundee Properties LP in the event that Dundee Properties LP terminates the Master Property Management Agreement, other than at the expiry of any extension term, upon a default by Dundee Management LP or the occurrence of an insolvency event with respect to Dundee Management LP. The termination fee is calculated by reference to prior fees paid under the agreement and the length of the remaining term. If either of Dundee Properties LP or Dundee Management LP terminates the agreement in respect of any property by reason of material damage to such property, Dundee Management LP is entitled to receive from Dundee Properties LP a termination fee equal to the base management fee (as described below) earned in respect of the relevant property during the 12 month period preceding the month in which the material damage to such property occurred. No termination fee is payable if either Dundee Properties LP or Dundee Management LP terminates the agreement in respect of any property by reason of the expropriation, taking or condemnation of such property, or if the agreement is terminated by Dundee Management LP with six months' notice prior to the expiration date as described above.

The Master Property Management Agreement provides that Dundee Properties LP will pay Dundee Management LP a base management fee, a construction fee and a leasing administration fee for the services provided under such agreement. The base management fee will be 3.5% of the gross revenue of each property managed (including revenue from the rent supplement described above). The construction fee will be 10% of the first $100,000 of costs for each project and 5% of the costs in excess of $100,000 for approved construction and capital expenditures, while the leasing administration fee will constitute 50% of the customary market leasing brokerage fee (25% if a third party listing leasing broker is involved in the transaction or in the case of a lease renewal), calculated without deduction for any rent free period. In addition, Dundee REIT will reimburse Dundee Management LP for certain of the costs and expenses incurred by Dundee Management LP in the performance of its duties under the Master Property Management Agreement and the provision of administrative services to Dundee REIT, the Operating Trusts or Dundee Properties LP.

REAL ESTATE PORTFOLIO

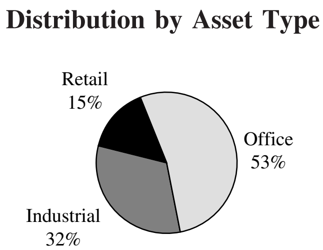
We own a diversified portfolio of 135 office and industrial properties and 5 retail properties offering approximately 11.1 million square feet of gross leasable area. Core office and industrial properties account for 9.7 million square feet of our total gross leasable area. The properties in our portfolio consist of mid-sized central business district and suburban office buildings, industrial buildings and regional, mid-sized community or neighbourhood retail centres located in urban markets.

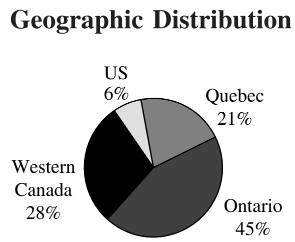
Portfolio Diversification

The following table shows the book value of our portfolio by region and asset type as at September 30, 2003 (all dollar amounts shown are in thousands of dollars).

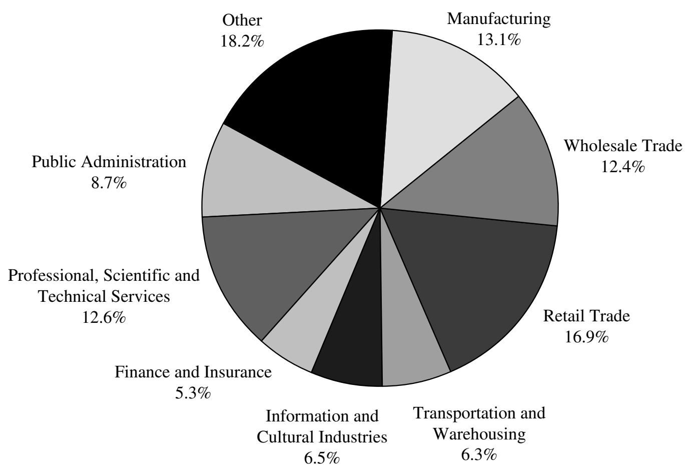
	Office	Industrial	Retail	Total	%
Québec	$ 50,502	$102,780	$ 1,716	$154,998	19%
Ontario	267,086	54,112	13,946	335,144	41%
Western Canada	99,640	96,119	64,898	260,657	32%
Total Canada	417,228	253,011	80,560	750,799	92%
United States	—	—	60,119	60,119	8%
Total	$417,228	$253,011	$140,679	$810,918	100%
Percentage of Total	52%	31%	17%	100%	

The following charts illustrate the asset and geographic diversity of our portfolio, by showing the distribution of the properties based on net operating income for the nine months ended September 30, 2003.



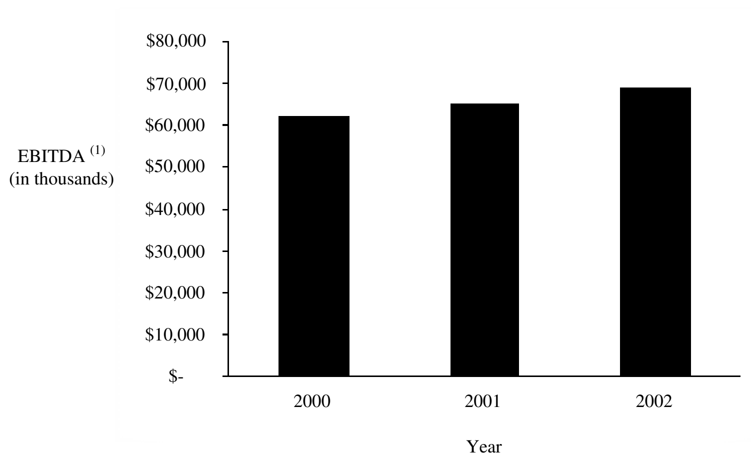


The following chart illustrates the diversity of our tenants, as measured by their percentage contribution to total contract rent with respect to our properties for the nine months ended September 30, 2003. Tenants have been grouped by industry according to their North American Industry Classification System (NAICS) codes, which is one system used for classifying the industry in which tenants operate.



EBITDA

The following chart shows the historical EBITDA of our portfolio in each of the years ended December 31, 2000, 2001 and 2002.



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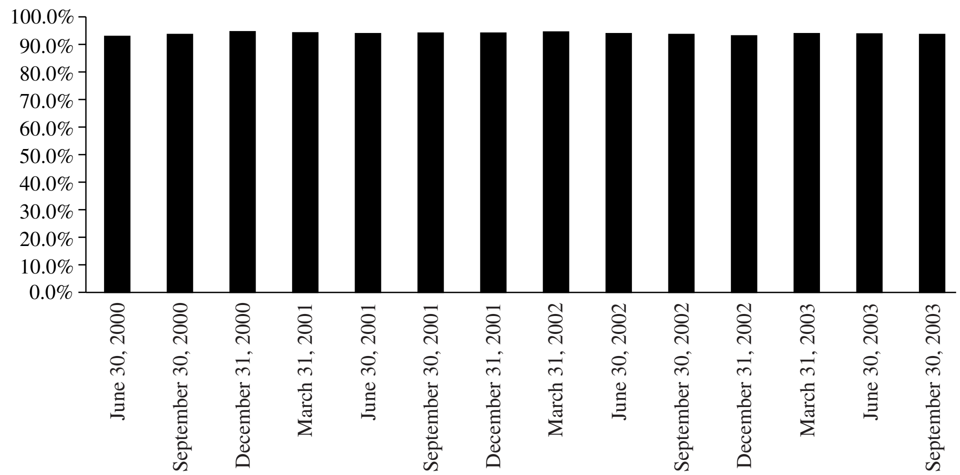
(1) EBITDA represents earnings before interest, taxes, depreciation and amortization. This term does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to the term ''EBITDA'' as used by other similar issuers. See ''Selected Financial Information of the Commercial Division'' for a reconciliation of net income of the Commercial Division to EBITDA.

Leasing Information

As at September 30, 2003, the properties in our portfolio were approximately 93.6% leased. In 2004, approximately 16.1% of gross leasable area will be subject to lease maturities.

The following graph shows the historical occupancy rates for the properties in our portfolio as at the dates shown.

Quarterly Occupancy Rates[(1)]
(Occupied and Committed)



(1) Excludes Properties under redevelopment. As at September 30, 2003, Properties under redevelopment were 15303-128th Avenue, Edmonton and 11 Place du Commerce, Brossard.

The following table shows the lease maturity profile of our portfolio as at September 30, 2003 according to asset type.

Lease Maturity Profile
(in square feet, except percentages)

	Current Vacancy	Current Monthly Tenancies	2003[(1)]	2004	2005	2006	2007 and thereafter	Total
Office	258,846	28,967	179,053	491,735	491,359	418,592	1,757,064	3,625,615
Industrial	340,840	129,803	249,213	1,174,148	895,081	826,906	2,241,818	5,857,809
Retail	97,526	39,174	23,088	84,105	85,761	52,114	1,007,770	1,389,537
Total	697,212	197,944	451,353	1,749,987	1,472,201	1,297,612	5,006,652	10,872,960
Percentage	6.4%	1.8%	4.2%	16.1%	13.5%	11.9%	46.0%	100.0%
Properties under redevelopment[(2)]								219,155
Total								11,092,115

(1) For the period September 30 to December 31, 2003.

(2) 15303-128th Avenue, Edmonton and 11 Place du Commerce, Brossard.

The following table shows the average remaining lease term and other information for our office, industrial and retail properties as at September 30, 2003.

Average Remaining Lease Term and Other Information[1]

	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-Place Contract Rent (per sq. ft.)	Estimated Current Market Rent (per sq. ft.)	Premium of Estimated Current Market Rent Over Average In-Place Contract Rent (per sq. ft.)
Office	4.2	6,221	$12.30	$13.21	7.4%
Industrial	3.1	12,822	$ 4.70	$ 4.83	2.7%
Retail	6.9	5,523	$10.10	$11.24	11.3%
Overall	4.0	8,447	$ 7.90	$ 8.42	6.5%

(1) Excludes 15303-128th Avenue, Edmonton and 11 Place du Commerce, Brossard.

As a provider of affordable business premises, the average gross leasable area leased by our tenants is approximately 8,500 square feet. This allows us to have a larger and more diverse tenant base. With over 1,300 tenants, our exposure to any large single lease is relatively low. In our experience, we have found that it is much more likely that we will have the space to accommodate 20% growth for a tenant occupying 5,000 square feet of gross leasable area than to accommodate 10% growth for a tenant occupying over 100,000 square feet.

We find that tenants who require smaller spaces typically do not have the planning time horizons associated with larger tenants. As a result, our larger tenants will often commit to leases with a 10 to 15 year term, while many of our smaller tenants only commit to leases with a one to three year term. This is reflected in our average remaining lease term of just over four years and our lease maturity profile. We have extensive resources and experience in managing our lease renewals, as many of the same tenants renew annually, and have been doing so for a number of years. Our success is evident in our track record. The lease maturity profile of our properties has been consistent for a number of years and occupancy levels have been maintained. Despite vacancies rising in many markets across Canada, we have been able to increase our overall occupancy recently by successfully renewing most of our expiring leases and filling many vacancies.

Ten Largest Tenants

Our portfolio has a diversified tenant mix. Our two largest tenants, the Government of Canada and the Government of Ontario, comprise 5.3% and 2.8%, respectively, of our gross rental revenue, while our largest non-government tenants, International Financial Data Services and State Street Trust Company each comprise 2.5% of our gross rental revenue.

The following table sets out the 10 largest of our approximately 1,300 tenants as measured by their percentage contribution to gross rental revenue for the month of September 2003:

Tenant	Owned Area in Square Feet	% of Owned Area	% of Gross Rental Revenue[1]	Expiry
1. Government of Canada	276,446	2.5%	5.3%	2003-2011
2. Government of Ontario[2]	188,742	1.7%	2.8%	2003-2008
3. International Financial Data Services	96,015	0.9%	2.5%	2007-2013
4. State Street Trust Company	93,586	0.8%	2.5%	2012
5. Bell Canada	182,078	1.6%	2.4%	2009
6. Government of British Columbia	91,748	0.8%	2.2%	2006-2009
7. Epcor Utilities	169,614	1.5%	1.5%	2011
8. CGI Group	54,088	0.5%	1.0%	2007
9. Hudson's Bay Company (Zellers)	156,705	1.4%	1.0%	2007-2017
10. Contract Pharmaceuticals	197,328	1.8%	0.9%	2008-2014
Total	1,506,349	13.6%	22.2%	

(1) These percentages represent Dundee REIT's portion of the actual gross rental revenue for the month of September 2003 as a percentage of total gross rental revenue for September 2003.

(2) Certain leases with the Government of Ontario provide an early termination right upon prescribed notice without payment of an early termination fee.

SELECTED ACTUAL AND PRO FORMA FINANCIAL INFORMATION OF DUNDEE REIT

The following tables summarize the unaudited consolidated balance sheet of Dundee REIT as at September 30, 2003, the audited consolidated opening balance sheet of Dundee REIT as at June 30, 2003 and the unaudited pro forma financial and operating information for the periods indicated. This information has been derived from, and should be read in conjunction with, our audited and unaudited consolidated balance sheets and unaudited pro forma condensed consolidated statements of net income, including the notes thereto, contained on pages F-2 to F-36 of this prospectus.

Dundee REIT
Consolidated Balance Sheets

	September 30, 2003	June 30, 2003
	(Unaudited)	
	(in thousands of dollars)	
ASSETS		
Rental properties	$810,918	$811,339
Deferred costs	36,120	34,802
Amounts receivable	6,459	6,172
Prepaid expenses	7,676	6,516
Cash and short-term deposits	8,459	4,681
	$869,632	$863,510
LIABILITIES		
Debt	$505,743	$505,592
Amounts payable and accrued liabilities	21,028	16,191
Future income tax liability	7,967	8,000
	534,738	529,783
UNITHOLDERS' EQUITY(1)	334,894	333,727
	$869,632	$863,510

(1) Includes REIT Units, Series A and LP Class B Units, Series 1 of Dundee Properties LP.

Dundee REIT
Pro Forma Condensed Consolidated Statements of Net Income
(Unaudited)

	Nine Months Ended September 30, 2003	Year Ended December 31, 2002
	(in thousands of dollars, except per unit amounts)	
RENTAL PROPERTIES		
Revenues[1]	$113,294	$148,435
Operating expenses	54,260	70,048
NET OPERATING INCOME	59,034	78,387
OTHER EXPENSES		
Interest	27,514	35,638
Depreciation of rental properties	6,705	8,311
Amortization of deferred leasing costs	4,487	5,059
General and administrative	2,874	3,645
	41,580	52,653
OTHER INCOME		
Interest and fee income, net	1,071	1,887
INCOME BEFORE INCOME AND LARGE CORPORATIONS TAXES	18,525	27,621
INCOME TAXES		
Current income and large corporations taxes	115	23
Future income taxes	(78)	800
	37	823
NET INCOME	$ 18,488	$ 26,798
Pro forma basic and diluted net income per unit	$ 1.13	$ 1.65

(1) The rent supplement included in the computation of pro forma net income for the nine months ended September 30, 2003 is $3,761, and for the year ended December 31, 2002 is $3,893. This supplement is $1,082 for the three months from October 1, 2003 to December 31, 2003. This amount will vary as the vacant space subject to the rent supplement is leased.

Dundee REIT
Pro Forma Condensed Consolidated Statements of Funds From Operations and Distributable Income
(Unaudited)

	Nine Months Ended September 30, 2003	Year Ended December 31, 2002
	(in thousands of dollars, except per unit amounts)	
PRO FORMA FUNDS FROM OPERATIONS (FFO)		
PRO FORMA NET INCOME	$18,488	$26,798
Add:		
Depreciation and amortization	11,192	13,370
Imputed amortization of leasing costs related to the rent supplement	900	917
Future income tax expense (recovery)	(78)	800
PRO FORMA FFO	$30,502	$41,885
PRO FORMA FFO PER UNIT[(1)]	$ 1.87	$ 2.57

	Nine Months Ended September 30, 2003	Year Ended December 31, 2002
	(in thousands of dollars, except per unit amounts)	
PRO FORMA DISTRIBUTABLE INCOME		
PRO FORMA NET INCOME	$18,488	$26,798
Add:		
Depreciation and amortization (except for deferred leasing, deferred financing and non-recoverable deferred maintenance incurred after June 30, 2003)	11,507	13,207
Imputed amortization of leasing costs related to the rent supplement	900	917
Amortization of fair value debt adjustments, included in interest expense	(230)	(333)
Future income tax expense (recovery)	(78)	800
PRO FORMA DISTRIBUTABLE INCOME	$30,587	$41,389
PRO FORMA DISTRIBUTABLE INCOME PER UNIT[(1)]	$ 1.88	$ 2.54

(1) The pro forma per unit amounts for each of the periods presented are based on 16,296,938 combined REIT Units, Series A and LP Class B Units, Series 1 issued and outstanding for the nine months ended September 30, 2003 on a weighted average basis, and 16,279,437 combined REIT Units, Series A and LP Class B Units, Series 1 issued and outstanding for the year ended December 31, 2002 based upon the number of units outstanding at June 30, 2003.

INDEBTEDNESS

We may not incur or assume any indebtedness without the approval of our unitholders if, after giving effect to the incurring or assumption of the indebtedness, our total indebtedness would be more than 65% of Gross Book Value and the total amount of indebtedness and the amount of any undrawn advances available under any operating and acquisition facility would be more than 70% of Gross Book Value, unless we determine that the maximum amount of indebtedness will be based on the appraised value of the real properties. In addition, at no time can we incur indebtedness aggregating more than 15% of Gross Book Value (other than trade payables, accrued expenses, distributions payable to unitholders and all other forms of indebtedness with an original term of less than one year) at floating interest rates.

As at September 30, 2003, our total indebtedness was 55.0% of Gross Book Value. As at the same date, our floating rate indebtedness was approximately 4% of total debt. See ''Indebtedness'', ''Consolidated Capitalization'', ''Investment Guidelines and Operating Policies — Operating Policies of Dundee Properties LP'' and ''Use of Proceeds''.

Mortgage Financing

Our properties currently serve as security for mortgage loan facilities from a number of lenders. In some cases, a group of properties may serve as security for mortgage loans from a single lender. In some cases, there is recourse to the assets of Dundee Properties LP. However, none of the lenders with respect to any of our facilities have recourse to the assets of Dundee REIT.

The following table summarizes certain of the principal features of the existing mortgages in place on the properties in our portfolio as at September 30, 2003.

Year Ending December 31	Balance Due at Maturity	Scheduled Principal Repayments on Non-matured Debt	Total	Percentage of Total	Weighted Average Interest Rate on Balance Due at Maturity
		(in thousands of dollars)			
2003 (three months to December 31)[1]	$ 16,315	$ 6,210	$ 22,525	4.4%	8.2%
2004[2]	126,580	12,406	138,986	27.5%	6.7%
2005	8,917	12,198	21,115	4.2%	6.7%
2006	37,267	11,852	49,119	9.7%	7.1%
2007	36,928	9,930	46,858	9.3%	7.5%
2008 and thereafter	199,352	27,788	227,140	44.9%	7.1%
Total	$ 425,359	$80,384	$505,743	100%	7.1%
Weighted average term to maturity	51 months				

(1) These mortgages were either repaid or refinanced.

(2) The debt maturities of $126,580 in 2004 expire mostly in the first six months of the year. They have an average interest rate of 6.7% and we expect that new refinancings will be completed at lower rates.

Operating Facility

A Canadian chartered bank has provided a secured revolving credit facility, payable on demand, to provide financing for the operations of our business. Subject to customary conditions, this facility is available for drawdown in an aggregate principal amount not to exceed $20 million and drawings will bear interest at a floating rate. This facility is secured by a first mortgage against 70 Richmond Street East, Toronto, Ontario and 21 St. Clair Avenue East, Toronto, Ontario and a second mortgage against Station Tower, Surrey, British Columbia as well as by a general security agreement against our personal property, subject to personal property security interests granted pursuant to specific property indebtedness. On December 23, 2003, we entered into a term sheet with the same Canadian chartered bank to increase this revolving facility to an aggregate principal amount not to exceed $50 million with drawings bearing interest at a floating rate. In addition to the security already granted, this credit facility will be secured by a first mortgage against 1145 Hunt Club Road, Ottawa, Ontario, 21 Fitzgerald Road, Nepean, Ontario and 2110 – 2160 Williams Parkway, Brampton, Ontario.

Interim Facility

We expect to enter into a commitment letter with the Canadian chartered bank affiliate of TD Securities Inc. pursuant to which the bank will commit to lend us up to $100 million on an interim basis to finance the acquisition of the Pauls Portfolio should this offering not close before the closing of that acquisition (the ''Interim Facility''). This facility will be subject to compliance with all necessary legal requirements and to the terms and conditions to be set out in the commitment letter. This facility will have a term of three months and will be prepayable at any time without penalty. The interest rate on this facility will be based on the bankers' acceptance rate having a term of up to three months. If drawn, this facility will be repaid from the proceeds of this offering. Should this offering close before the closing date of the acquisition of the Pauls Portfolio, then this commitment will be terminated. The loan agreement giving effect to this commitment will include customary terms, conditions, events of default and covenants, including financial covenants and a negative pledge. See ''Recent Developments'' and ''Use of Proceeds''.

Additional Financing

We may seek additional financing with one or more financial institutions from time to time. Such financing will be used for purposes which may include the funding of our operations or future property acquisitions.

THE OFFERING

Issue:	4,125,000 Units
Price:	$24.25 per Unit
Amount:	$100,031,250
Over-Allotment Option:	We have granted to the Underwriters an option to acquire up to 412,000 additional Units at a price of $24.25 per Unit solely to cover over-allotments, if any. The Over-Allotment Option expires 30 days after the closing of this offering. See ''Plan of Distribution''.
Attributes of Units:	Each Unit represents an undivided beneficial interest in Dundee REIT and in certain distributions made by us, whether of net income, net realized capital gains or other amounts and, in the event of our termination or winding up, in certain of our net assets remaining after the satisfaction of all liabilities. Each Unit entitles the holder of the Unit to one vote at all meetings of the unitholders of Dundee REIT. Dundee Bancorp indirectly owns Special REIT Units of Dundee REIT that also entitle it to one vote per Special REIT Unit at all meetings of the unitholders of Dundee REIT. See ''Declaration of Trust and Description of REIT Units''.
Distribution Policy:	We make monthly cash distributions to our unitholders, including our principal investor, expected to be equal to at least 80% of our distributable income on an annual basis. The distribution for any month is 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, we have declared distributions of $0.183 per Unit in each month since August 2003. See ''Distribution Policy''.
Tax Deferral on Distributions:	We estimate that, of our distributions to Unitholders in 2004, approximately 40% will be tax deferred by reason of Dundee Properties LP's ability to claim capital cost allowance on properties owned directly by it and certain other deductions. The adjusted cost base of Units held by a Unitholder generally will be reduced by the non-taxable portion of distributions made to the Unitholder other than the non-taxable portion of certain capital gains. A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any Units. See ''Certain Canadian Federal Income Tax Considerations''.
Use of Proceeds:	The net proceeds from the sale of Units hereunder are estimated to be approximately $94,730,000 ($104,321,360 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 for general purposes including for funding possible future acquisitions, including the acquisition of the Pauls Portfolio. We regularly review acquisition opportunities, although we have no commitments with respect to any acquisition, other than with respect to the Pauls Portfolio. See ''Recent Developments'' and ''Real Estate Portfolio — Acquisition Opportunities''. In the event that we make a drawing under the Interim Facility, proceeds from this offering will be used to repay it. See ''Indebtedness — Interim Facility''.

Risk Factors:	There are certain risk factors inherent in an investment in our Units and in our activities, including risks related to the real estate industry, the illiquidity of real estate investments, competition, potential conflicts of interest, environmental matters, reliance on key personnel, potential failure to refinance existing indebtedness, long-term ground leases, uninsured or underinsured losses, potential accelerated compliance obligations under the Americans with Disabilities Act, investments in real estate properties through joint venture, partnership and co-ownership agreements, risks associated with the structure of Dundee REIT, potential fluctuations in cash distributions, potential illiquidity in the market for our Units and potential price fluctuations of the Units, limited statutory rights associated with the ownership of Units, restrictions on redemptions of Units, regulatory matters related to the distribution of securities on a redemption of our Units or our termination, potential Unitholder liability, and tax-related risks. See ''Risk Factors''.

GLOSSARY OF TERMS AND EXPRESSIONS

The following terms shall have the meanings set forth below when used in this prospectus. These defined terms are not always used in the same manner as in the financial statements included in this prospectus. Unless the context otherwise requires, any reference in this prospectus to any agreement, instrument, indenture, declaration or other document shall mean such agreement, instrument, indenture or other document, as amended, supplemented and restated at any time and from time to time prior to the date hereof or in the future.

''Adjusted Unitholders' Equity'' means, at any time, the aggregate of: (i) the amount of Unitholders' equity; and (ii) the amount of accumulated depreciation and amortization recorded on the books and records of Dundee REIT and its subsidiaries in respect of their properties, in each case calculated in accordance with GAAP;

''affiliate'' means a person or company considered to be an affiliated entity of another person or company within the meaning of Ontario Securities Commission Rule 45-501 — Exempt Distributions;

''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;

''CCRA'' means Canada Customs and Revenue Agency;

''Commercial Division'' means the former commercial real estate division of Dundee Realty, representing the portfolio of office, industrial and retail revenue producing properties acquired by Dundee REIT from Dundee Realty pursuant to the Reorganization and 50% of the former property management operations of Dundee Realty relating to revenue properties, together with their related assets and liabilities;

''Declaration of Trust'' means the amended and restated declaration of trust of Dundee REIT dated as of November 5, 2003;

''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 (i) to add back depreciation and amortization (except for amortization of: deferred leasing costs, deferred financing costs and non-recoverable deferred maintenance), amortization of fair value debt adjustments, future income tax expenses and 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 (ii) to exclude any gains or losses on the disposition of any real property, any future income tax benefits and net recapture income, and (iii) to reflect any other adjustments determined by a majority of our 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 (i) to add back depreciation and amortization (except for amortization of: deferred leasing costs, deferred financing costs and non-recoverable deferred maintenance), amortization of fair value debt adjustments, future income tax expenses and 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 (ii) to exclude any gains or losses on the disposition of any real property, any future income tax benefits and net recapture income, and (iii) to reflect any other adjustments determined by a majority of our 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 Bancorp" means Dundee Bancorp Inc., a corporation governed by the laws of Ontario;

"Dundee Consolidated Properties Master Asset Transfer Agreement" means the agreement dated June 30, 2003 between Dundee Consolidated Properties (a limited partnership wholly-owned by Dundee Realty) and Dundee Properties LP setting out the terms and conditions pursuant to which Dundee Consolidated Properties transferred or caused to be transferred to Dundee Properties LP all of the Properties held directly or indirectly by Dundee Consolidated Properties;

"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 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 Bancorp;

"Dundee Realty Administrative Services Agreement" means the administrative services agreement dated June 30, 2003 between Dundee Realty and Dundee Management LP;

"Dundee Realty Management" means Dundee Realty Management Corp., a wholly-owned subsidiary of Dundee Management LP existing under the laws of the Province of Ontario;

"Dundee Realty Master Asset Transfer Agreement" means the agreement dated June 30, 2003 between Dundee Realty and Dundee Properties LP pursuant to which all of the Properties held directly or indirectly by Dundee Realty were transferred to Dundee Properties LP;

"Dundee Realty Non-Competition Agreement" means the agreement dated June 30, 2003 between Dundee Realty, Dundee Properties LP and Dundee REIT pursuant to which Dundee Realty agreed to certain non-competition arrangements with Dundee REIT and Dundee Properties LP;

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

"Dundee REIT Administrative Services Agreement" means the administrative services agreement dated June 30, 2003 between Dundee REIT, Dundee Properties LP, Trust A, Trust B and Dundee Management LP;

"EBITDA" means earnings before interest, taxes, depreciation and amortization;

"Exchange and Support Agreement" means the exchange and support agreement dated June 30, 2003 between Dundee REIT, Trust B, Dundee Properties LP, Dundee Consolidated Properties and Dundee Realty;

"FFO" or "funds from operations" means funds from operations, calculated as net income (calculated in accordance with GAAP) plus depreciation and amortization, plus future income taxes and excluding gains or losses from the sale and diminution in value of real estate assets;

"GAAP" means Canadian generally accepted accounting principles;

"Governance Agreement" means the governance agreement dated November 5, 2003 between Dundee REIT, Properties General Partner and Dundee Bancorp;

"Gross Book Value" means, at any time, the book value of the assets of Dundee REIT and its subsidiaries, as reflected on its then most recent publicly-issued consolidated balance sheet, plus the amount of accumulated depreciation and amortization reflected thereon;

"Independent Trustee" means any trustee who is not or has not been an employee of Dundee Bancorp or any affiliate of Dundee Bancorp at any time or who is not directly employed by Dundee REIT or any of its affiliates;

"Individual Non-Competition Agreements" means the agreements dated June 30, 2003, in the case of individuals other than Messrs. Jackman and Tweedy, and September 11, 2003, in the case of Messrs. Jackman and Tweedy, between Dundee REIT, Dundee Properties LP and each of our trustees and officers pursuant to which such trustees and officers have agreed to certain non-competition arrangements with Dundee REIT and Dundee Properties LP;

''LP Class A Units'' means the LP Class A limited partnership units of Dundee Properties LP;

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

''LP Class B Units, Series 2'' means the LP Class B, Series 2 limited partnership units of Dundee Properties LP;

''Master Asset Transfer Agreements'' means the Dundee Consolidated Properties Master Asset Transfer Agreement and the Dundee Realty Master Transfer Agreement and any other agreement entered into between affiliates of Dundee Realty and Dundee Properties LP for the purposes of transferring the Properties to Dundee Properties LP in connection with the Reorganization;

''Master Property Management Agreement'' means the property management agreement dated June 30, 2003 between Dundee REIT, Dundee Management LP, Dundee Properties LP and Dundee Realty;

''NOI'' or **''net operating income''** means net operating income, calculated as the total of operating revenues less operating expenses, and for the nine months ended September 30, 2003, represents net operating income for the six months ended June 30, 2003 for the Commercial Division added to net operating income for the three months ended September 30, 2003 for Dundee REIT;

''Non-Resident'' means a non-resident of Canada within the meaning of the Tax Act;

''OBCA'' means the *Business Corporations Act* (Ontario), as amended;

''Operating Trust Declarations'' means, collectively, the Trust A Declaration of Trust and the Trust B Declaration of Trust;

''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;

''Properties'' means the commercial revenue producing properties listed under ''Real Estate Portfolio'' held indirectly by Dundee REIT through Dundee Properties LP;

''Properties General Partner'' means the general partner of Dundee Properties LP, Dundee Properties (GP) Inc., a corporation incorporated under the laws of the Province of Ontario, and wholly-owned by Dundee REIT;

''Properties Limited Partnership Agreement'' means the amended and restated limited partnership agreement of Dundee Properties LP dated as of June 30, 2003;

''Property Management Business Transfer Agreement'' means the agreement dated June 30, 2003 between Dundee Realty, Dundee Realty Management and Dundee Management LP setting out the terms and conditions upon which Dundee Realty Management acquired certain assets from Dundee Realty and Dundee Realty transferred to Dundee Management LP all of the securities of the corporations and limited partnerships that then conducted the property management business of Dundee Realty;

''REIT Units'' means, collectively, the Units, the REIT Units, Series B and the Special REIT 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;

''Related Party'' means, with respect to any person, a person who is a ''related party'', as that term is defined in Ontario Securities Commission Rule 61-501 — Insider Bids, Issuer Bids, Going Private Transactions and

Related Party Transactions, as such rule may be amended from time to time (and including any successor rule or policy thereto);

''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 REIT Units'' means the units of Dundee REIT issued to the holders of LP Class B Units, Series 1 providing rights to vote as a unitholder of Dundee REIT, all of which are currently indirectly held by Dundee Bancorp;

''subsidiary'' means, with respect to any person (other than an individual), any other person that is controlled, directly or indirectly, by the person and, in addition to the foregoing, with respect to Dundee REIT shall include Trust A, Trust B, Properties General Partner and Dundee Properties LP;

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

''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 Declaration of Trust'' means the declaration of trust establishing Trust A;

''Trust A Note Indenture'' means the trust indenture dated June 30, 2003 providing for the issuance of the series 2 notes by Trust A and made between Trust A and the Trust A Note Trustee;

''Trust A Note Trustee'' means the trustee under the Trust A Note Indenture;

''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 Declaration of Trust'' means the declaration of trust establishing Trust B;

''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;

''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; and

''1933 Act'' means the United States Securities Act of 1933.

DUNDEE REIT

General

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.

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 portfolio consists of approximately 11.1 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.

Background

We were formed in connection with the reorganization (the ''Reorganization'') of the business of Dundee Realty on June 30, 2003, pursuant to which substantially all of Dundee Realty's commercial real estate division, including senior management, and a joint interest in its property management business, were transferred to us.

The Reorganization was the culmination of a process initiated by management of Dundee Realty to explore potential transactions to surface value for Dundee Realty's shareholders. Management of Dundee Realty believed that our structure would result in more favourable valuations for our equity securities as compared to the common shares of Dundee Realty, and would provide us with enhanced access to capital for the purposes of funding our operations and the growth of our business.

Prior to completing the Reorganization, Dundee Realty had developed into a diversified Canadian public real estate company with assets having a book value of over $1 billion. From the time of its establishment in 1995, the major milestones in Dundee Realty's history included the following:

- In April and October 1996, Dundee Realty, which was then an Alberta Stock Exchange-listed company, acquired certain real estate businesses and assets from Dundee Bancorp and other parties. These businesses included Canlight Real Estate Services, a property syndication and management business, and the Preston Group, a Saskatoon-based group of real estate companies.
- In July 1997, Dundee Realty's common shares were listed on the TSX.
- From 1996 to 1998, Dundee Realty significantly expanded its operations by making a series of strategic acquisitions, including V&A Properties Ltd. and The Lehndorff Group, an established transatlantic commercial real estate business. In addition to a substantial property portfolio, the acquisition of The Lehndorff Group provided Dundee Realty with a significant European shareholder base.
- In 1999, Dundee Realty acquired a portfolio of primarily industrial properties in Montréal for approximately $88 million. These properties comprised approximately 2.5 million square feet of gross leasable area.
- By the end of 2000, Dundee Realty had completed the integration of its employees and operations from numerous business acquisitions into a single operating platform, allowing Dundee Realty to reduce costs and improve management reporting.
- In 2001, Dundee Realty successfully completed the redevelopment of the State Street Financial Centre, a 413,934 square foot Class A office building located in downtown Toronto. Dundee Realty received the 2001 awards of ''Office Project of the Year'' and ''Office Deal of the Year'' for this project from the National Association of Industrial and Office Properties (NAIOP).
- Dundee Realty received 71 awards and distinctions between 1996 and 2002, including recognition as one of the three fastest growing companies in Canada based on revenue from 1996 to 2001 (according to *Profit Magazine* in 2002 and 2001), one of the three fastest growing companies in Canada based on profits (according to the *Financial Post* magazine in 2001) and one of the best companies to work for in Canada (according to *Report on Business Magazine* in 2002).

- From 1996 to 2002, Dundee Realty's assets grew from $68.7 million to approximately $1.0 billion (as measured by book value) and its diluted funds from operations per share grew from $0.44 to $3.28 (39.8% compounded annually).[(1)]
- From September 1998 to October 2002, Dundee Realty utilized a significant portion of its free cash flow from operations in order to repurchase approximately 39% of its outstanding common shares (based on the number of common shares outstanding in September 1998).

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(1) Diluted net income per share grew from $0.38 to $0.69 (10.5% compounded annually) over the same period. Diluted funds from operations per share represents net income (calculated in accordance with GAAP), adjusted to add back depreciation and amortization and future income taxes and to exclude gains or losses from the sale and diminution in value of real estate assets, divided by the number of issued and outstanding common shares of Dundee Realty.

The Reorganization

The Reorganization was completed on June 30, 2003. On this date, we acquired (through Dundee Properties LP) the Properties and related assets from Dundee Realty and a wholly-owned subsidiary of Dundee Realty, and Dundee Management LP acquired the property management business of Dundee Realty. The purchase agreements provided for the acquisition of the Properties and related assets on an ''as-is, where-is'' basis with limited indemnities in favour of Dundee REIT.

The purchase price for the Properties was approximately $864 million and was satisfied firstly, by the assumption of approximately $530 million in mortgage financing and other liabilities by Dundee Properties LP; secondly, by an addition to the capital accounts of Dundee Realty and its wholly-owned subsidiary in respect of certain units held by them in Dundee Properties LP; and thirdly, by the issuance of demand promissory notes by Dundee Properties LP. Pursuant to the Reorganization, these demand promissory notes were ultimately transferred to Dundee Properties LP in a series of transactions which resulted in Dundee REIT issuing 9,355,192 Units. These Units were then transferred to the former public shareholders of Dundee Realty pursuant to the Reorganization. The property management business of Dundee Realty was acquired by Dundee Management LP in exchange for a 50% interest in Dundee Management LP.

Dundee Realty is one of our insiders by virtue of the fact that Dundee Realty is the direct holder of our Special REIT Units which carry more than 10 percent of the voting rights attached to all of our voting securities. Dundee Bancorp is also one of our insiders because it is the beneficial holder of those Special REIT Units.

Relationship with Dundee Bancorp

Dundee Realty was originally established as a real estate enterprise by Dundee Bancorp, when Dundee Bancorp transferred certain of its real estate assets to Dundee Realty in April and October 1996. Dundee Bancorp was the principal shareholder of Dundee Realty. Pursuant to the Reorganization, Dundee Realty became a subsidiary of Dundee Bancorp, and Dundee Bancorp retained an effective equity interest in our business of approximately 43%. As at December 31, 2003, Dundee Bancorp's equity interest in our business was approximately 37%. We hold our interest in Dundee Realty Management, the former property management business of Dundee Realty, jointly with Dundee Bancorp's subsidiary, Dundee Realty.

Dundee Bancorp is a holding company dedicated to wealth management, financial services and real estate. Through its subsidiaries, Dundee Bancorp provides a broad range of wealth management and financial services to individuals, institutions and corporations. Dundee Bancorp also holds and manages its own portfolio of investments.

Dundee Bancorp is not involved in the day-to-day management of our business. However, Dundee Bancorp is entitled to appoint up to one less than a majority of our trustees, subject to maintaining its equity interest in our business at a certain level. Dundee Bancorp is also entitled to vote its Special REIT Units for the election of our remaining trustees. Dundee Bancorp has certain other contractual rights, including a pre-emptive right with respect to the issuance of units of Dundee REIT, the right to participate in certain take-over bids and other transactions involving the units of Dundee REIT, registration rights with respect to its REIT Units, Series B (none of which are currently outstanding) and the right to have its nominee appointed as a director of the general partner of Dundee Properties LP. See ''Management of Dundee REIT — Appointment of Trustees'', ''Declaration of Trust and Description of REIT Units — Issuance of REIT Units'', ''Description of Dundee Properties LP — Partnership Units and — Sale of REIT Units, Series B''.

Dundee Bancorp's pre-emptive right allows Dundee Bancorp to acquire a sufficient number of units of Dundee REIT or LP Class B Units, Series 1 of Dundee Properties LP so as to maintain its percentage outstanding voting and equity interest in Dundee REIT. Dundee Bancorp elected not to exercise its pre-emptive right under the Declaration of Trust in connection with the offering of 2.6 million Units in November 2003. Dundee Bancorp has also elected not to exercise its pre-emptive right under the Declaration of Trust in connection with this offering.

RECENT DEVELOPMENTS

Offering of 2.6 million Units

On November 5, 2003, we completed a public offering of 2.6 million Units at a price of $21.70 per Unit. The net proceeds from this offering were approximately $51.6 million (after deducting the underwriters' fees and expenses of the offering). The net proceeds were used to repay certain indebtedness relating to our Properties and for general purposes including the acquisition of the Palladium Campus in Ottawa, Ontario.

Acquisition of Palladium Campus

On November 27, 2003, we completed the purchase of the Palladium Campus, a 229,000 square foot office complex located in suburban Ottawa, Ontario for a purchase price of approximately $37.2 million. Construction of this three building complex was completed in 2001 and is currently leased to three tenants, IBM, DRS Technologies and Spirent Communications, under leases running until 2011. One tenant has a right to terminate its lease in 2008, subject to providing notice and paying certain penalties. Total annual contract rent from the complex is approximately $4 million. In connection with the acquisition, we assumed existing first mortgages having an aggregate principal amount of approximately $31.2 million and an interest rate of approximately 7.3%.

Acquisition of Telus Tower

On December 3, 2003 we completed the purchase of a 50% interest in the Telus Tower, a 28 storey, 705,000 square foot office building in Calgary, Alberta for a purchase price of approximately $68 million. Our strategic partner for this acquisition, H&R Real Estate Investment Trust, acquired the remaining 50% and also manages the building. The Telus Tower was constructed in 1981 and is a Class A office tower located on the edge of the financial core of downtown Calgary. Telus Communications leases approximately 93% of the building until 2016. Telus Communications has the option to terminate its lease of four floors in 2006 and another four floors in 2008, in each case upon the payment of certain penalties. The balance of the building is leased to the Government of Alberta and to local tenants. In connection with the acquisition, we assumed our pro-rata share (approximately $43.5 million) of an existing first mortgage having an aggregate principal amount of approximately $87 million and an effective interest rate of approximately 6.4%.

We believe that the Palladium Campus and Telus Tower will generate an unlevered return of approximately 9.5% and provide a levered return in excess of 15% over the first 12 months following the acquisitions.

Agreement to Acquire Pauls Portfolio

On December 19, 2003, we entered into an agreement with a private developer to acquire 1.5 million square feet of newly constructed office, industrial and flex space in the Calgary and Toronto markets (collectively, with the buildings under construction described below, the ''Pauls Portfolio'') for a purchase price of approximately $155 million. The acquisition is conditional on the lenders' consent to our assumption of the assumed debt and the release of the private developer from such indebtedness and other customary conditions. The portfolio consists of nine flex industrial properties and three office properties in Calgary totalling approximately 596,000 square feet and three flex industrial properties, four industrial warehouse properties and one office property in Toronto totalling approximately 928,000 square feet. We believe that this portfolio of properties will generate an unlevered return of 8.4% and a levered return in excess of 11.5% over the first 12 months following the acquisition. The average age of the buildings in the portfolio is about three years. There are currently 66 tenants in the portfolio.

Flex industrial space offers affordable business premises for tenants. Features of flex industrial space include upgraded industrial space with a large office component including high ceilings and the flexibility to create unique, non-traditional work environments.

As part of our agreement, we have an option to acquire at a discount to the then current market value (i) a 73,000 square foot office building presently under construction in Mississauga upon its completion and leasing and

(ii) 400,000 square feet of flex industrial buildings in Mississauga upon their completion and leasing. We have agreed to provide an initial mezzanine loan of approximately $12.5 million to the private developer to complete and lease the existing building as well as additional loans not exceeding an aggregate of $1.5 million to assist in the development and leasing of the other buildings to be constructed. Assuming these additional acquisitions are completed, we will have added a total of approximately 2 million square feet of office, industrial and flex space to our portfolio.

The acquisition of the Pauls Portfolio will be financed by the assumption of assumed debt of approximately $65.7 million at an average interest rate of 6.21%, additional property financing secured against the Pauls Portfolio and the proceeds of this offering, or if this offering is not completed, from available operating credit facilities and the Interim Facility. The transaction is scheduled to close in February 2004.

Sale of Centennial Mall

We and our partners have entered into an agreement to sell Centennial Mall, Brampton for approximately $12 million, our share of which will be approximately $6 million. This transaction is scheduled to close on February 11, 2004.

Effect of Recent Developments on Our Portfolio

After giving effect to all of the recent developments described above, and based on our portfolio at September 30, 2003, we will have a total portfolio of 13.1 million square feet, including 4.3 million square feet of office, 7.5 million square feet of industrial and 1.3 million square feet of retail properties. Our average stabilized portfolio occupancy will increase to 94.3% from 93.6%, our average lease term will increase by 12% to 4.43 years from 3.97 years and our average in-place contract rent will increase to $8.39 per square foot from $7.90 per square foot.

OBJECTIVES AND STRATEGY

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.

Strategy

Effectively Managing our Business

We preserve and increase the value of our properties through prudent and innovative management. The asset management function is integrated throughout our business, involving our analysts, internal leasing agents, property managers, regional managers and our senior executives. Our senior management has ultimate responsibility for identifying the strengths and weaknesses of individual assets and our portfolio as a whole so that we may improve returns while lowering risk within our portfolio. We conduct regular reviews of assets in our portfolio to determine whether they are being used for their optimal purpose. Assets in our portfolio that exceed our expectations are examined to determine if their performance can be replicated with our other properties. We target assets for disposition that are no longer appealing to us due to their market or physical attributes. We strive to recognize market trends early enough so that we can take advantage of acquisition and redevelopment opportunities before our competitors.

We employ what we believe to be conservative policies in managing our financial position to reach our objectives. Wherever possible, we utilize fixed rate debt financing with terms which are appropriate for our properties. We stagger debt maturities for new financings in order to manage risk. We attempt to structure the timing of the expiry of significant tenant leases to coincide with the maturity dates of the indebtedness on those properties.

Building and Maintaining a Diversified Portfolio

We believe that diversifying our real estate portfolio, balancing by asset type, geographic location and tenant mix, decreases the overall risk profile of our business. Accordingly, we will continue to own, acquire and manage properties in our target markets that will provide this diversification. We have an established presence and a critical mass of properties in our target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton.

We are committed to maintaining the high quality of our portfolio and upgrading our properties in order to respond to the evolving needs of our current and prospective tenants. Through our preventative maintenance program, we regularly analyze and inspect our properties in order to minimize future capital expenditures.

Meeting the Needs of Tenants

We recognize that strong tenant relationships are critical to our success, and so we strive to meet our tenants' needs by offering a high level of service. For instance, we have found that our tenants' greatest need is to be heard, and we listen. Through our web-based ''dundeeplus'' service response system, we make it our goal to respond to tenant service requests within 30 minutes. We examine and evaluate a range of potential service offerings and, when we determine that a particular service would be beneficial to our tenants, we aim to deliver the service at the lowest reasonable cost. We offer additional services to help our tenants carry on their business more efficiently, such as the ability to submit and track maintenance reports on-line, as well as an ''e-concierge'' service for local events and attractions. We offer up-to-date telecom and fibre optic capabilities in many of our buildings. We incur what we believe to be appropriate marketing, leasing and tenant improvement expenditures and look for opportunities with our tenants to expand and redevelop assets within our portfolio.

We leverage our relationships with suppliers in order to reduce operating costs for our tenants, while still generating additional revenue for our business. Through our national procurement program, we have been able to pass along savings to our tenants for elevator, cleaning, security and other services. Our electricity and gas supply contracts have resulted in both cost savings and operating cost stability for our tenants.

We believe that continually improving upon our responsiveness and providing our tenants with a high level of service puts us in a better position to maintain tenancies and re-lease vacant space quickly, with lower transaction costs.

External Growth Strategy

We intend to achieve external growth by making strategic acquisitions, repositioning properties where opportunities exist and building on our third party property management business.

We believe that our target markets are large enough and that there are sufficient acquisition opportunities within these markets to enable us to pursue our strategy and continue to grow prudently and profitably. Since the ownership of properties in the markets in which we compete is relatively fragmented, we believe that there are opportunities to further develop synergies in each market and within our business to enhance cash flow and increase returns generated on an individual asset basis.

We use our experience and expertise to select appropriate properties for acquisition that complement our portfolio and will maintain or increase the financial performance of our enterprise. We will continue to focus on acquisitions of mid-sized, central business district and suburban office and industrial properties. We concentrate on acquiring properties that are, in our view, superior in quality and located in close proximity to our existing properties in order to enhance profit margins and better accommodate our tenants' changing needs. We review potential acquisitions against investment criteria that focus primarily on security of future cash flows, initial return on equity, potential for capital appreciation and the potential to increase value by more efficient management of the assets being acquired.

We will reposition properties where we have an opportunity as a result of the ownership of similar or neighbouring properties or to accommodate the needs of existing tenants. Similarly, we will pursue acquisitions where we believe that we have an opportunity to use our skills or our tenant base to develop an asset with greater performance and stable income, either through renovation, leasing or redevelopment.

Through our joint interest in Dundee Management LP, we currently provide property management services to our tenants and other businesses. Finding opportunities to increase the revenues that we generate from our third party property management business will remain a priority.

COMPETITIVE ADVANTAGES

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 will help us achieve our objectives.

Long Standing Experienced Management Team with Entrepreneurial Culture

Our management team has significant breadth and depth of expertise in the commercial real estate industry. The senior officers of Dundee REIT are all experienced, former senior officers of Dundee Realty. Most of our regional managers served in similar capacities with Dundee Realty. We believe that our managers are focused, disciplined and committed to delivering sustainable value, as evidenced by Dundee Realty's track record of performance.

As an accomplished and entrepreneurial real estate enterprise, we believe that our people are empowered to make a difference in our organization. Our managers have previous experience in various leading real estate organizations as well as in other diverse industries, which has contributed to the development of our unique, innovative culture. We have distinguished ourselves as one of the best companies to work for in Canada. We believe that our experience, combined with our culture, positions us to attract high quality talent to assume key positions and lead us into the future.

Real Estate Expertise

Our organization has dedicated and experienced local managers in each of the major markets in which we operate. These individuals continually seek opportunities for expansion, renovation, operating cost reductions and revenue enhancement from the properties in their local markets.

We believe that we have the ability to identify acquisition and development opportunities which are not apparent to our competitors. Historically, these opportunities included Dundee Realty's acquisition of companies that had the first opportunity to buy the properties they managed, the acquisition of real estate requiring recapitalization, or innovative redevelopments such as the State Street Financial Centre.

Our strong tenant relationships have enabled us to maintain high tenant retention rates. Because we are responsive to their changing needs, our tenants have consistently chosen to renew their leases and we have benefited from the cost efficiencies of maintaining their business. Our relationships with our tenants have also resulted in many tenants consolidating their requirements by leaving other premises and renting additional space from us.

We have the experience and expertise in repositioning assets to increase returns or add to the assets in our portfolio. We use this capability to further expand and redevelop properties that are currently in our portfolio as well as to identify opportunities to add to our portfolio.

Diversified Portfolio and Market Presence

Our portfolio is well diversified in terms of asset type, geographic location and tenant mix. Just over half of our portfolio, as measured by net operating income, consists of office properties, with the remaining approximately 32% consisting of industrial properties and 15% consisting of retail properties. Approximately 45% of our properties are located in Ontario, 21% in Québec, 28% in Western Canada and 6% in the United States, as measured by net operating income. We believe that this diversity is well suited to our objectives of providing consistent, predictable and sustainable distributions to our unitholders, and provides the potential for future capital appreciation.

We have an established presence in our target markets that gives us the critical mass to achieve our objectives. This presence provides us with the knowledge, management strength and infrastructure to identify opportunities to acquire and reposition properties, while reducing our costs. Our presence in our target markets also allows us to be responsive to our tenants' needs, providing a solid platform for internal and external growth.

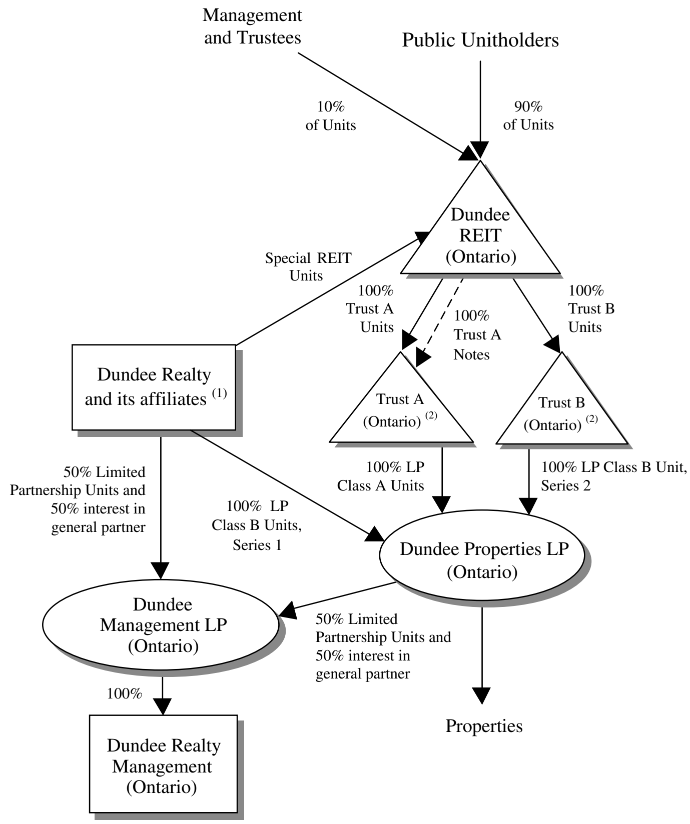
Track Record of Creating Value for Investors

We are managed by the same senior management team that was responsible for the success of Dundee Realty as a public real estate company. Through an innovative management approach and astute deployment of capital, our senior management team substantially increased the value of Dundee Realty.

Dundee Bancorp has had a significant ownership interest in our business from the time of our establishment as a real estate enterprise, and continues to be our principal investor. We also have a close relationship with our European unitholders who have maintained a substantial investment in us since our acquisition of The Lehndorff Group. We believe that the continued investment by our significant unitholders in our business represents evidence of their confidence in our management, the quality of our portfolio and our prospects for the future.

STRUCTURE OF DUNDEE REIT

The following chart is a simplified illustration of our organizational structure as at December 31, 2003 before giving effect to the issuance of Units pursuant to this offering:



(1) Dundee Realty and its affiliates hold non-voting limited partnership units of Dundee Properties LP, which represent an equity interest in Dundee Properties LP, as at December 31, 2003, of approximately 37%. Dundee Realty and its affiliates hold a corresponding voting interest in Dundee REIT by virtue of their holding of Special REIT Units. Dundee Realty is a subsidiary of Dundee Bancorp. The senior officers of Dundee REIT hold a 15% equity interest in Dundee Realty (excluding its equity interest in Dundee Properties LP).

(2) Trust A and Trust B own all of the voting limited partnership units of Dundee Properties LP, which collectively represent an equity interest in Dundee Properties LP, as at December 31, 2003 of approximately 63%. The general partner of Dundee Properties LP is wholly-owned by Dundee REIT.

See also ‘‘Management of Dundee REIT — Management of the Properties’’, ‘‘Declaration of Trust and Description of REIT Units’’, ‘‘Description of the Operating Trusts’’ and ‘‘Description of Dundee Properties LP’’.

Our three principal subsidiary entities are described below.

- **Dundee REIT Operating Trust A (‘‘Trust A’’)** — a trust governed by the laws of Ontario. Trust A is one of two holding entities for our interest in Dundee Properties LP. Trust A is wholly-owned by Dundee REIT.
- **Dundee REIT Operating Trust B (‘‘Trust B’’)** — a trust governed by the laws of Ontario. Trust B is the other holding entity for our interest in Dundee Properties LP. Trust B is wholly-owned by Dundee REIT.
- **Dundee Properties Limited Partnership (‘‘Dundee Properties LP’’)** — a limited partnership governed by the laws of Ontario. Dundee Properties LP holds direct and indirect interests in our commercial revenue producing properties. Dundee Properties LP is also the vehicle through which Dundee Bancorp, one of our principal investors, holds its economic interest in our business. Dundee REIT indirectly owns all of the voting limited partnership units of Dundee Properties LP, while Dundee Bancorp and one of its affiliates indirectly hold all of the non-voting limited partnership units of Dundee Properties LP.

We also have a joint interest with Dundee Realty in each of Dundee Management LP and Dundee Realty Management, which are also described below.

- **Dundee Management Limited Partnership (''Dundee Management LP'')** — a limited partnership governed by the laws of Ontario. Dundee Management LP holds all of the issued and outstanding shares of Dundee Realty Management. Dundee Management LP manages almost all of our properties and provides certain services to us, with the assistance of its wholly-owned subsidiary, Dundee Realty Management. Dundee REIT indirectly holds 50% of the voting units of, and a 50% economic interest in, Dundee Management LP. Dundee Realty holds the other 50% of the voting units of, and economic interest in, Dundee Management LP.

- **Dundee Realty Management Corp. (''Dundee Realty Management'')** — a corporation governed by the laws of Ontario. Dundee Realty Management assists Dundee Management LP in managing our revenue producing properties. All of the issued and outstanding shares of Dundee Realty Management are held by Dundee Management LP.

In addition, the following table sets forth the name, percentage interest held directly or indirectly and jurisdiction of incorporation of each of the principal subsidiary entities of Dundee Properties LP (not including subsidiary entities that are solely registered nominees of real estate properties):

Name of Subsidiary Entity (1)	Percentage Interest Held Directly or Indirectly	Jurisdiction of Incorporation/ Formation
30 Adelaide Street East Limited Partnership	50%	Ontario
CLCS Asset Limited Partnership	100%	Ontario
CLCS Asset Limited Partnership III	100%	Ontario
Dundee Canadian Properties Limited Partnership	100%	Ontario
Dundee U.S. Properties Limited Partnership	100%	Delaware
LAC Properties	100%	Ontario
LCH Properties	100%	Ontario
LCH Properties 2	100%	Ontario

(1) All entities named are limited partnerships.

REAL ESTATE PORTFOLIO

Overview of Our Properties

We own a diversified portfolio of 135 office and industrial properties and 5 retail properties offering approximately 11.1 million square feet of gross leasable area. Core office and industrial properties account for 9.7 million square feet of our total gross leasable area. The properties in our portfolio consist of mid-sized central business district and suburban office buildings, industrial buildings and regional, mid-sized community or neighbourhood retail centres located in urban markets.

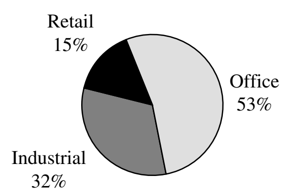
Portfolio Diversification

The following table shows the book value of our portfolio by region and asset type as at September 30, 2003 (all dollar amounts shown are in thousands of dollars).

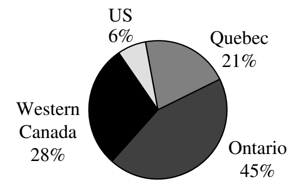
	Office	Industrial	Retail	Total	%
Québec	$ 50,502	$102,780	$ 1,716	$154,998	19%
Ontario	267,086	54,112	13,946	335,144	41%
Western Canada	99,640	96,119	64,898	260,657	32%
Total Canada	417,228	253,011	80,560	750,799	92%
United States	—	—	60,119	60,119	8%
Total	$417,228	$253,011	$140,679	$810,918	100%
Percentage of Total	52%	31%	17%	100%	

The following charts illustrate the asset and geographic diversity of our portfolio, by showing the distribution of the properties based on net operating income for the nine months ended September 30, 2003.

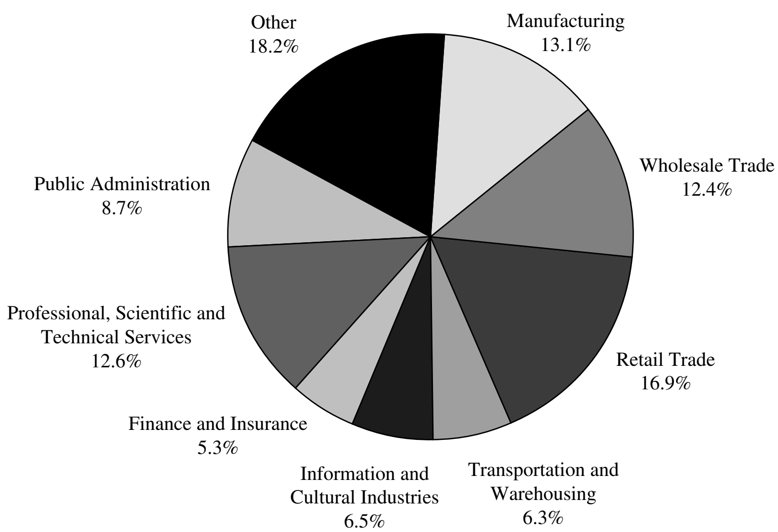
Distribution by Asset Type



Geographic Distribution

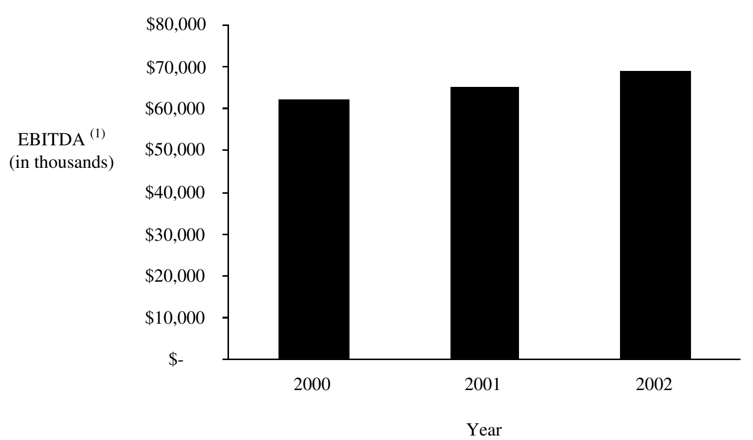


The following chart illustrates the diversity of our tenants, as measured by their percentage contribution to total contract rent with respect to our properties for the nine months ended September 30, 2003. Tenants have been grouped by industry according to their North American Industry Classification System (NAICS) codes, which is one system used for classifying the industry in which tenants operate.



EBITDA

The following chart shows the historical EBITDA of our portfolio in each of the years ended December 31, 2000, 2001 and 2002.



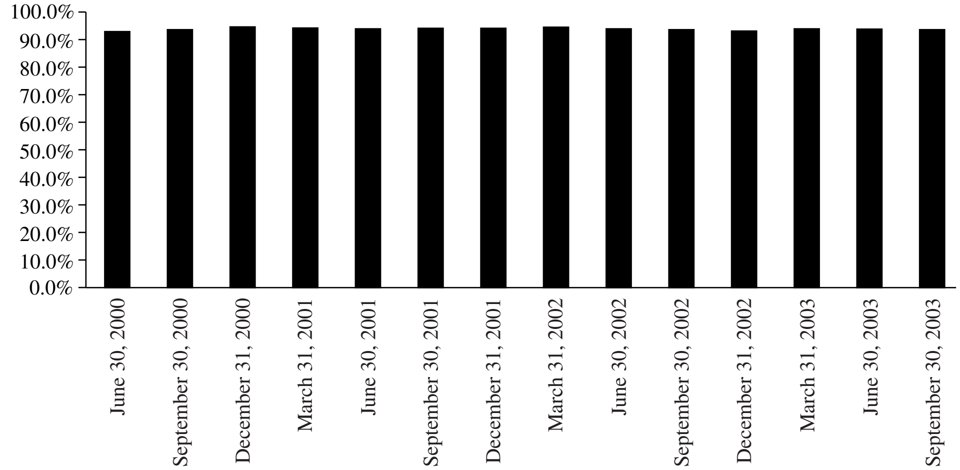
(1) EBITDA represents earnings before interest, taxes, depreciation and amortization. This term does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to the term ''EBITDA'' as used by other similar issuers. See ''Selected Financial Information of the Commercial Division'' for a reconciliation of net income of the Commercial Division to EBITDA.

Leasing Information

As at September 30, 2003, the properties in our portfolio were approximately 93.6% leased. In 2004, approximately 16.1% of gross leasable area will be subject to lease maturities.

The following graph shows the historical occupancy rates for the properties in our portfolio as at the dates shown.

Quarterly Occupancy Rates[(1)]
(Occupied and Committed)



(1) Excludes Properties under redevelopment. As at September 30, 2003, Properties under redevelopment were 15303-128th Avenue, Edmonton and 11 Place du Commerce, Brossard.

The following table shows the lease maturity profile of our portfolio as at September 30, 2003 according to asset type.

Lease Maturity Profile
(in square feet, except percentages)

	Current Vacancy	Current Monthly Tenancies	2003[(1)]	2004	2005	2006	2007 and thereafter	Total
Office	258,846	28,967	179,053	491,735	491,359	418,592	1,757,064	3,625,615
Industrial	340,840	129,803	249,213	1,174,148	895,081	826,906	2,241,818	5,857,809
Retail	97,526	39,174	23,088	84,105	85,761	52,114	1,007,770	1,389,537
Total	697,212	197,944	451,353	1,749,987	1,472,201	1,297,612	5,006,652	10,872,960
Percentage	6.4%	1.8%	4.2%	16.1%	13.5%	11.9%	46.0%	100.0%
Properties under redevelopment[(2)]								219,155
Total								11,092,115

(1) For the period September 30 to December 31, 2003.

(2) 15303-128th Avenue, Edmonton and 11 Place du Commerce, Brossard.

The following table shows the average remaining lease term and other information for our office, industrial and retail properties as at September 30, 2003.

Average Remaining Lease Term and Other Information[1]

	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-Place Contract Rent (per sq. ft.)	Estimated Current Market Rent (per sq. ft.)	Premium of Estimated Current Market Rent Over Average In-Place Contract Rent (per sq. ft.)
Office	4.2	6,221	$12.30	$13.21	7.4%
Industrial	3.1	12,822	$ 4.70	$ 4.83	2.7%
Retail	6.9	5,523	$10.10	$11.24	11.3%
Overall	4.0	8,447	$ 7.90	$ 8.42	6.5%

(1) Excludes 15303-128th Avenue, Edmonton and 11 Place du Commerce, Brossard.

As a provider of affordable business premises, the average gross leasable area leased by our tenants is approximately 8,500 square feet. This allows us to have a larger and more diverse tenant base. With over 1,300 tenants, our exposure to any large single lease is relatively low. In our experience, we have found that it is much more likely that we will have the space to accommodate 20% growth for a tenant occupying 5,000 square feet of gross leasable area than to accommodate 10% growth for a tenant occupying over 100,000 square feet.

We find that tenants who require smaller spaces typically do not have the planning time horizons associated with larger tenants. As a result, our larger tenants will often commit to leases with a 10 to 15 year term, while many of our smaller tenants only commit to leases with a one to three year term. This is reflected in our average remaining lease term of just over four years and our lease maturity profile. We have extensive resources and experience in managing our lease renewals, as many of the same tenants renew annually, and have been doing so for a number of years. Our success is evident in our track record. The lease maturity profile of our properties has been consistent for a number of years and occupancy levels have been maintained. Despite vacancies rising in many markets across Canada, we have been able to increase our overall occupancy recently by successfully renewing most of our expiring leases and filling many vacancies.

Ten Largest Tenants

Our portfolio has a diversified tenant mix. Our two largest tenants, the Government of Canada and the Government of Ontario, comprise 5.3% and 2.8%, respectively, of our gross rental revenue, while our largest non-government tenants, International Financial Data Services and State Street Trust Company each comprise 2.5% of our gross rental revenue.

The following table sets out the 10 largest of our approximately 1,300 tenants as measured by their percentage contribution to gross rental revenue for the month of September 2003:

Tenant	Owned Area in Square Feet	% of Owned Area	% of Gross Rental Revenue[1]	Expiry
1. Government of Canada	276,446	2.5%	5.3%	2003-2011
2. Government of Ontario[2]	188,742	1.7%	2.8%	2003-2008
3. International Financial Data Services	96,015	0.9%	2.5%	2007-2013
4. State Street Trust Company	93,586	0.8%	2.5%	2012
5. Bell Canada	182,078	1.6%	2.4%	2009
6. Government of British Columbia	91,748	0.8%	2.2%	2006-2009
7. Epcor Utilities	169,614	1.5%	1.5%	2011
8. CGI Group	54,088	0.5%	1.0%	2007
9. Hudson's Bay Company (Zellers)	156,705	1.4%	1.0%	2007-2017
10. Contract Pharmaceuticals	197,328	1.8%	0.9%	2008-2014
Total	1,506,349	13.6%	22.2%	

(1) These percentages represent Dundee REIT's portion of the actual gross rental revenue for the month of September 2003 as a percentage of total gross rental revenue for September 2003.

(2) Certain leases with the Government of Ontario provide an early termination right upon prescribed notice without payment of an early termination fee.

Office Properties

Our office portfolio is comprised of interests in 39 office properties (52 office buildings) located in Canada. These office properties consist of a total of approximately 4.1 million square feet of gross leasable area, of which our interest is approximately 3.6 million square feet. We wholly-own a total of 34 office properties, representing approximately 79.8% of the gross leasable area of our office portfolio. As at September 30, 2003, our office properties had an average occupancy rate of approximately 92.9%.

The table below sets forth information concerning the office properties in our portfolio and the name of the significant tenants occupying each property (as determined by whether those tenants occupy over 20,000 square feet of gross leasable area on a 100% basis or, if there are no such tenants, the largest tenant measured by gross leasable area occupied). The name of each tenant referred to below may not be the name of the legal entity which is a party to the relevant lease. All references to ''square foot'' or ''square feet'' refer to square foot or square feet of gross leasable area.

Property	Ownership	Total GLA in Square Feet	Year Built/ Renovated	Year Acquired by Dundee Realty	Occupied/ Committed as at September 30, 2003	Significant Tenants
7400 Boulevard les Galeries d'Anjou, Anjou	100%	116,308	1987	1998	94.7%	Association de la construction du Québec
8250 Boulevard Décarie, Montréal	100%	83,928	1988	1998	89.2%	Syntax Systems
3-243 Place Frontenac, Pointe-Claire	100%	67,254	1976	1999	94.3%	DMSC Medcorp
7450 Boulevard les Galeries d'Anjou, Anjou	100%	66,509	1985	1998	93.1%	Ultramar Canada
953-981 Rue St-Jean, Pointe-Claire	100%	63,156	1985	1999	98.1%	Clearwater Properties
8200 Boulevard Décarie, Montréal	100%	60,580	1982	1998	83.9%	Ericsson Communications
1 Place du Commerce, Brossard	100%	43,094	1978	1999	98.9%	Société Immobilière du Québec
768-790 Boulevard Décarie, St-Laurent	100%	35,776	1986/1992	1998	63.2%	La Communaute Urbaine de Montréal
2 Place du Commerce, Brossard	100%	35,598	1976	1999	90.6%	Industrielle Alliance
9045 Chemin de la Côte de Liesse, Dorval	100%	31,348	1974	1999	95.4%	Equinox Marketing Services
8 Place du Commerce, Brossard	100%	29,923	1981	1999	91.2%	Coencorp Consultants
3 Place du Commerce, Brossard	100%	27,901	1978	1999	92.5%	Pub Fuzzy
3669-3681 Boulevard des Sources, Dollard des Ormeaux	100%	24,846	1982	1998	81.4%	Centres de Jeunesse de Montréal

Property	Ownership	Total GLA in Square Feet	Year Built/ Renovated	Year Acquired by Dundee Realty	Occupied/ Committed as at September 30, 2003	Significant Tenants
5 Place du Commerce, Brossard	100%	19,288	1981	1999	70.3%	Maple Leaf Foods
9675 Chemin de la Côte de Liesse, Dorval	100%	18,294	1974	1999	63.3%	Groupe Conseil SAE
9545 Chemin de la Côte de Liesse, Dorval	100%	18,572	1974	1999	100.0%	Rolls Royce
985 Boulevard St-Jean, Pointe-Claire	100%	11,800	1985	1999	100.0%	Buffet Vichy
Total Québec Office		**754,175**			**90.1%**	
110 O'Connor Street, Ottawa	100%	189,173	1970/1998/ 1999	1998	100.0%	Bell Canada
222-230 Queen Street (Capitol Square), Ottawa	83.6%	204,196	1972/1991/ 2001	1998-2001	100.0%	Government of Canada; Canada Foundation for Innovation
25 Fitzgerald Road, Nepean	100%	120,000	1998	1998	100.0%	Government of Canada
1145 Hunt Club Road, Ottawa	100%	89,210	1990	1998	100.0%	AMEC Technologies
1 Antares Drive, Ottawa	100%	71,482	1990	1999	82.3%	Numerical Technologies
21 Fitzgerald Drive, Nepean	100%	41,706	1986/1996	1998	100.0%	Government of Canada
Total Ottawa Office		**715,767**			**98.1%**	
Woodbine Steeles Corporate Centre, Markham	100%	290,558	1986	1997	95.1%	CGI Group; Markham Executive Suites
Centennial Centre, Toronto	100%	236,836	1985	1997/2001	86.5%	HMV Canada
State Street Financial Centre, Toronto	50%	413,934	1958/2001	1999	100.0%	International Financial Data Services; Street Trust Company Canada; Dundee REIT
151 Bloor Street West, Toronto	100%	171,374	1961/1990/ 2003	1998	95.5%	Government of Ontario
2 St. Clair Avenue East, Toronto	100%	154,866	1977/1984/ 2001	1998	94.8%	S.I.C. Management
21 St. Clair Avenue East, Toronto	100%	109,546	1970/2001	1998	79.9%	Burnac
56 Wellesley Street West, Toronto	50%	215,726	1972/1991	1998	98.3%	Government of Ontario
5 Park Home Avenue, Toronto	100%	89,319	1987	1999	92.0%	Government of Ontario
110 Sheppard Avenue, East, Toronto	50%	145,146	1993	1997	60.5%	Equifax Canada; Eckler Partners

Property	Ownership	Total GLA in Square Feet	Year Built/ Renovated	Year Acquired by Dundee Realty	Occupied/ Committed as at September 30, 2003	Significant Tenants
2400-2430 Meadowpine Boulevard, Mississauga	100%	59,711	1982	1998	100.0%	Tillyard & Partners
70 Richmond Street East, Toronto	100%	34,142	1908/1982	1997	100.0%	Magnetic North
Total Toronto Office		**1,921,158**			**92.1%**	
Preston Centre, Saskatoon	100%	62,444	1988, 1989	1996/2003	90.5%	UMA Engineering
Total Saskatchewan Office		**62,444**			**90.5%**	
EPCOR Centre, Edmonton	90%	192,029	1975/1995/ 2001	1998	100.0%	EPCOR Utilities
Total Edmonton Office		**192,029**			**100.0%**	
Roslyn Building, Calgary	100%	129,446	1966	2001	87.0%	Ensign Resource Service Group
Kensington House, Calgary	100%	76,824	1982	1998	100.0%	IBI Leaseholds
Total Calgary Office		**206,270**			**91.8%**	
Station Tower, Surrey	100%	213,784	1994	1998	87.4%	Government of British Columbia; Government of Canada
Total Vancouver Office		**213,784**			**87.4%**	
Total Office		**4,065,627**			**92.9%**	

A description of the office properties in which the book value of our interest is greater than $5,000,000 is set out below.

Montréal, Québec

7400 Boulevard les Galeries D'Anjou, Anjou — we own 100% of this six storey Class A suburban office building located in the eastern Montréal suburb of Anjou, Québec, opposite a 1,000,000 square foot super-regional shopping centre. This 116,308 square foot multi-tenant office building was completed in 1987.

7450 Boulevard les Galeries D'Anjou, Anjou — we own 100% of this five storey Class A suburban office building located in the eastern Montréal suburb of Anjou, Québec, adjacent to 7400 Boulevard les Galeries D'Anjou. This 66,509 square foot multi-tenant building was completed in 1985.

8200 Boulevard Décarie, Montréal — we own 100% of this three storey Class A suburban office building located along the Décarie Expressway in Montréal, Québec. This 60,580 square foot multi-tenant building was completed in 1982.

8250 Boulevard Décarie, Montréal — we own 100% of this four storey Class A suburban office building located along the Décarie Expressway in Montréal, Québec. This 83,928 square foot multi-tenant building was completed in 1988.

3-243 Place Frontenac, Pointe-Claire — we own 100% of this 67,254 square foot property consisting of a cluster of fourteen single storey suburban office buildings located on the east side of St-Jean Boulevard between Brunswick Boulevard and Avenue Labrosse in the West Island suburb of Pointe Claire, just north of Highway 40. The buildings were completed in 1976.

Ottawa, Ontario

1 Antares Drive, Ottawa — we own 100% of this five storey Class A suburban office building situated close to Highway 16 in the south central region of Ottawa, Ontario, just west of Macdonald-Cartier International Airport. This 71,482 square foot building was completed in 1990.

110 O'Connor Street, Ottawa — we own 100% of this 14 storey Class B office building located in the central business district of Ottawa, Ontario, just south of Parliament Hill. Completed in 1970, the building encompasses 189,173 square feet of office space, almost all of which is under long term lease to Bell Canada, for whom the building was completely renovated in 1998 and 1999.

222-230 Queen Street (Capitol Square), Ottawa — we own 83.6% of this 15 storey, 204,196 square foot, Class B office tower located in the central business district of Ottawa, Ontario, just south of Parliament Hill. The building was constructed in 1972 and substantially renovated in 1991. In 2001, an obsolete movie theatre was redeveloped into office space and fully leased to the Canada Foundation for Innovation. The remaining 16.4% of this property is owned by private investors.

21 Fitzgerald Drive, Nepean — we own 100% of this two storey single-tenant Class A suburban office building located in the west end of Ottawa (formerly Nepean), Ontario. The 41,706 square foot building, constructed in 1986, is under a long term lease to the Government of Canada.

25 Fitzgerald Drive, Nepean — we own 100% of this five storey single-tenant Class A suburban office building located in the west end of Ottawa (formerly Nepean), Ontario. The 120,000 square foot building, constructed in 1998, is under a long term lease to the Government of Canada.

1145 Hunt Club Road, Ottawa — we own 100% of this 89,210 square foot, six storey Class A suburban office building. The building was completed in 1990 and is located on Hunt Club Road, between Bank Street and the Airport Parkway, in Ottawa, Ontario.

Toronto, Ontario

State Street Financial Centre, Toronto — we own a 50% interest in this 17 storey Class A office complex located on Adelaide Street East, just one block east of Yonge Street. The property features three levels of underground parking. The complex, which encompasses 413,934 square feet of office and ground floor retail space, was originally constructed in 1958. Dundee Realty completed a significant retrofit and modernization of the complex in late 2001. Substantially all of the complex is leased to three tenants: State Street Trust Company Canada, International Financial Data Services (IFDS) and Dundee REIT. IFDS owns the remaining 50% of the complex.

5 Park Home Avenue, Toronto — we own 100% of this six storey Class A office complex with a retail concourse at grade, located at the southwest corner of Yonge Street and Park Home Avenue in an area known as the North York City Centre. Constructed in 1987, the building encompasses 89,319 square feet of office and retail space and enjoys direct indoor access to the North York City Centre subway station on the Yonge subway line. We are a ground tenant of this property under a ground lease having a term (including renewals) expiring on December 9, 2083.

Woodbine Steeles Corporate Centre, Markham — we own 100% of this office complex located at 7030-7100 Woodbine Avenue on the northwest corner of Woodbine Avenue and Steeles Avenue East, immediately east of Highway 404 in Markham, a northern suburb of Toronto, Ontario. The complex is comprised of three low and mid-rise Class A and B office buildings, completed between 1982 and 1987 and totalling 290,558 square feet. The complex contains surface and covered parking. Two neighbouring industrial buildings (55 and 85 Idema Road), constructed in 1971 and totalling 65,325 square feet, form part of the complex. The combined site is zoned to permit the development of an additional 240,000 square feet of Class A office space (provided the industrial buildings are demolished and sufficient parking is provided).

Centennial Centre, Toronto — we own 100% of this 236,836 square foot suburban office complex located at 5395-5409 Eglinton Avenue West, just south of Pearson International Airport in Toronto, Ontario. The complex, built in 1985, is comprised of eight low-rise buildings located on approximately 11 acres of land with building sizes ranging from 17,000 to 46,000 square feet. The complex is easily accessible from both the airport and downtown Toronto.

151 Bloor Street West, Toronto — we own 100% of this 12 storey Class B office building located just east of Avenue Road in Toronto, Ontario. The building is situated within the high profile Yorkville shopping district, north of the Toronto financial district and in close proximity to the subway system and other modes of public transit. Constructed in 1961 and renovated in 1990 and 2003, the building encompasses 171,374 square feet of office space with high quality retail tenants at grade level. The tenant mix includes a combination of private sector and government tenants. We are a ground sub-tenant of this property under a ground sub-lease having a term (including renewals) expiring on June 30, 2060.

2 St. Clair Avenue East, Toronto — we own 100% of this 14 storey Class A office building located on the northeast corner of St. Clair Avenue and Yonge Street in Toronto, Ontario. The building was completed in 1977 and encompasses 154,866 square feet of office, concourse retail and grade level retail space with internal access to St. Clair station on the Yonge subway line. A small portion of the land on which this property is situated is held by means of a long-term leasehold interest expiring September 30, 2076. The lobby of this property underwent a renovation in 2001 which included a new floor and ceiling, new lighting and elevator cab treatments.

21 St. Clair Avenue East, Toronto — we own 100% of this 14 storey Class B office building located just east of the southeast corner of St. Clair Avenue East and Yonge Street in Toronto, Ontario, adjacent to the St. Clair station on the Yonge subway line. The building was completed in 1970 and underwent extensive lobby renovations in late 2001. It is comprised of 109,546 square feet of office and retail space.

56 Wellesley Street West, Toronto — we own a 50% interest in this 17 storey, 215,726 square foot, Class B office building located at the northwest corner of Wellesley Street West and Bay Street in Toronto, Ontario. The building, which was completed in 1972 and renovated in 1991, offers affordable office premises in an area favoured by government and institutional tenants. It features retail space at grade level and is located one block west of Wellesley station on the Yonge subway line. The other 50% of this property is owned by Bowdek Holdings Ltd., a German investor group.

110 Sheppard Avenue East, Toronto — we own a 50% interest in this 145,146 square foot ten storey Class A office building. The building is located one block east of the Sheppard station on the Yonge subway line and along the Sheppard subway line. Constructed in 1993, the building features surface parking and three levels of underground parking. H&R Real Estate Investment Trust owns the other 50% of this property. This property is managed by H&R Property Management Ltd.

Saskatoon, Saskatchewan

Preston Centre, Saskatoon — we own 100% of Preston Centre, which consists of two buildings. The first is a three-storey retail and office building comprised of 57,772 square feet located at 2100 8th Street and the second is a one-storey retail building comprised of 4,672 square feet located at 2122 8th Street. Both buildings are on the southwest corner of 8th Street East and Preston Avenue. The buildings were constructed in 1988 and 1989 respectively and are located along Saskatoon's most popular retail commercial strip.

Edmonton, Alberta

EPCOR Centre, Edmonton — we own a 90% interest in this 20 storey Class A office building located at 10065 Jasper Avenue in the central financial district of Edmonton, Alberta. The building, which comprises 192,029 square feet, was completed in 1975 and underwent significant upgrades between 1995 and 2001, including the conversion of a former theatre space on the second floor to office space. EPCOR Utilities occupies all of the office space in the building where it has established its head office location as a model of energy efficiency and for which it received an international award in 1997 and a BOMA environmental award in 1998. Floors 2, 5 through 20 and the lower concourse level comprise office space, while the ground floor is dedicated to retail space. The building is served by two levels of underground parking and is connected to other downtown office buildings and the Edmonton LRT system by an underground walkway network.

Calgary, Alberta

Roslyn Building, Calgary — we own 100% of this 10 storey Class B office building located in downtown Calgary, Alberta. The property features 33 underground parking spaces and is connected to Calgary's Plus 15 system. The building was completed in 1966 and encompasses 129,446 square feet of office space as well as some ground floor retail space.

Kensington House, Calgary — we own 100% of this five storey Class A office building located at 1167 Kensington Crescent NW, immediately northwest of the central business district of Calgary, Alberta, in a neighbourhood populated by distinctive retail stores, restaurants, and low-rise office and medical buildings. The building was completed in 1982 and comprises 76,824 square feet of office and retail space, as well as three levels of underground parking.

Vancouver, British Columbia

Station Tower, Surrey — we own 100% of this 18 storey Class A office building located at 13401 108th Avenue in Surrey, British Columbia, the second most populous of the municipalities that comprise the Greater Vancouver Regional District. The office building, completed in 1994, comprises 213,784 square feet of office and ground floor retail space. There are four levels of underground parking. Station Tower has direct covered access to the Gateway station on the SkyTrain rapid rail transit system and is situated next to a park with extensive land and water features. A development agreement governs the use and maintenance of the park, which is managed by Dundee Realty. Station Tower won the BOMA Canada Office Building of the Year award (TOBY) in 1998/1999 in the 100,000 to 249,999 square foot category.

Industrial Properties

Our industrial portfolio is comprised of interests in 96 industrial properties (110 industrial buildings) located in Canada. These industrial properties (including the redevelopment asset referred to below) consist of a total of approximately 6.7 million square feet of gross leasable area, of which our interest is approximately 6.1 million square feet. We wholly-own a total of 92 industrial properties, representing approximately 96.9% of the gross leasable area of our industrial portfolio. As at September 30, 2003, our industrial properties, excluding redevelopment assets, had an average occupancy rate of approximately 94.2%.

The table below sets forth information concerning the industrial properties in our portfolio and the name of the significant tenants occupying each property (as determined by whether those tenants occupy over 20,000 square feet of gross leasable area on a 100% basis or, if there are no such tenants, the largest tenant measured by gross leasable area occupied). The name of each tenant referred to below may not be the name of the legal entity which is a party to the relevant lease. All references to ''square foot'' or ''square feet'' refer to square foot or square feet of gross leasable area.

Property	Ownership	Total GLA in Square Feet	Year Built/ Renovated	Year Acquired by Dundee Realty	Occupied/ Committed as at September 30, 2003	Significant Tenants
3901 Rue Jarry Est, Montréal	100%	174,013	1988	1999	100.0%	Reitmans (Canada)
105-125 Montee de Liesse, St-Laurent	100%	159,848	1976	1998	32.6%	Paktek Packaging
900-950 Boulevard St-Martin, Laval	100%	142,693	1974/1989	1998	100.0%	Comark; Québecor (Messageries Dynamiques)
375-455 Rue Deslauriers, St-Laurent	100%	138,838	1972	1999	91.0%	Komet Industries; Hostman Steinberg
295-371 Rue Deslauriers, St-Laurent	100%	134,673	1973	1999	97.1%	Essilor Canada
457-491 and 495-533 Rue Deslauriers, St-Laurent	100%	134,561	1971	1999	100.0%	Va-Yola Garments; Rideau Orders, Decorations, and Medals
105-145 Rue Deslauriers, St-Laurent	100%	116,611	1974/1996	1999	100.0%	Centura Québec
2000 Rue Halpern (Michelin Warehouse), St-Laurent	20%	527,000	1976	1998	100.0%	Metro Canada Logistics
350-360 Rue Lebeau, St-Laurent	100%	73,800	1972	1999	100.0%	Socadis
290-316 Rue Benjamin-Hudon & 165 Rue Deslauriers, St-Laurent	100%	67,035	1973	1999	91.1%	La Corporation des Editions Fides
555 and 604-678 Rue Deslauriers, St-Laurent	100%	66,841	1973	1999	95.5%	Mirabel Knitting
9601-9665 Chemin de la Côte de Liesse, Montréal	100%	66,542	1969	1999	94.3%	Gestions Ecosys
9551-9599 Chemin de la Côte de Liesse, Dorval	100%	64,493	1968	1999	88.1%	Signature Textiles

Property	Ownership	Total GLA in Square Feet	Year Built/ Renovated	Year Acquired by Dundee Realty	Occupied/ Committed as at September 30, 2003	Significant Tenants
10113-10161 Chemin de la Côte de Liesse, Dorval	100%	63,177	1972	1999	100.0%	Induspac
10205-10255 Chemin de la Côte de Liesse, Dorval	100%	62,483	1972	1999	57.7%	ACC Atlantic Canada Corporation
2789-2855 Boulevard Le Corbusier, Laval	100%	59,370	1972	1998	100.0%	Plantes d'Interieurs Veronneau
4575-4605 Rue Hickmore, St-Laurent	100%	57,702	1973	1998	100.0%	CAE Electronics
300 Avenue Labrosse, Pointe-Claire	100%	55,333	1974	1999	100.0%	Flyght Canada
9501-9521 Chemin de la Côte de Liesse, Dorval	100%	55,090	1968	1999	81.5%	McCann Equipment
295-341 Rue Benjamin-Hudon & 255 Rue Deslauriers, St-Laurent	100%	53,543	1972	1999	100.0%	Cuisine Uno
9701-9745 Chemin de la Côte de Liesse, Dorval	100%	52,660	1969	1999	100.0%	Caisse Populaire Desjardins
3961-4015 Avenue Robert, Montréal	100%	52,447	1986	1999	98.2%	Salle de Reception Cornelli
700-740 Renaud, 9125 and 9135 Côte de Liesse, Dorval	100%	51,181	1968	1999	100.0%	Jason Industrial
9 Place du Commerce, Brossard	100%	50,600	1976	1999	66.4%	9108-3394 Québec (Aero Gym)
601-623 Rue Le Breton, Longueuil	100%	48,788	1976	1999	79.1%	Coalision
601-631 Rue Bériault, Longueuil	100%	48,709	1988	1999	100.0%	Import-Export Probec International
2115-2147 Rue de la Provence, Longueuil	100%	48,174	1986	1999	69.9%	Industries Corema
605-607 Rue Deslauriers, St-Laurent	100%	43,709	1973	1999	100.0%	Expo TCD
25 Rue de Lauzon, Boucherville	100%	43,452	1988	1998	86.2%	Cegerco Constructeur
500-510 Rue Deslauriers, St-Laurent	100%	39,390	1973	1999	100.0%	Deliska Traditions
220-230 Rue Lebeau, St-Laurent	100%	36,000	1973	1999	100.0%	Boulangerie Andelos
470-472 Rue Deslauriers, St-Laurent	100%	35,559	1973	1999	100.0%	Expo TCD (Presentoirs de Metal AWW)
9335-9395 Chemin de la Côte de Liesse, Dorval	100%	31,801	1967	1999	60.7%	Les Moules Plasticor
9405-9475 Chemin de la Côte de Liesse, Dorval	100%	31,321	1967	1999	89.8%	Constructal Hardware
7 Place du Commerce, Brossard	100%	31,500	1976	1999	100.0%	Alstom Canada
742 Avenue Renaud, Dorval	100%	30,381	1968	1999	100.0%	Divicell
35 Rue de Lauzon, Boucherville	100%	28,140	1990	1998	100.0%	Etiquettes Profecta Labels
874-896 Rue Trans Canada, Longueuil	100%	27,836	1989	1998	100.0%	Parmalat Canada
938-952 Rue Trans Canada, Longueuil	100%	27,826	1989	1998	100.0%	Specialites Industrielles Longueuil
908-926 Rue Trans Canada, Longueuil	100%	27,645	1989	1998	100.0%	Distrivin
982-1002 Rue Trans Canada, Longueuil	100%	27,415	1988	1998	100.0%	Location Luber
200-210 Rue Lebeau, St-Laurent	100%	26,550	1973	1999	100.0%	IBM Canada
735-743 Avenue Renaud, Dorval	100%	23,386	1973	1999	100.0%	Canada Direct Database Marketing
9010-9060 Rue Ryan, Dorval	100%	23,063	1973	1999	70.7%	Unisource Technology

Property	Ownership	Total GLA in Square Feet	Year Built/ Renovated	Year Acquired by Dundee Realty	Occupied/ Committed as at September 30, 2003	Significant Tenants
9245 and 9255 Chemin de la Côte de Liesse, Dorval	100%	19,178	1974	1999	100.0%	Vesuvius Canada Refractories
10 Place du Commerce, Brossard	100%	18,300	2001	1999	100.0%	Canada Post
Total Montréal Industrial[(1)]		**3,198,657**			**90.9%**	
2110-2160 Williams Parkway, Brampton	100%	228,668	1991/1998	1997	100.0%	Chembond; Wollin Canada; W.G. Pro-Packaging; Eaton Yale
77 Fima Crescent, Toronto	100%	212,110	1966	1996	100.0%	Samko Sales, National Rubber
2155 Steeles Avenue East and 7956 Torbram Road, Brampton	100%	153,702	1987	1998	100.0%	J.E.T. Contracting; Smart Enterprises
51 Caldari Road, Vaughan	100%	148,031	1991	1998	100.0%	Dominion Ventures Parts (Western); San Remo Lighting; Digi Canada
7600 Danbro Crescent, Mississauga	100%	137,728	1989	1999	100.0%	Contract Pharmaceuticals
1070-1100 Midway Boulevard, Mississauga	100%	83,368	1984	1998	100.0%	ADM Cocoa Canada; Cimmaster
1820 Ironstone Drive, Burlington	100%	81,776	1980	1998	100.0%	Pippard; Terdun Material
6500 Kitimat Road, Mississauga	100%	59,600	1982	1998	100.0%	Contract Pharmaceuticals
1020 Lorimar Avenue and 7115 Tomken Road, Mississauga	100%	52,295	1989	1998	100.0%	Pax-All Manufacturing; Vibrant Photo & Electric
55 Idema Road, Markham	100%	36,720	1971	1997	100.0%	Mikeway
120 Valleywood Drive, Markham	50%	59,425	1987	1998	100.0%	Prestige Office Interiors
1500-1520 Trinity Drive, Mississauga	100%	29,759	1983	1998	92.9%	The Drafting Clinic
85 Idema Road, Markham	100%	28,605	1971	1997	100.0%	Shaker-Tomlin Packagers
2301 Royal Windsor Drive, Mississauga	25%	106,341	1987	1998	100.0%	PPG Canada; Little Caesars of Canada; Royal Moving and Storage
2311 Royal Windsor Drive, Mississauga	25%	97,795	1977	1998	100.0%	TWF Logistics Group; Longlac Wood Industries
Total Toronto Industrial		**1,515,923**			**99.8%**	
Ford Warehouse, Edmonton	100%	246,000	1980	1998	100.0%	Ford Motor Company of Canada
Alberta Park, Edmonton	100%	127,098	1981	1998	97.9%	Western Drug Distribution Centre
Bonaventure Centre, Edmonton	100%	113,993	1978	1998	100.0%	Bridge Brand Foods; Brink's Canada
Parkway East Building II, Edmonton	100%	57,777	1977	1998	100.0%	Z.O.T.Z. International
Parkway East Building I, Edmonton	100%	48,263	1977	1998	100.0%	Great Barriers
Central Web Offset, Edmonton	100%	44,500	1977	1998	100.0%	Central Web Offset
Office 99, Edmonton	100%	23,168	1975	1998	100.0%	Koko Beach Retail Group
Total Edmonton Industrial[(1)]		**660,799**			**99.6%**	

Property	Ownership	Total GLA in Square Feet	Year Built/ Renovated	Year Acquired by Dundee Realty	Occupied/ Committed as at September 30, 2003	Significant Tenants
7102-7220 Barlow Trail SE, Calgary . .	100%	222,570	1979	1998	100.0%	Magnum Designs; Ecco Heating Products; O.K. Tire Stores
2705-2737 57th Avenue SE, Calgary . .	100%	108,800	1977	1998	100.0%	Shanahan's Alberta
7004-7042 30th Street SE, Calgary	100%	94,208	1976	1998	89.1%	Control Chemical; Arctic Truck Parts & Service
4710-4760 14th Street NE, Calgary . . .	100%	72,780	1976	1998	87.6%	Collega
1139-1165 40th Avenue NE, Calgary . .	100%	57,344	1974	1998	85.7%	Instabox
501-529 36th Avenue SE, Calgary	100%	57,145	1974	1998	100.0%	Independent Supply Company
4504-4576 14th Street NE, Calgary . . .	100%	57,090	1976	1998	100.0%	McGregor & Thompson Hardware
4402-4434 10th Street NE, Calgary . . .	100%	54,000	1974	1998	94.7%	Cadillac Plastic (Canada)
535-561 36th Avenue SE, Calgary	100%	39,940	1974	1998	100.0%	The Flower Market
Highfield Industrial Building, Calgary	100%	30,130	1975	1998	100.0%	Wesclean Equipment & Cleaning
6804-6818 30th Street SE, Calgary	100%	30,000	1976	1998	100.0%	Enterprise Robert Thibert
6023-6039 Centre Street South, Calgary	100%	28,800	1973	1998	100.0%	Tac Mobility
4502-4516 10th Street NE, Calgary . . .	100%	28,800	1974	1998	62.5%	Chateau Exteriors
6043-6055 Centre Street South, Calgary	100%	25,200	1973	1998	85.7%	Westburne-Wolseley Canada
530-544 38A Avenue SE, Calgary	100%	24,000	1974	1998	75.0%	Korite Minerals
1135-1149 45th Avenue NE, Calgary . .	100%	21,600	1974	1998	0.0%	
4620-4640 11th Street NE, Calgary . . .	100%	21,097	1971	1998	90.9%	Vantage Marketing
102-114 61st Avenue SW, Calgary	100%	18,900	1973	1998	100.0%	Rapid Brake Centres; Great Northern Bedding Company
4001-4019 23rd Street NE, Calgary . . .	100%	15,840	1976	1998	69.7%	Mobile Augers and Research Ltd.
2915-2925 58th Avenue SE, Calgary . .	100%	15,600	1976	1998	64.1%	Kiowa International
4515-4519 1st Street SE, Calgary	100%	14,400	1969	1998	100.0%	Fitter International
3503-3521 62nd Avenue SE, Calgary . .	100%	13,200	1975	1998	100.0%	Interra Industrial Products; Eldo Enterprises
4501-4509 1st Street SE, Calgary	100%	13,200	1970	1998	100.0%	R-N Custom Leather Works; Western High Voltage Test Centre
4523-4529 1st Street SE, Calgary	100%	11,400	1969	1998	100.0%	Chinook Auto Upholstery; 736859 Alberta (CR Techniques)
7122-7126 Barlow Trail SE, Calgary . .	100%	5,400	1979	1998	100.0%	Denny's Electronics; Thermo Design Insulation; Alberta Heart and Stroke Foundation
7128-7132 Barlow Trail SE, Calgary . .	100%	5,400	1979	1998	100.0%	Action Tyre
Total Calgary Industrial		**1,086,844**			**92.2%**	
Total Industrial[(1)(2)]		**6,462,223**			**94.2%**	

Property	Ownership	Total GLA in Square Feet	Year Built/ Renovated	Year Acquired by Dundee Realty	Occupied/ Committed as at September 30, 2003	Significant Tenants
Redevelopment Assets:						
15303-128th Avenue, Edmonton	100%	178,000	1977	1998	n/a	Highland Moving and Storage
11 Place du Commerce, Brossard	100%	41,155	1976	1999	n/a	Reseau Primex

(1) Excludes redevelopment assets.

(2) Certain of our significant industrial tenants have a right to purchase the applicable property in the event of a proposed sale of the property.

A description of the industrial properties in which the book value of our interest is greater than $5,000,000 is set out below.

Montréal, Québec

105-125 Montee de Liesse, St-Laurent — we own 100% of this 159,848 square foot multi-tenant industrial building located in a prime industrial district in St-Laurent, a suburb of Montréal, Québec. The building was constructed in 1976 and features a ceiling clearance of 18 feet.

900-950 Boulevard St-Martin Ouest, Laval — we own 100% of this 142,693 square foot dual-tenant industrial building located in Laval, a city north of Montréal, Québec. The building was constructed in 1974, renovated in 1989, and features a ceiling clearance of 22 feet.

Toronto, Ontario

7600 Danbro Crescent, Mississauga — we own 100% of this single-tenant industrial warehouse located on an eight acre site north of Highway 401, west of Meadowvale Boulevard, in the Meadowvale Business Park in Mississauga, a western suburb of Toronto, Ontario. The building, which comprises 137,728 square feet and was completed in 1989, features a ceiling clearance of 27 feet.

2110-2160 Williams Parkway East, Brampton — we own 100% of this industrial complex located at 2110, 2130, 2150, and 2160 Williams Parkway East in Brampton, a northwestern suburb of Toronto, Ontario. The complex is comprised of four buildings, completed in 1991 and totalling 228,668 square feet, including a 19,000 square foot design-build expansion constructed in 1998 for an existing tenant. The average ceiling clearance is 20 feet.

2155 Steeles Avenue and 7956 Torbram Road, Brampton — we own 100% of this three building, 153,702 square foot multi-tenant industrial warehouse complex, located in Brampton, a northwestern suburb of Toronto, Ontario. The buildings, completed in 1987, feature an average ceiling clearance of 22 feet.

51 Caldari Road, Vaughan — we own 100% of this 148,031 square foot industrial warehouse property located in the northern Toronto suburb of Vaughan, Ontario. The property is comprised of two multi-tenant buildings completed in 1991, which feature a ceiling clearance of 20 feet.

Edmonton, Alberta

15303-128th Avenue, Edmonton — we own 100% of this 178,000 square foot warehouse and distribution facility, located at 15303-128th Avenue in the Mistatim Industrial Park in Edmonton, Alberta. The building, which was completed in 1977, has a clearance height of 25 feet. The property is currently classified as a redevelopment asset and includes surplus land that is zoned for industrial use and suitable for use as outside storage or for future expansion of the existing improvements. The building has been undergoing substantial renovations over the last two years. Approximately 60,000 square feet of space is presently occupied by Highland Moving and Storage. We are marketing the balance of the available space to prospective tenants.

Ford Warehouse, Edmonton — we own 100% of this 246,000 single-tenant industrial warehouse occupied by the Ford Motor Company of Canada. The building, constructed in 1980, features a 30 foot ceiling clearance and is located at 11604-181st Street in the Norwester Industrial subdivision, on the west side of 181st Street at 116th Avenue in Edmonton, Alberta.

Calgary, Alberta

7102-7220 Barlow Trail SE, Calgary — we own 100% of this 222,570 square foot multi-tenant industrial building, located in the Foothills Industrial Park in southeast Calgary, Alberta. The building was completed in 1979 and has a ceiling clearance of 22 feet.

2705-2737 57th Avenue SE, Calgary — we own 100% of this 108,800 square foot single-tenant industrial warehouse building, located in the Foothills Industrial Park in southeast Calgary, Alberta. Completed in 1977, the building features a ceiling clearance of 20 feet.

7004-7042 30th Street SE, Calgary — we own 100% of this 94,208 square foot multi-tenant industrial building, located in the Foothills Industrial Park in southeast Calgary, Alberta. Completed in 1976, the building features a ceiling clearance of 18 feet.

4710-4760 14th Street NE, Calgary — we own 100% of this 72,780 square foot multi-tenant industrial warehouse located near the airport and McKnight Boulevard in Calgary, Alberta. The building was constructed in 1976 and features a ceiling clearance of 18 feet.

Retail Properties

While we focus on investing in office and industrial properties, we own 5 retail properties, located in the provinces of Alberta, Saskatchewan and Ontario as well as in Atlanta, Georgia. Our retail properties consist of regional, mid-sized, community or neighbourhood shopping centres, totalling approximately 1.5 million square feet of gross leasable area, of which our interest is approximately 1.4 million square feet. We wholly-own a total of 4 retail properties, representing approximately 93.6% of the retail gross leasable area of our retail properties. As at September 30, 2003, our retail properties had an average occupancy rate of approximately 93.0%.

The table below sets forth information concerning the retail properties in our portfolio and the name of the significant tenants occupying each property (as determined by whether those tenants occupy over 20,000 square feet of gross leasable area on a 100% basis or, if there are no such tenants, the largest tenant measured by gross leasable area occupied). The name of each tenant referred to below may not be the name of the legal entity which is a party to the relevant lease. All references to ''square foot'' or ''square feet'' refer to square foot or square feet of gross leasable area.

Property	Ownership	Total GLA in Square Feet	Year Built/ Renovated	Year Acquired by Dundee Realty	Occupied/ Committed as at September 30, 2003	Significant Tenants
Simcoe Town Centre, Simcoe	100%	128,367	1982/1994/2001	1998	88.7%	Giant Tiger; A&P
Centennial Mall, Brampton (1)	50%	177,684	1974	1998	100.0%	Zellers; Food Basics (A&P)
Total Ontario Retail		**306,051**			**93.3%**	
Northgate Mall, Regina	100%	330,883	1965/1998/1999/2002	1998	89.8%	Zellers; Safeway
Kameyosek Shopping Centre, Edmonton	100%	46,055	1984	1998/2002	91.6%	Capital City Savings
Total Western Canada Retail		**376,938**			**90.0%**	
Greenbriar Mall, Atlanta	100%	795,390	1965/1987/1997	1998	94.3%	Rich's; Burlington Coat Factory; Cub Foods; Magic Johnson Theatres; Circuit City; Venator Group
Total US Retail		**795,390**			**94.3%**	
Total Retail		**1,478,379**			**93.0%**	

(1) Subject to an agreement of purchase and sale with an expected closing date of February 11, 2004.

A description of the retail properties in which the book value of our interest is greater than $5,000,000 is set out below.

Ontario

Simcoe Town Centre, Simcoe — we own 100% of this 128,367 square foot enclosed single-storey community shopping centre located at 150 West Street in the southwestern Ontario community of Simcoe. Constructed in 1982, renovated in 1994 and partially redeveloped in 2001, the centre is anchored by an A&P supermarket and a Giant Tiger discount department store. The property includes an adjacent land parcel for future expansion.

Centennial Mall, Brampton — we own a 50% interest in this single-storey community shopping centre located on 15 acres of land at 227 Vodden Street in the northwestern Toronto suburb of Brampton, Ontario. Built in 1974, the centre is comprised of two buildings totalling 177,684 square feet. The mall is anchored by a Zellers department store and a Food Basics supermarket (a unit of A&P, a national grocery chain) that were both renovated several years ago. The remaining 50% of this property is owned by private investors. This shopping centre is being sold pursuant to an agreement of purchase and sale with an expected closing date of February 11, 2004.

Western Canada

Northgate Mall, Regina — we own 100% of this single-storey regional shopping centre comprised of 330,833 square feet of leasable space located at 489 Albert Street North in Regina, Saskatchewan. Built in 1965, the mall services the northern portion of Regina, is situated on 24 acres of land along one of Regina's principal arterial corridors and is anchored by Zellers and a Canada Safeway supermarket. Substantial renovations of this mall were completed in 1998, 1999 and 2002, adding a mix of new small and medium-sized national and regional tenants.

Kameyosek Shopping Centre, Edmonton — we own 100% of this single-storey neighbourhood shopping centre located at 28th Avenue and Millwoods Road in the Millwoods community of southern Edmonton, Alberta. The centre, built in 1984, is comprised of three buildings totalling 46,055 square feet of leasable space. The tenant mix consists of national, regional and local service tenants.

United States

Greenbriar Mall, Atlanta — we own 100% of this 795,390 square foot predominantly single-storey regional shopping mall located at 2841 Greenbriar Parkway, approximately seven miles southwest of downtown Atlanta, Georgia. Greenbriar Mall was built in 1965 and was renovated in 1987 and again in 1997. A 63,000-square foot Cub Foods supermarket was constructed adjacent to the mall in 1993 and a 12-screen Magic Johnson movie theatre complex was constructed adjacent to the mall in 1996. The mall is also anchored by Rich's, Burlington Coat Factory and Circuit City. Cub Foods vacated its leased space in December 2001. However, the operator of Cub Foods, Super Discount Markets, continues to make payments under the lease.

Acquisition Opportunities

Our external growth strategy includes on-going and regular evaluation of acquisition opportunities. Consistent with our past practices and as a normal course of business, we are engaged in discussions with respect to possible acquisitions of real properties. There can be no assurance that any of these discussions will result in a definitive purchase agreement and, if they do, what the terms or timing of any agreement would be. We expect to continue current discussions and actively pursue other acquisition and investment opportunities. Other than as disclosed under ''Recent Developments'', we do not have any agreement or commitment with respect to any acquisition. As discussed under ''Use of Proceeds'', we will use the proceeds of this offering for general purposes, including for funding possible future acquisitions, including the acquisition of the Pauls Portfolio. See ''Recent Developments''.

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

CAPITAL EXPENDITURES

Prior to our acquisition of the Properties from Dundee Realty, Dundee Realty had in recent years undertaken a considerable program of capital improvements. Specific projects included the following:

- Construction of new lobbies at 2 and 21 St. Clair Avenue East, Toronto at a cost of $1.4 million
- Construction of a new facade and lobby at 151 Bloor Street West, Toronto, which added an additional 500 square feet of gross leasable area to the building at a cost of $1.8 million
- Redevelopment of an industrial asset in Edmonton that remains under redevelopment until leased. $2.8 million has been incurred to date and it is expected that an additional $1.0 to $1.5 million will be needed to complete this project, depending on tenant needs
- Replacement of anchor tenants at Northgate Shopping Centre and Simcoe Town Centre at a cost of $6.3 million
- Renewal of Rich's at Greenbriar Mall, Atlanta at a cost of U.S.$2.0 million
- Completion of upgrades at Roslyn Building in Calgary at a cost of $1.0 million with an additional $0.7 million committed to finish the upgrades during 2004

These projects were value-added expenditures, since, in our view, they enhanced the marketability of the properties. At the present time, the only plans for work of a similar nature are for a minor renovation to the lobby at 56 Wellesley Street West, Toronto in early 2004 and the redevelopment of 11 Place du Commerce, an industrial property in Brossard, Québec, where we expect to spend $1.5 million to redevelop the property into a flex warehouse use.

We have implemented preventative maintenance and repair procedures and contracts for all major mechanical systems in our office properties, such as elevators and HVAC systems, in order to maximize the useful lives of the systems.

The largest capital costs we incur with respect to our industrial properties are for new roofs and paving. We believe that by effectively managing these assets we can extend their useful lives and lower overall costs over time. We have a roof management program in place that monitors the performance of each roof in our portfolio. This assists in determining maintenance requirements that we perform as required.

We anticipate that the majority of future capital expenditures will be related to leasing costs, consistent with our strategy of meeting the needs of our tenants. These include costs of preparing space, payment of tenant inducements and leasing commissions. As these costs are reduced significantly when we are successful in renewing tenancies, we concentrate our property management efforts on ensuring that we meet our tenants' needs so as to encourage renewals.

ENVIRONMENTAL SITE ASSESSMENTS

Environmental legislation and policies have become increasingly stringent over the years. Such environmental laws provide a range of potential liabilities, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous or toxic substances released on, to, in or from our properties or disposed of in any other location. The presence of such substances, if any, may also adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral, and could potentially also result in civil claims by private plaintiffs.

Phase I environmental site assessments (also known as environmental audits) of each of the Properties have previously been performed by independent environmental consultants from time to time as necessary in connection with the former commercial real estate business of Dundee Realty. For instance, such assessments may have been performed in connection with financing activities with respect to the Properties or the purchase of properties that are currently in our portfolio. Phase I environmental site assessments were conducted to identify actual and potential site contamination and non-compliance with environmental laws and regulations based on a review of available historical and current records, interviews with available site personnel and a visual inspection of the relevant property. A Phase I environmental site assessment is a limited review and evaluation of the environmental condition of a property, which does not involve soil sampling or groundwater analysis, unless required by the consultant. When a Phase I environmental site assessment identifies any substantial potential issues, including non-compliance with material environmental laws or regulations, further assessment is carried out, including, in some cases, Phase II site assessments which involve intrusive investigations, such as soil or water sampling and analyses.

Phase II environmental site assessments were also conducted on certain of the Properties. The relatively few issues identified through this site assessment process, including the need to remediate or otherwise address contamination at some of the Properties, are being carefully managed, with the involvement of professional consultants where appropriate.

We believe that the current estimated cost of remediation or capital expenditures with respect to actual or potential environmental conditions would not have a material adverse effect on our results of operations, business, prospects and financial condition.

We have policies and procedures in place to review and monitor environmental matters relating to our properties, and the Governance and Environmental Committee of our board of trustees has oversight over these matters. Our operating policies require us to conduct a Phase I environmental audit of real properties proposed to be acquired by us, subject to certain limited exceptions. We will continue to make appropriate capital and operating expenditures to ensure compliance with environmental laws and regulations.

INDEBTEDNESS

We may not incur or assume any indebtedness without the approval of our unitholders if, after giving effect to the incurring or assumption of the indebtedness, our total indebtedness would be more than 65% of Gross Book Value and the total amount of indebtedness and the amount of any undrawn advances available under any operating and acquisition facility would be more than 70% of Gross Book Value, unless we determine that the maximum amount of indebtedness will be based on the appraised value of the real properties. In addition, at no time can we incur indebtedness aggregating more than 15% of Gross Book Value (other than trade payables, accrued expenses, distributions payable to unitholders and all other forms of indebtedness with an original term of less than one year) at floating interest rates.

As at September 30, 2003, our total indebtedness was 55.0% of Gross Book Value. As at the same date, our floating rate indebtedness was approximately 4% of total debt. See ''Consolidated Capitalization'', ''Investment Guidelines and Operating Policies — Operating Policies of Dundee Properties LP'' and ''Use of Proceeds''.

Mortgage Financing

Our properties currently serve as security for mortgage loan facilities from a number of lenders. In some cases, a group of properties may serve as security for mortgage loans from a single lender. In some cases, there is recourse to the assets of Dundee Properties LP. However, none of the lenders with respect to any of our facilities have recourse to the assets of Dundee REIT.

The following table summarizes certain of the principal features of the existing mortgages in place on the properties in our portfolio as at September 30, 2003.

Year Ending December 31	Balance Due at Maturity	Scheduled Principal Repayments on Non-matured Debt	Total	Percentage of Total	Weighted Average Interest Rate on Balance Due at Maturity
		(in thousands of dollars)			
2003 (three months to December 31)[1]	$ 16,315	$ 6,210	$ 22,525	4.4%	8.2%
2004[2]	126,580	12,406	138,986	27.5%	6.7%
2005	8,917	12,198	21,115	4.2%	6.7%
2006	37,267	11,852	49,119	9.7%	7.1%
2007	36,928	9,930	46,858	9.3%	7.5%
2008 and thereafter	199,352	27,788	227,140	44.9%	7.1%
Total	$ 425,359	$80,384	$505,743	100%	7.1%
Weighted average term to maturity	51 months				

(1) These mortgages were either repaid or refinanced.

(2) The debt maturities of $126,580 in 2004 expire mostly in the first six months of the year. They have an average interest rate of 6.7% and we expect that new refinancings will be completed at lower rates.

We estimate current market interest rates for five to ten year first mortgages to be in the range of 5.8% to 6.5% per annum. Based on our weighted average interest rate of 7.1%, our interest rate would be 60 to 135 basis points lower at market. At market interest rates, interest costs on our $506 million of debt would be reduced by between $3.0 million and $6.8 million.

Operating Facility

A Canadian chartered bank has provided us with a secured revolving credit facility, payable on demand, to provide financing for the operations of our business. Subject to customary conditions, this facility is available for drawdown in an aggregate principal amount not to exceed $20 million and drawings will bear interest at a floating rate. This facility is secured by a first mortgage against 70 Richmond Street East, Toronto, Ontario and 21 St. Clair Avenue East, Toronto, Ontario and a second mortgage against Station Tower, Surrey, British Columbia as well as by a general security agreement against our personal property, subject to personal property security granted pursuant to specific property indebtedness. On December 23, 2003 we entered into a term sheet with the same Canadian chartered bank to increase this revolving facility to an aggregate principal amount not to exceed $50 million with drawings bearing interest at a floating rate. In addition to the security already granted, this credit facility will be secured by a first mortgage against 1145 Hunt Club Road, Ottawa, Ontario, 21 Fitzgerald Road, Nepean, Ontario, 2110 – 2160 Williams Parkway, Brampton, Ontario.

Interim Facility

We expect to enter into a commitment letter with the Canadian chartered bank affiliate of TD Securities Inc. pursuant to which the bank will commit to lend us up to $100 million on an interim basis to finance the acquisition of the Pauls Portfolio should this offering not close before the closing of that acquisition (the ''Interim Facility''). This facility will be subject to compliance with all necessary legal requirements and to the terms and conditions set out in the commitment letter. This facility will have a term of three months and will be prepayable at any time without penalty. The interest rate on this facility will be based on the bankers' acceptance rate having a term of up to three months. If drawn, this facility will be repaid from the proceeds of this offering. Should this offering close before the closing date of the acquisition of the Pauls Portfolio, then this commitment will be terminated. The loan agreement giving effect to this commitment will include customary terms, conditions, events of default and covenants, including financial covenants and a negative pledge. See ''Recent Developments'' and ''Use of Proceeds''.

Additional Financing

We may seek additional financing with one or more financial institutions from time to time. Such financing will be used for purposes which may include the funding of our operations or future property acquisitions.

CONSOLIDATED CAPITALIZATION

The following table sets forth our consolidated capitalization as at September 30, 2003. The table should be read in conjunction with the audited and unaudited consolidated financial statements, and the notes thereto, contained on pages F-11 to F-36 of this prospectus.

	As at September 30, 2003	
	Number of Units	Book Value
	(Unaudited) (in thousands of dollars, except unit amounts)	
Indebtedness		
Mortgages and long-term debt		$505,743
Unitholders' equity		
REIT Units, Series A	9,433,671	$192,926
REIT Units, Series B	—	—
LP Class B Units, Series 1	7,029,252	143,761
Cumulative foreign currency translation adjustment		(1,793)
Total unitholders' equity[(1)]	16,462,923	$334,894
Total capitalization		$840,637

(1) At September 30, 2003, there were 7,029,252 Special REIT Units outstanding, corresponding with the outstanding LP Class B Units, Series 1. These Special REIT Units are recorded at a nominal value. At December 31, 2003, 12,094,217 REIT Units, Series A, 7,211,431 LP Class B Units, Series 1 and 7,211,431 Special REIT Units were issued and outstanding.

SELECTED ACTUAL AND PRO FORMA FINANCIAL INFORMATION OF DUNDEE REIT

The following tables summarize the unaudited consolidated balance sheet of Dundee REIT as at September 30, 2003, the audited consolidated opening balance sheet of Dundee REIT as at June 30, 2003 and the unaudited pro forma financial and operating information for the periods indicated. This information has been derived from, and should be read in conjunction with, our audited and unaudited consolidated balance sheets and unaudited pro forma condensed consolidated statements of net income, including the notes thereto, contained on pages F-2 to F-36 of this prospectus.

Dundee REIT
Consolidated Balance Sheets

	September 30, 2003	June 30, 2003
	(Unaudited) (in thousands of dollars)	
ASSETS		
Rental properties	$810,918	$811,339
Deferred costs	36,120	34,802
Amounts receivable	6,459	6,172
Prepaid expenses	7,676	6,516
Cash and short-term deposits	8,459	4,681
	$869,632	$863,510
LIABILITIES		
Debt	$505,743	$505,592
Amounts payable and accrued liabilities	21,028	16,191
Future income tax liability	7,967	8,000
	534,738	529,783
UNITHOLDERS' EQUITY[(1)]	334,894	333,727
	$869,632	$863,510

(1) Includes REIT Units, Series A and LP Class B Units, Series 1 of Dundee Properties LP.

The following pro forma condensed consolidated statements of net income give effect to the Reorganization and related agreements, including the rent supplement and the impact on our income taxes, large corporations taxes and capital taxes (which are included in operating expenses).

Dundee REIT
Pro Forma Condensed Consolidated Statements of Net Income
(Unaudited)

	Nine Months Ended September 30, 2003	Year Ended December 31, 2002
	(in thousands of dollars, except per unit amounts)	
RENTAL PROPERTIES		
Revenues[1]	$113,294	$148,435
Operating expenses	54,260	70,048
NET OPERATING INCOME	59,034	78,387
OTHER EXPENSES		
Interest	27,514	35,638
Depreciation of rental properties	6,705	8,311
Amortization of deferred leasing costs	4,487	5,059
General and administrative	2,874	3,645
	41,580	52,653
OTHER INCOME		
Interest and fee income, net	1,071	1,887
INCOME BEFORE INCOME AND LARGE CORPORATIONS TAXES	18,525	27,621
INCOME TAXES		
Current income and large corporations taxes	115	23
Future income taxes	(78)	800
	37	823
NET INCOME	$ 18,488	$ 26,798
Pro forma basic and diluted net income per unit	$ 1.13	$ 1.65

(1) The rent supplement included in the computation of pro forma net income for the nine months ended September 30, 2003 is $3,761, and for the year ended December 31, 2002 is $3,893. This supplement is $1,082 for the three months from October 1, 2003 to December 31, 2003. This amount will vary as the vacant space subject to the rent supplement is leased.

Dundee REIT
Pro Forma Condensed Consolidated Statements of Funds From Operations and Distributable Income
(Unaudited)

	Nine Months Ended September 30, 2003	Year Ended December 31, 2002
	(in thousands of dollars, except per unit amounts)	
PRO FORMA FUNDS FROM OPERATIONS (FFO)		
PRO FORMA NET INCOME	$18,488	$26,798
Add:		
Depreciation and amortization	11,192	13,370
Imputed amortization of leasing costs related to the rent supplement	900	917
Future income tax expense (recovery)	(78)	800
PRO FORMA FFO	$30,502	$41,885
PRO FORMA FFO PER UNIT[1]	$ 1.87	$ 2.57

	Nine Months Ended September 30, 2003	Year Ended December 31, 2002
	(in thousands of dollars)	
PRO FORMA DISTRIBUTABLE INCOME		
PRO FORMA NET INCOME[1]	$18,488	$26,798
Add:		
Depreciation and amortization (except for deferred leasing, deferred financing and non-recoverable deferred maintenance incurred after June 30, 2003)	11,507	13,207
Imputed amortization of leasing costs related to the rent supplement	900	917
Amortization of fair value debt adjustments, included in interest expense	(230)	(333)
Future income tax expense (recovery)	(78)	800
PRO FORMA DISTRIBUTABLE INCOME	$30,587	$41,389
PRO FORMA DISTRIBUTABLE INCOME PER UNIT[1]	$ 1.88	$ 2.54

(1) The pro forma per unit amounts for each of the periods presented are based on 16,296,938 combined REIT Units, Series A and LP Class B Units, Series 1 issued and outstanding for the nine months ended September 30, 2003 on a weighted average basis, and 16,279,437 combined REIT Units, Series A and LP Class B Units, Series 1 issued and outstanding for the year ended December 31, 2002 based upon the number of units outstanding at June 30, 2003.

Distributable Income is not a measure defined by GAAP and there is no standardized measure of distributable income. Distributable Income of Dundee REIT, as presented above, may not be comparable to similar measures presented by other real estate investment trusts.

Distributable Income is defined in the Declaration of Trust. In addition, on September 11, 2003, the board of trustees of Dundee REIT determined to make an adjustment to the definition of Distributable Income to permit the add back with respect to the impact of imputed amortization of leasing costs related to our rent supplement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF DUNDEE REIT

The following discussion and analysis of the financial position and results of operations of Dundee REIT is based primarily on the unaudited consolidated financial statements of Dundee REIT for the three months ended September 30, 2003 and the combined financial statements of the commercial real estate division of Dundee Realty (''the Commercial Division'') for the six months ended June 30, 2003, nine months ended September 30, 2002 and year ended December 31, 2002. This discussion should be read in conjunction with these financial statements and the audited financial statements of Dundee REIT as at June 30, 2003 included elsewhere in this prospectus.

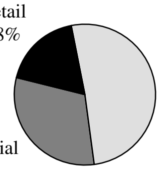
The Commercial Division is not a legal entity and is used only as a method of presenting the historical information relating to these Properties. The combined financial statements of the Commercial Division are not necessarily indicative of the results that would have been attained if the Commercial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

All dollar amounts in the following discussion are presented in thousands of dollars with the exception of unit and per unit amounts.

Overview

Dundee REIT is engaged in the ownership and management of commercial rental properties. Dundee REIT provides high quality affordable business premises through 140 well-located office, suburban industrial and retail properties comprising approximately 11.1 million square feet. These properties are strategically located in our target markets, which are the major Canadian metropolitan centers of Montréal, Ottawa, Toronto, Calgary and Edmonton.

Portfolio Asset Type by Book Value at September 30, 2003



Office Rental Properties

The office portfolio includes ownership of 39 office properties (52 buildings) comprising approximately 3.6 million square feet located in Montréal, Ottawa, Toronto, Calgary, Edmonton and Vancouver.

Our team of experienced leasing and property management specialists work diligently to ensure that our buildings remain well leased, and that we maintain good relationships in the brokerage and tenant communities ensuring we meet the needs of our clients. As a result, the occupancy rate in our office portfolio has remained relatively high at 92.9%, well ahead of the national industry average of about 88.4% (as reported by *Royal LePage Commercial Inc. National Market Intelligence Report Third Quarter 2003*). We review and evaluate our buildings on an on-going basis to maintain and upgrade the quality of our assets. This is a priority not only for us as long-term owners, but also for our current and future tenants.

Industrial Rental Properties

We own a portfolio of 96 prime suburban industrial and flex space properties (110 buildings) comprising approximately 6.1 million square feet, concentrated in Montréal, Toronto, Calgary and Edmonton. Our strategy of owning clusters of properties helps us to respond to tenants' needs to adjust the size and functionality of their space during times of change in their operations and workforce.

At September 30, 2003, the average occupancy rate across our stabilized industrial portfolio was 94.2%, only slightly below the national industry average of about 95.3% (as reported by *Royal LePage Commercial Inc. National Market Intelligence Report Third Quarter 2003*).

Retail Rental Properties

Our core retail assets are Northgate Mall in Regina and Greenbriar Mall in Atlanta. These assets comprise 1.1 million square feet of our total retail portfolio of approximately 1.4 million square feet. At September 30, 2003, the portfolio had an occupancy rate of 93.0%.

Property Management

Through an interest in Dundee Management LP, we have approximately 13.6 million square feet of revenue properties under management, including 11.0 million square feet of owned assets. Our focus is on providing our tenants with exceptional property management service. We place a priority on efficient, thorough and timely responses to tenant requests, and focus on meeting all of their real estate needs so that they may concentrate on operating their businesses.

Performance Measurement

The following table outlines our performance as measured by key indicators.

	For the three months ended September 30		Growth	
	2003	2002	Total	%
	(unaudited)			
Operating Results				
Revenues	$37,166	$36,424	$ 742	2.0
Net operating income	19,953	17,937	2,016	11.2
Net income (1)	6,282	2,909	3,373	115.9
Funds from operations (1)	10,239	6,954	3,285	47.2
Per unit amounts				
Net income	$ 0.38	n/a		
Funds from operations	$ 0.63	n/a		
Distributable income	$ 0.64	n/a		
Occupancy rate	**93.6%**	**93.6%**		
Debt-to-gross book value				
September 30, 2003	55.0%			
June 30, 2003	55.6%			
Distributions				
Distributable income	$10,459	n/a		
Distributions	$ 8,982	n/a		
Distribution payout ratio	86%	n/a		
Reinvested distributions	$ 4,295	n/a		
Reinvestment to distribution ratio (2)	48%	n/a		

(1) Comparability between periods is affected by general and administrative and income tax expenses for the period ended September 30, 2002, which is not based on actual costs but is simply an allocation of total Dundee Realty costs based on the net book value of assets transferred to the Commercial Division compared to the net book value of total assets.

(2) Includes October 15, 2003 reinvestment of distributions declared in September 2003.

Management believes that funds from operations is an important measure of our operating performance. FFO is defined as net income (calculated in accordance with GAAP) plus amortization and depreciation, plus future income taxes and excluding gains or losses from the sale and diminution in value of real estate assets. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations. It does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs and should not be considered the only measure of liquidity. In addition, certain other companies may use alternate definitions of FFO. FFO and Distributable Income are reconciled to net income under ''— Funds from Operations and Distributable Income''.

Net operating income is defined as the total of rental property revenues less operating expenses. For comparison purposes in this discussion and analysis, the three-month results for Dundee REIT have been grouped with the six-month results of the Commercial Division from January 1, 2003 to June 30, 2003.

Results of Operations

Rental Properties

The following table shows the distribution of the rental property NOI by geographic region before the rent supplement:

	For the Three Months Ended September 30		Growth		For the Nine Months Ended September 30		Growth	
	2003	2002	Amount	%	2003	2002	Amount	%
Québec	$ 4,185	$ 4,128	$ 57	1	$11,651	$12,377	$ (726)	(6)
Ontario	8,358	7,568	790	10	24,151	23,888	263	1
Western Canada	5,179	5,019	160	3	15,554	14,798	756	5
Total Canada	17,722	16,715	1,007	6	51,356	51,063	293	1
United States	1,133	1,222	(89)	(7)	3,546	3,916	(370)	(9)
	18,855	17,937	918	5	54,902	54,979	(77)	—
Rent supplement	1,098	—	1,098	—	1,098	—	1,098	—
NOI	$19,953	$17,937	$2,016	11	$56,000	$54,979	$1,021	2

The following table shows the distribution of the rental property NOI by each rental properties operating segment:

	For the Three Months Ended September 30		Growth		For the Nine Months Ended September 30		Growth	
	2003	2002	Amount	%	2003	2002	Amount	%
Office	$10,196	$ 9,124	$1,072	12	$29,290	$29,522	$ (232)	(1)
Industrial	5,889	6,228	(339)	(5)	17,387	17,588	(201)	(1)
Retail	2,770	2,585	185	7	8,225	7,869	356	5
	18,855	17,937	918	5	54,902	54,979	(77)	—
Rent supplement	1,098	—	1,098	—	1,098	—	1,098	—
NOI	$19,953	$17,937	$2,016	11	$56,000	$54,979	$1,021	2

The regional NOI analysis quarter-over-quarter reflects strong growth in Ontario due to favourable leasing activity in the office portfolio. The nine month results also experienced exceptional growth of approximately $1,700; however, the impact of this is offset by the receipt of one-time lease surrender payments of $1,500 in the first half of 2002.

NOI from the Québec portfolio declined over the nine months due mainly to the loss of a major tenant in an industrial building. The portfolio has seen an increase in prospective tenant visits over the quarter and we are optimistic that the occupancy will increase over the next four quarters.

The U.S. portfolio, which is entirely comprised of the Greenbriar Mall and Theatre, has maintained a strong occupancy rate of 94%. The decrease in NOI is largely the result of fluctuations in the U.S. exchange rate.

NOI by operating segment reflects strength in the Toronto and Ottawa office markets in the quarter and relative weakness in the Montréal industrial portfolio. The favourable results in the retail sector for the quarter and the nine month period include increases in Toronto and Regina. The two Toronto malls experienced a significant increase in occupancy of approximately 7% for the nine months. As well, at Northgate Mall in Regina, Zellers took occupancy of their newly renovated space in mid-September 2002 filling the vacancy left when the former tenant vacated in February 2002. Northgate Mall experienced an approximate 22% increase in occupancy for the nine months. These favourable variances were partially dampened by the effect of the U.S. exchange rate mentioned previously.

The rent supplement of $1,098 for the three months ended September 30, 2003 represents amounts funded by Dundee Realty based on certain vacancies as previously agreed to upon the formation of Dundee REIT. This supplement will fluctuate as leasing occurs in the suites included as supplemented space. The supplement is effective for five years for office and retail spaces and three years for industrial space commencing July 1, 2003.

The next table illustrates the comparative rental property NOI by each operating segment:

	For the Three Months Ended September 30		Growth		For the Nine Months Ended September 30		Growth	
	2003	**2002**	**Amount**	**%**	**2003**	**2002**	**Amount**	**%**
Québec	$ 4,182	$ 4,046	$ 136	3	$11,646	$12,301	$ (655)	(5)
Ontario	8,358	7,537	821	11	23,997	22,303	1,694	8
Western Canada	5,141	5,025	116	2	15,472	14,843	629	4
Total Canada	17,681	16,608	1,073	6	51,115	49,447	1,668	3
United States	1,133	1,222	(89)	(7)	3,481	3,916	(435)	(11)
TOTAL COMPARATIVE PROPERTIES	18,814	17,830	984	5	54,596	53,363	1,233	2
Under development	12	(5)	17		39	(116)	155	
Lease surrenders	29	112	(83)		267	1,732	(1,465)	
	$18,855	$17,937	$ 918	5	$54,902	$54,979	$ (77)	—

The most significant comparative adjustments are the lease surrender payments previously discussed, most of which were in the Toronto office properties. On a nine month comparative basis, the $1,700 increase in Ontario NOI included the full impact of the seventh floor at the State Street Financial Centre becoming occupied in July 2002, as well as leasing activity in two other midtown office buildings and a building in North York. Occupancy in the Toronto industrial portfolio increased to approximately 99%, accounting for more than 11% of the NOI variances in the Ontario portfolio. The impressive occupancy increase in the Toronto retail portfolio contributed to the growth in NOI, representing about 17% of the change in the segment.

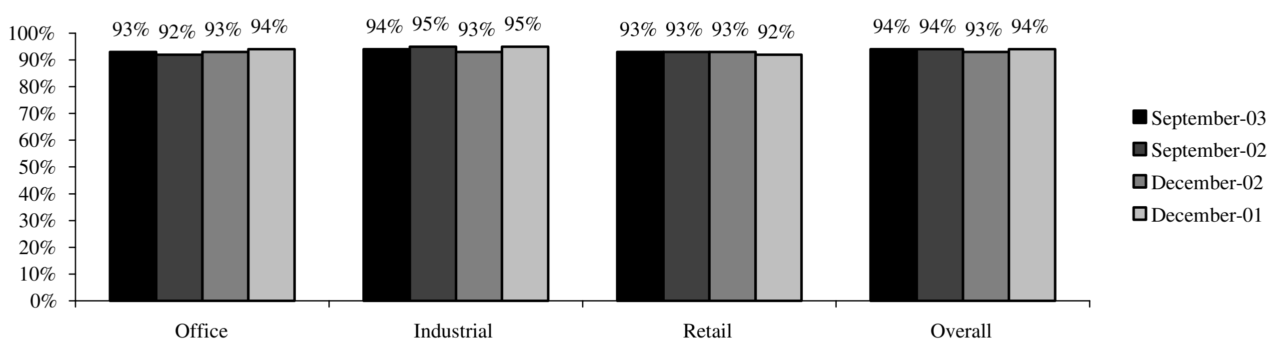
The Western Canada portfolio experienced growth in two areas. The industrial sector experienced an increase in its occupancy of about 2% and the impact of the Zellers occupancy at Northgate Mall accounted for approximately 65% of the nine month increase in NOI.

Both Québec and the United States saw decreases in their nine month comparative NOI. In Québec, the weakness came mainly from the industrial sector and was due to a decrease in occupancy as a result of tenants leaving for ''built-to-suit'' properties. In the U.S., as mentioned previously, the decrease in NOI was mainly the result of the drop in the U.S. exchange rate.

Asset Portfolio

At September 30, 2003 Dundee REIT owned 11.1 million square feet of commercial rental properties.

On a segmented basis, the percentage of occupied and committed space across our stabilized commercial rental properties portfolio is as follows:



The following table shows the lease maturity profile of our portfolio as at September 30, 2003 according to asset type:

Lease Maturity Profile (sq. ft.)

	Current Vacancy	Current Monthly Tenancies	2003	2004	2005	2006	2007 and thereafter	Total
Office	258,846	28,967	179,053	491,735	491,359	418,592	1,757,064	3,625,615
Industrial	340,840	129,803	249,213	1,174,148	895,081	826,906	2,241,818	5,857,809
Retail	97,526	39,174	23,088	84,105	85,761	52,114	1,007,770	1,389,537
Total	697,212	197,944	451,353	1,749,987	1,472,201	1,297,612	5,006,652	10,872,960
Percentage	6.4%	1.8%	4.2%	16.1%	13.5%	11.9%	46.0%	100%
Properties under redevelopment (1)								219,155
Total								11,092,115

(1) Includes 15303-128th Avenue, Edmonton and 11 Place du Commerce, Brossard.

The following table shows the average remaining lease term and other information for our portfolio as at September 30, 2003:

	Average Remaining Lease Term and Other Information				
	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-Place Contract Rent (per sq. ft.)	Estimated Current Market Rent (per sq. ft.)	Premium of Estimated Current Market Rent Over Average In-Place Contract Rent (per sq. ft.)
Office	4.2	6,221	$12.30	$13.21	7.4%
Industrial	3.1	12,822	$ 4.70	$ 4.83	2.7%
Retail	6.9	5,523	$10.10	$11.24	11.3%
Overall	4.0	8,447	$ 7.90	$ 8.42	6.5%

As a provider of affordable business premises, we have a broad tenant base with the average tenant occupying approximately 8,500 square feet. The result is a large and diverse tenant base. With over 1,300 tenants, lease renewals are frequent and our exposure to any large single lease is relatively low.

We find that tenants who require smaller spaces typically do not have the planning time horizons associated with larger tenants. As a result, we find that our larger tenants will often commit to leases with a 10 to 15 year term, while many of our smaller tenants only commit to leases with a one to three year term. This is reflected in our average remaining lease term of just over four years and our lease maturity profile. We have extensive resources and experience in managing our lease renewals, as many of the same tenants renew annually and have been doing so for a number of years. Our success is evident in our track record. The lease maturity profile of our properties has been consistent for a number of years and occupancy levels have been maintained. Despite vacancies rising in many markets across Canada, we have been able to increase our overall occupancy recently by successfully renewing most of our expiring leases and filling many vacancies.

This stability contributes to the quality and predictability of the portfolio cash flow, and ultimately to unitholder distributions.

Interest Expense

Interest expense for the three months ended September 30, 2003 increased by $216 or 2.4% over the comparative period, mainly as a result of increased debt levels from refinancings in 2002 and 2003. Increases in debt in 2002 included the permanent financing of the State Street Financial Centre at rates higher than the original construction loan.

Interest expense for the nine months ended September 30, 2003 increased $1,214 or 4.6% over the comparative period, primarily as a result of higher average debt levels.

Depreciation of Rental Properties

For the three months ended September 30, 2003, depreciation increased $286 or 14% and $644 or 11% for the nine month period. Buildings are depreciated on a sinking fund basis and, as a result, depreciation experiences a scheduled 5% increase each year. Also included in these amounts is the impact of building improvements undertaken in 2002 and 2003.

Amortization of Deferred Leasing Costs

The increase in amortization of leasing costs in both the three month and nine month comparative periods represents the impact of leasing activity.

General and Administrative

General and administrative costs are primarily comprised of the expenses related to corporate management, trustees' fees and expenses, and investor relations for Dundee REIT and its subsidiaries.

Interest and Fee Income, Net

Interest and fee income represents amounts for items such as interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary year-over-year.

Fees earned from managing properties owned by others, such as management, construction and leasing fees, are also included.

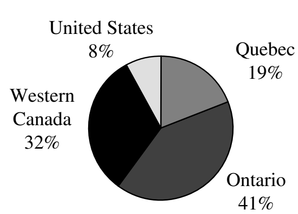
Financial Condition

Liquidity and Capital Resources

The book value of segmented rental properties is geographically dispersed as follows:

	September 30, 2003					June 30, 2003		December 31, 2002	
	Office	Industrial	Retail	Total	%	Total	%	Total	%
Québec	$ 50,502	$102,780	$ 1,716	$154,998	19	$155,142	19	$155,576	19
Ontario	267,086	54,112	13,946	335,144	41	335,809	41	335,803	41
Western Canada	99,640	96,119	64,898	260,657	32	260,270	32	260,932	32
Total Canada	417,228	253,011	80,560	750,799	92	751,221	92	752,311	92
United States	—	—	60,119	60,119	8	60,118	8	70,104	8
Total At September 30, 2003	$417,228	$253,011	$140,679	$810,918	100	$811,339	100	$822,415	100
Percentage	52%	31%	17%	100%					
Total At June 30, 2003	$417,222	$253,456	$140,661	$811,339					
Percentage	52%	31%	17%	100%					
Total At December 31, 2002	$417,829	$254,504	$150,082	$822,415					
Percentage	51%	31%	18%	100%					

Geographic Distribution of Rental Properties by Book Value at September 30, 2003



The geographic distribution of our asset base from 2002 through to 2003 has remained substantially unchanged. The decrease in book value from June 2003 to September 2003 includes $1,353 of cash investment in rental properties, offset by depreciation expense for the period, and a $217 reduction resulting from a decrease in the U.S. exchange rate. The decrease in book value from December 31, 2002 to June 30, 2003 included a $4,309 cash investment in rental properties, offset by depreciation expense for the period, and a $9,928 reduction resulting from a decrease in the U.S. exchange rate.

Capital expenditures for rental property building improvements and equipment were $1,353 for the three months ended September 30, 2003 (2002 — $1,243) These expenditures include both recurring items as well as non-recurring one-time projects. Recurring items are capital items that are expected to occur on a regular basis in the rental property portfolio. Non-recurring items are capital items that are incurred for major renovations or similar undertakings and are not typically anticipated to occur in the normal operation of our rental properties.

	For the three months ended September 30, 2003			For the three months ended September 30, 2002		
	Total Investment	Non-cash Working Capital Adjustment	Net Cash Investment	Total Investment	Non-cash Working Capital Adjustment	Net Cash Investment
Building Improvements						
Recurring	$ 891	$ 58	$ 949	$ 328	$ —	$ 328
Non-recurring	117	287	404	915	—	915
	1,008	345	1,353	1,243		1,243
Development	—	—	—	686	506	1,192
Total	$1,008	$ 345	$1,353	$1,929	$ 506	$2,435

	For the nine months ended September 30, 2003			For the nine months ended September 30, 2002		
	Total Investment	Non-cash Working Capital Adjustment	Net Cash Investment	Total Investment	Non-cash Working Capital Adjustment	Net Cash Investment
Building Improvements						
Recurring	$2,192	$ 307	$2,499	$1,115	$ —	$ 1,115
Non-recurring	1,008	1,474	2,482	915	—	915
	3,200	1,781	4,981	2,030	—	2,030
Development	530	151	681	2,827	6,088	8,915
Total	$3,730	$1,932	$5,662	$4,857	$6,088	$10,945

For the three month period and the nine month period ended September 30, 2003 non-recurring expenses include the costs of a major exterior renovation for a Toronto office property and concrete floor replacement in an industrial property. Non-recurring expenditures for the first nine months in 2002 include $915 for the construction of a new entrance way at Northgate Mall in conjunction with the Zellers lease in September 2002.

A number of recurring property improvements, such as roof replacement and parking lot structural repair, were completed in each of the periods of 2002 and 2003. Such expenses are of a recurring nature, as a portion of the portfolio will be undergoing such improvements at any given time. Based upon our historic spending patterns, management believes that normalized recurring capital expenditures for the portfolio are expected to be approximately $2,000 per year.

The development charges above are mainly as a result of the State Street Financial Centre, which was substantially completed in the fourth quarter of 2001.

Deferred Leasing Costs

During the three month period ended September 30, 2003, leasing costs incurred to attract or retain tenants in the properties were $1,551 (2002 — $1,639) and for the nine months ended September 30, 2003 were $4,472 (2002 — $3,981). These costs are capitalized and amortized over the life of the lease. The amount of inducements varies across the portfolio and from year-to-year depending on the maturity and termination of leases, existing vacancies and market requirements. Based upon our historic spending patterns, management believes that normalized leasing costs for the portfolio are approximately $6,000 per year.

Debt

Outstanding debt at period-end is as follows:

	September 2003			June 2003			December 2002		
	Fixed	Variable	Total	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages payable	$420,349	$ —	$420,349	$420,468	$ —	$420,468	$417,437	$ —	$417,437
Term debt	65,926	19,468	85,394	65,570	19,554	85,124	62,357	24,365	86,722
Total	$486,275	$19,468	$505,743	$486,038	$19,554	$505,592	$479,794	$24,365	$504,159
Percentage	96%	4%	100%	96%	4%	100%	95%	5%	100%

The proportion of variable interest rate debt to total debt decreased to 3.8% (2002 — 4.8%). Our strategy is to fix as high a proportion of our debt as possible to protect against interest rate volatility.

In the three months ended September 30, 2003, there was no debt turnover in the portfolio. However, in the first quarter of 2003 we completed the refinancing of a portfolio of 6 industrial buildings, located in Montréal, which accounts for $6,500 of new debt placed and $4,657 of lump sum repayments. This refinancing replaced loans with a historic face rate of 6.82% and a marked-to-market rate of 6.5% with new 5-year mortgages at a face rate of 6.30%. In addition, we renewed a $4,821 mortgage maturing at the beginning of the quarter for a two-year period and reduced the interest rate from 8.59% to 5.17%.

In the second quarter of 2003, we refinanced an existing $19,857 mortgage on a portfolio of three office and two industrial buildings, located in Toronto. The new five-year mortgage is in the amount of $24,000 and the interest rate was reduced to 6.15% from 6.42%. Furthermore, we completed the $40,000 refinancing of a portfolio of 26 buildings, located in Montréal, at a rate of 7.16% and the maturity date of the outstanding balance of approximately $28,457 was extended to May 2011 from December 2004. Effective December 2004, this refinancing will also replace existing loans with a rate of 8.02% with a new rate of 7.16%. In addition, we refinanced existing mortgages on a retail property totalling $3,501 at a blended rate of 6.71% with a new one-year loan for $3,625 at 5.27%. We replaced the financing on an industrial building in the amount of $5,250 at 5.97% for a five-year term. The existing mortgage was $4,396 at 7.25%.

Our weighted average interest rate is 7.14% as at September 30, 2003 (June 30, 2003 — 7.19%, December 31, 2002 — 7.24%) and the weighted average term to maturity is 51 months (2002 — 51 months).

We have steadily worked to lower the cost of debt and will continue to take advantage of lower interest rates by renegotiating whenever possible.

Funds From Operations and Distributable Income

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

	Three Months Ended September 30, 2003
NET INCOME	$ 6,282
Add:	
Depreciation and amortization	3,658
Imputed amortization of leasing costs related to the rent supplement	332
Future income tax expense (recovery)	(33)
FFO	$10,239
FFO PER UNIT	$ 0.63

Distributable income is not a measure defined by generally accepted accounting principles and therefore may not be comparable to similar measures presented by other real estate investment trusts.

Distributable income is defined in our Declaration of Trust. In addition, on September 11, 2003 the Board of Trustees determined to make an adjustment to the definition of distributable income to permit the add back with respect to the impact of imputed amortization of leasing costs related to the rent supplement. The imputed lease cost amortization from the rent supplement represents the amortization of leasing costs that would have been incurred had the space been leased on the terms contained in the rent supplement agreement.

The following table outlines the distributable income of Dundee REIT.

	Three Months Ended September 30, 2003
NET INCOME	$ 6,282
Add:	
Depreciation and amortization (except for deferred leasing, deferred financing and non-recoverable deferred maintenance incurred after June 30)	3,953
Imputed amortization of leasing costs related to the rent supplement	332
Amortization of fair value debt adjustments, included in interest expense	(75)
Future income tax expense (recovery)	(33)
DISTRIBUTABLE INCOME OF DUNDEE REIT AVAILABLE TO SATISFY LP CLASS B UNITS, SERIES 1 AND REIT UNITS, SERIES A	$10,459
DISTRIBUTABLE INCOME PER UNIT	$ 0.64

Distributions

Our distribution policy, as outlined in our Declaration of Trust, requires us to make cash distributions to our unitholders, payable monthly, equal to at least 80% of distributable income on an annual basis. We also have a distribution reinvestment and unit purchase plan (''DRIP Plan'') which entitles unitholders to reinvest all cash distributions made by us in additional units.

Distributions declared in the quarter amounted to $8,982 or 86% of distributable income. Of this amount, $4,295 or 48% was reinvested in additional units of Dundee REIT.

Future Changes in Accounting Policies

The real estate industry anticipates the alignment of the depreciation and revenue recognition policies of rental properties with the policies that are followed in other countries, most notably the United States. As such, it is anticipated that a change in accounting policy will occur requiring that depreciation on the building component of rental properties be changed to straight-line depreciation from the current policy of sinking fund. In addition, it is anticipated that a change in accounting policy will occur requiring leases with contractual increases to be accounted for on a straight-line basis. At present, straight-line recognition would only occur where contracted increases in basic rents exceed expected increases in the consumer price index. These changes will be effective as at January 1, 2004 and will be applied prospectively. We are currently assessing the impact of these accounting policy changes to our fiscal 2004 results. We anticipate that these changes will have no impact on the computation of Distributable Income.

SELECTED FINANCIAL INFORMATION OF THE COMMERCIAL DIVISION

The following financial information reflects the financial position of the Commercial Division. The Commercial Division represents the portfolio of office, industrial and retail revenue properties owned by Dundee Realty and 50% of the property management operations of Dundee Realty relating to revenue properties, together with their related assets and liabilities, prior to the Reorganization.

The following table summarizes selected financial information in respect of the Commercial Division. The statement of net income information and balance sheet information were prepared in accordance with GAAP and have been derived from, and should be read in conjunction with, the audited combined financial statements, including the notes thereto, of the former Commercial Division of Dundee Realty audited by PricewaterhouseCoopers LLP for the six months ended June 30, 2003 and the years ended December 31, 2002, 2001 and 2000, contained on pages F-11 to F-36 of this prospectus. In addition, the following selected financial information should be read with ''Management's Discussion and Analysis of the Commercial Division''.

Certain figures have been reclassified to conform with the financial statement presentation of Dundee REIT for the three months ended September 30, 2003 contained elsewhere in this prospectus.

Commercial Real Estate Division
Combined Balance Sheets

	June 30, 2003	December 31, 2002	December 31, 2001
	(in thousands of dollars)		
ASSETS			
Rental properties	$811,339	$822,415	$819,526
Deferred costs	34,802	31,725	25,181
Amounts receivable	5,866	5,582	6,513
Prepaid expenses	6,516	3,845	3,046
Cash and short-term deposits	4,681	5,644	4,599
	$863,204	$869,211	$858,865
LIABILITIES			
Debt	$505,592	$504,159	$484,404
Amounts payable and accrued liabilities	16,191	14,620	19,514
Future income tax liability	64,902	59,838	55,773
	$586,685	$578,617	$559,691
DIVISIONAL EQUITY	276,519	290,594	299,174
	$863,204	$869,211	$858,865

Commercial Division
Combined Statements of Net Income

	For the Six Months Ended June 30		For the Years Ended December 31		
	2003	2002	2002	2001	2000
		(Unaudited)			
			(in thousands of dollars)		
RENTAL PROPERTIES					
Revenues	$74,540	$72,240	$146,682	$135,654	$126,181
Operating expenses	38,493	35,198	73,608	65,799	61,179
NET OPERATING INCOME	36,047	37,042	73,074	69,855	65,002
OTHER EXPENSES					
Interest	18,275	17,277	35,602	32,682	31,209
Depreciation of rental properties	4,439	4,081	8,311	7,106	6,915
Amortization of deferred leasing costs	2,897	2,121	4,701	3,539	2,247
General and administrative	3,339	2,950	5,613	6,710	5,234
	28,950	26,429	54,227	50,037	45,605
OTHER INCOME					
Interest and fee income, net	656	451	1,424	2,100	2,269
INCOME BEFORE INCOME AND LARGE CORPORATIONS TAXES	7,753	11,064	20,271	21,918	21,666
INCOME TAXES					
Current income and large corporations taxes	1,965	1,709	3,312	3,617	764
Future income taxes	1,675	2,226	4,076	3,723	(2,844)
	3,640	3,935	7,388	7,340	(2,080)
NET INCOME	$ 4,113	$ 7,129	$ 12,883	$ 14,578	$ 23,746
NET OPERATING INCOME (NOI):					
Office	$19,091	$20,471	$ 38,710	$ 33,176	$ 29,560
Industrial	11,500	11,314	23,229	22,864	22,299
Retail	5,456	5,257	11,135	13,815	13,143
NOI	$36,047	$37,042	$ 73,074	$ 69,855	$ 65,002
RECONCILIATION OF NET INCOME TO FFO:					
Net income	$ 4,113	$ 7,129	$ 12,883	$ 14,578	$ 23,746
Add back:					
Depreciation of rental properties	4,439	4,081	8,311	7,106	6,915
Amortization of deferred leasing costs	2,897	2,121	4,701	3,539	2,247
Future income taxes	1675	2,226	4,076	3,723	(2,844)
FFO	$13,124	$15,557	$ 29,971	$ 28,946	$ 30,064
RECONCILIATION OF NET INCOME TO EBITDA:					
Net income	$ 4,113	$ 7,129	$ 12,883	$ 14,578	$ 23,746
Add back:					
Interest expense	18,275	17,277	35,602	32,682	31,209
Depreciation of rental properties	4,439	4,081	8,311	7,106	6,915
Amortization of deferred leasing costs	2,897	2,121	4,701	3,539	2,247
Income taxes	3,640	3,935	7,388	7,340	(2,080)
EBITDA	$33,364	$34,543	$ 68,885	$ 65,245	$ 62,037
EBITDA coverage of interest expense	1.83	2.00	1.93	2.00	1.99

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMMERCIAL DIVISION

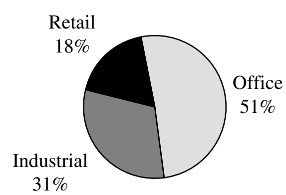
The following discusses the financial condition and results of operations and changes thereto of the historical property information relating to the Commercial Division as defined in Note 1 of the audited combined financial statements of the Commercial Division for the six month period ended June 30, 2003 and the years ended December 31, 2002, 2001 and 2000 and should be read in conjunction with these financial statements contained on pages F-11 to F-36 of this prospectus. The Commercial Division is not a legal entity and is used only as a method of presenting the historical information relating to the Properties. All dollar amounts in the following discussion are presented in thousands of dollars. Certain figures have been reclassified to conform with the financial statement presentation of Dundee REIT for the three months ended September 30, 2003 contained elsewhere in this prospectus.

Overview

The Properties are strategically located in the target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton.

The chart below illustrates the asset diversity of the Commercial Division's portfolio by book value at June 30, 2003.

Portfolio Asset Type by Book Value at June 30, 2003



Overview of Principal Businesses

Office Revenue Properties

The office properties are located in the core Canadian markets of Montréal, Ottawa, Toronto, Calgary and Edmonton. The office portfolio includes ownership of 39 office properties comprising approximately 3.6 million square feet.

As at June 30, 2003, the occupancy rate of the office portfolio remained relatively high at 93.8%, well ahead of the national industry average of about 88.2% (as reported by *Royal LePage Commercial Inc. National Market Intelligence Report Second Quarter 2003*).

Industrial Revenue Properties

The Commercial Division owned a portfolio of 96 prime suburban industrial and flex space properties comprising approximately 6.1 million square feet, concentrated in Montréal, Toronto, Calgary and Edmonton. This strategy of owning clusters of properties helps in responding to tenants' needs to adjust the size and functionality of their space during times of change in their operations and their workforce.

At June 30, 2003, the average occupancy rate across the stabilized industrial portfolio was 93.9%, 1.3% behind the national industry average of about 95.2% (as reported by *Royal LePage Commercial Inc. National Market Intelligence Report Second Quarter 2003*).

Retail Revenue Properties

The Commercial Division's significant retail assets consisted of Northgate Mall in Regina and Greenbriar Mall in Atlanta. These assets comprised 1.1 million square feet of the Commercial Division's total retail portfolio of approximately 1.5 million square feet. At June 30, 2003, the retail portfolio had an occupancy rate of 93.0%.

Property Management

Through its interest in the property management operations of Dundee Realty, the Commercial Division had approximately 13.6 million square feet of revenue properties under its management, including 11.1 million square feet of owned assets. The Commercial Division focuses on providing tenants with exceptional property management service. The Commercial Division places a priority on efficient, thorough and timely responses to tenant requests, and focuses on meeting all of their real estate needs so that they may concentrate on operating their businesses.

Results of Operations

Rental Properties

The following table shows the distribution of the rental property NOI by geographic region:

	Six Months Ended June 30		Growth		Year Ended December 31			Growth 2002		Growth 2001	
	2003	2002	Amount	%	2002	2001	2000	Amount	%	Amount	%
Québec	$ 7,434	$ 8,182	$ (748)	(9)	$16,305	$15,972	$15,748	$ 333	2	$ 224	1
Ontario	15,823	16,380	(557)	(3)	31,278	28,129	22,675	3,149	11	5,454	24
Western Canada	10,357	9,770	587	6	19,543	19,895	20,515	(352)	(2)	(620)	(3)
Total Canada	33,614	34,332	(718)	(2)	67,126	63,996	58,938	3,130	5	5,058	9
United States	2,433	2,710	(277)	(10)	5,948	5,859	6,064	89	2	(205)	(3)
TOTAL	$36,047	$37,042	$ (995)	(3)	$73,074	$69,855	$65,002	$3,219	5	$4,853	7

The following table shows the distribution of the rental property NOI by each rental properties operating segment:

	Six Months Ended June 30		Growth		Year Ended December 31			Growth 2002		Growth 2001	
	2003	2002	Amount	%	2002	2001	2000	Amount	%	Amount	%
Office	$19,091	$20,471	$(1,380)	(7)	$38,710	$33,176	$29,560	$5,534	17	$3,616	12
Industrial	11,500	11,314	186	2	23,229	22,864	22,299	365	2	565	3
Retail	5,456	5,257	199	4	11,135	13,815	13,143	(2,680)	(19)	672	5
TOTAL	$36,047	$37,042	$ (995)	(3)	$73,074	$69,855	$65,002	$3,219	5	$4,853	7

For the six months ended June 30, 2003, NOI from rental properties decreased by 2.7% over 2002. Most of this decrease was attributable to lease surrender payments of $237 in 2003 compared to $1,620 in 2002 in the Toronto office portfolio.

Occupancy growth in the office and industrial portfolios in Toronto and the industrial properties in Western Canada were offset by a decline in occupancies in Montréal and the U.S. and the effect of a change in the Canadian dollar/U.S. dollar exchange rate on U.S. results. Of the 10% decrease in NOI for the U.S. retail portfolio, 4% was attributable to a small number of operating variances and 6% was attributable to the change in the exchange rate.

For the year ended December 31, 2002, NOI from rental properties increased 4.6% over 2001. The office segment showed the greatest improvement, climbing $5,534 or 16.7%. Most of this increase was attributable to full-year contributions from the State Street Financial Centre, the Roslyn Building and the Commercial Division's increased ownership interests in the Centennial Centre (from 50% to 100% in Q4 2001) and Capitol Square (from 75% to 83.6% in Q3 2001) as well as $1,746 in lease surrender payments recorded in 2002 compared to $675 in 2001.

NOI from the industrial segment was up 1.6% over 2001 and 2.5% over 2000. Improved year-over-year results in Toronto and Québec were offset by a $516 and a $317 decrease in NOI in 2002 and 2001 respectively, as a result of an Edmonton industrial building that was operational in 2000 and most of 2001, but under development from September 2001 and throughout 2002. The addition of the 10 Place du Commerce property in late 2001 was the key driver behind the 2002 improvement in Québec. The 2001 improvement in Québec was the result of rental rate uplifts, even though occupancy decreased by approximately 2%. Toronto's improvement was mainly a result of rental rate uplifts achieved on leasing activity in 2002 over 2001 and increased occupancy in 2001 over 2000.

NOI for the retail segment for 2002 declined 19.4% over 2001. Lease surrender payments received in 2001 resulted in a year-over-year decrease of $1,302 or 9.4%. The remainder of the decline was largely attributable to the impact of Wal-Mart leaving Northgate Mall. Zellers took occupancy of this space in Q3 2002. NOI increased

5.1% in 2001 over 2000 as result of the lease surrender payments noted above, offset by higher vacancy and lower NOI at Greenbriar Mall.

NOI from revenue properties for the year ended December 31, 2001 increased 7.4% over 2000. Results from the office sector were up 12.2% and represented 74.4% of the growth in NOI. This increase was attributable to higher occupancy and rental rates in the Toronto office portfolio, the $1,082 generated from the completion of the redevelopment of the State Street Financial Centre in November 2001 and the acquisitions of the Roslyn Building in October 2001, 50% of the Centennial Centre in November 2001 and an additional 8.6% of Capitol Square. This increase was partially offset by the $1,297 decrease in lease surrender income in 2001 which was mainly a result of a large lease surrender payment received in 2000 from a tenant at Station Tower in Vancouver.

Comparative NOI was calculated to compare the performance of properties that were operational for the entire comparative periods. Properties under development, lease surrender payments and property acquisitions were isolated for this purpose:

	Six Months Ended June 30		Growth		Year Ended December 31			Growth 2002		Growth 2001	
	2003	2002	Amount	%	2002	2001	2000	Amount	%	Amount	%
Office	$18,894	$18,801	$ 93	—	$30,359	$30,943	$27,547	$ (584)	$ (2)	$3,396	12
Industrial	11,416	11,399	17	—	23,285	22,299	21,482	986	4	817	4
Retail	5,387	5,247	140	3	11,201	12,475	13,079	(1,274)	(10)	(604)	(5)
Total comparative properties	35,697	35,447	250	1	64,845	65,717	62,108	(872)	(1)	3,609	6
Under development	42	(95)	137		(112)	404	721	(516)		(317)	
Developed and operating	—	—	—		4,042	542	—	3,500		542	
Acquisitions	41	8	33		3,019	566	—	2,453		566	
Other	30	62	(32)		(482)	591	78	(1,073)		513	
Lease surrenders	237	1,620	(1,383)		1,762	2,035	2,095	(273)		(60)	
TOTAL NOI	$36,047	$37,042	$ (995)	(3)	$73,074	$69,855	$65,002	$ 3,219	$ 5	$4,853	7

For the six months ended June 30, 2003, NOI for the comparative revenue properties portfolio remained relatively unchanged compared to 2002. Similarly, comparative results for the year ended December 31, 2002 were consistent with the year ended December 31, 2001. In 2001, NOI increased by 5.8%, mainly as a result of higher occupancy and rental rates in the office portfolio.

The 1.9% reduction in NOI from the comparative office portfolio for the year ended December 31, 2002 was largely a result of slight increases in vacancies experienced in most regions. In 2001, NOI for the office portfolio improved 12.3% as a result of increases in rental rates and occupancy.

The comparative industrial portfolio NOI improved 4.4% for the year ended December 31, 2002. Higher rates on new leases and renewals resulted in approximately 8%, 5% and 2% increases in the Toronto, Western Canada and Québec industrial portfolios respectively. Growth in average rental rates as a result of leasing activity fueled the NOI growth of 3.8% in the industrial sector in 2001 over 2000.

In 2002, the lower comparative results in the retail segment were mainly attributable to the impact of Wal-Mart leaving Northgate Mall as noted previously. The 4.6% decline in 2001 resulted from lower average occupancy, with the Toronto and U.S. regions experiencing most of the decline in NOI.

At June 30, 2003 and December 31, 2002, the Commercial Division owned 11.1 million square feet of commercial revenue properties, a slight increase of 0.4% relative to 2001.

Proportionate Gross Leasable Area
(in square feet)

	June 2003			2003	2002	2001	2000
	Office	Industrial	Retail	Total	Total	Total	Total
Québec	754,056	2,818,212	—	3,572,268	3,574,014	3,571,113	3,557,879
Ontario	2,214,815	1,333,109	216,967	3,764,891	3,761,513	3,758,718	3,613,107
Western Canada	654,779	1,925,643	376,788	2,957,210	2,947,761	2,914,481	2,785,643
Total Canada	3,623,650	6,076,964	593,755	10,294,369	10,283,288	10,244,312	9,956,629
United States	—	—	795,390	795,390	796,187	791,237	791,264
Total at June 30, 2003	3,623,650	6,076,964	1,389,145	11,089,759	11,079,475	11,035,549	10,747,893
Total at December 31, 2002	3,615,270	6,077,433	1,386,772	11,079,475			
Total at December 31, 2002	3,601,394	6,056,223	1,377,932	11,035,549			
Total at December 31, 2000	3,324,816	6,037,369	1,385,708	10,747,893			

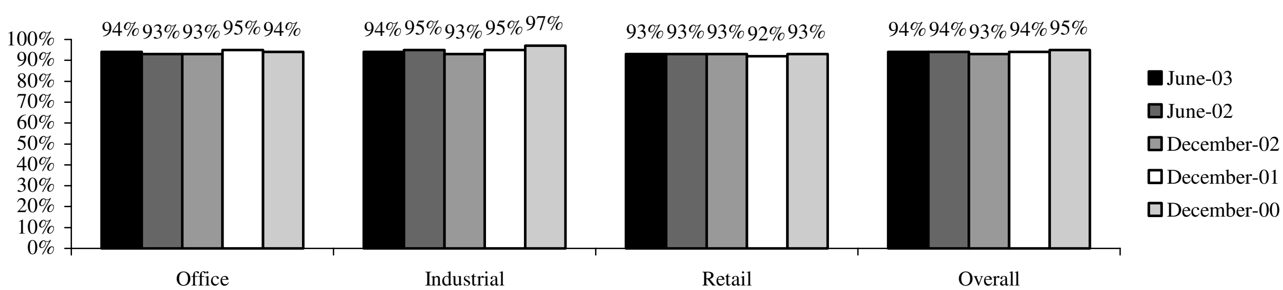
The lease maturity profile of the 10.9 million square feet of stabilized commercial revenue properties at June 30, 2003 is as follows:

(in square feet)	Current Vacancy	Monthly Tenancies	2003	2004	2005	2006	2007+	Total
Office	223,560	62,726	313,376	498,336	478,553	406,891	1,640,209	3,623,650
Industrial	360,482	150,407	415,592	1,179,429	1,040,584	711,065	2,041,405	5,898,964
Retail	96,938	43,869	57,060	62,532	85,275	49,398	994,074	1,389,145
Total stabilized	680,980	257,002	786,027	1,740,297	1,604,412	1,167,354	4,675,688	10,911,759
Percentage	6.3%	2.4%	7.2%	15.9%	14.7%	10.7%	42.8%	100%
Non-stabilized								178,000
Total								11,089,759

Approximately 37.9% of the leases on the Properties will be maturing by the end of 2005. When added to current vacancy and monthly tenancies, about 5 million square feet or 46.5% of the stabilized portfolio would be available for renewal or re-leasing prior to the end of 2005.

On a segmented basis, the percentage of occupied and committed space across the Commercial Division's stabilized commercial revenue properties portfolio at the dates indicated is as follows:

Percentage of Owned Gross Leaseable Area Occupied and Committed (1)



(1) Excludes 15303-128th Avenue, Edmonton.

The following table compares the current weighted average in-place contract rents to estimated current market rents for similar quality space in the respective region. The average market rent was estimated through reference to recent leasing activity in the market, leasing interest in the Properties and publicly available market research.

	Average Remaining Lease Term (years)				Average In-place Contract Rent (per sq. feet)				Estimated Current Market Rent (per sq. ft.)			
	June 2003	Dec. 2002	Dec. 2001	Dec. 2000	June 2003	Dec. 2002	Dec. 2001	Dec. 2000	June 2003	Dec. 2002	Dec. 2001	Dec. 2000
Office	4.2	4.4	4.7	4.1	$12.34	$12.20	$11.87	$10.77	$13.23	$14.07	$14.26	$13.85
Industrial (1)	3.1	3.3	3.4	3.3	$ 4.64	$ 4.61	$ 4.52	$ 4.31	$ 4.81	$ 5.14	$ 5.09	$ 4.52
Retail	7.1	7.4	7.0	5.9	$10.04	$10.68	$11.19	$10.71	$11.23	$12.51	$12.19	$12.41
Overall	4.0	4.2	4.3	3.9	$ 7.88	$ 7.89	$ 7.79	$ 7.01	$ 8.42	$ 9.04	$ 9.02	$ 8.25

(1) Excludes 15303-128th Avenue, Edmonton.

The rental rates achieved in the asset classes and regions in which the Commercial Division operated have generally shown steady growth over the past few years. In 2003, the Properties experienced a minor decline in average in-place contract rent as a result of lower contract retail rental rates. The estimated current market rental rates have exhibited strong growth over the last three years, although the Commercial Division experienced a decline in rental rates in the first half of 2003.

In the view of management, market rates currently exceed the average-in-place contract rents of the Properties and management believes there will be an opportunity to capture uplifts in rents with renewals and new leasing.

Interest Expense

Interest expense for the six months ended June 30, 2003 increased by $988 or 5.8% as compared to June 30, 2002 mainly as a result of increased debt levels from refinancings in 2002 and the first six months of 2003. Increases in debt included the permanent financing of the State Street Financial Centre.

Interest expense increased $2,920 or 8.9% in 2002 when compared to 2001. Higher average debt levels and lower capitalized interest due to the completion of the redevelopment of the State Street Financial Centre in November 2001 produced $1,931 of additional interest expense. The previously discussed acquisitions of the Roslyn Building and the increased ownership interest in the Centennial Centre also added a $995 increase in interest expense, and the completion of amortization of the marked-to-market adjustments for certain assets in 2001 resulted in an $830 increase. These increases were offset by lower interest rates achieved on refinancings and floating rate debt.

In 2001, interest expense increased by $1,473 or 4.7% over 2000 due to the completion of amortization of the marked-to-market adjustments for certain assets in 2000 totalling $1,223, and higher capitalized interest totalling $641 relating primarily to the State Street Financial Centre development. These increases were offset by lower interest rates on floating rate debt and lower interest rates achieved on the refinancing of the GE Capital Canada term debt and other new financings in 2001.

	Six Months Ended June 30,		Year Ended December 31,		
	2003	2002	2002	2001	2000
Cash interest	$20,929	$17,516	$35,080	$34,539	$34,296
Marked-to-market adjustments	(155)	(168)	(333)	(1,163)	(2,386)
Amortization of deferred financing costs	465	312	772	496	267
Capitalized interest	—	(176)	(176)	(1,283)	(642)
Accrued interest	(2,964)	(207)	259	93	(326)
Interest expense	$18,275	$17,277	$35,602	$32,682	$31,209

Most of the interest capitalized to revenue properties in 2002, 2001 and 2000 related to the redevelopment of the State Street Financial Centre, which was completed in 2001. The change in accrued interest for the six months ended June 30, 2003 was as a result of earlier debt payments.

Depreciation of Rental Properties

For the six months ended June 30, 2003, depreciation increased $358 or 8.8%. Buildings are depreciated on a sinking fund basis and, as a result, depreciation experiences a scheduled 5% increase each year. The remaining increase is largely due to the impact of building improvements in 2001, 2002 and 2003.

Amortization of Deferred Leasing Costs

The increase in amortization of leasing costs in both the six months and yearly comparative periods represents the impact of leasing activity.

General and Administrative

General and administrative expense increased 13.2% or $389 for the six month period ended June 30, 2003 over the comparative period. Cost increases were primarily in tax advisory fees and in certain compliance and audit fees.

In 2002, general and administrative costs were down $1,097 or 16.3% compared to 2001. Salaries and benefits declined $144 due to lower staffing levels and bonus payments. Professional and consulting fees declined $1,068 due to significant one-time expenses in 2001 and the negotiation of lower rates in 2002.

In 2001, general and administrative costs increased by $1,476 or 28.2% compared to 2000 due to higher bonus payments and higher one time professional and consulting costs.

Interest and Fee Income, net

Interest and other income represents amounts for small items such as interest on bank accounts and fees. Certain interest costs and fees are netted out against interest and fees. These revenues and expenses are not of a recurring nature and the amounts will vary year over year.

Fees earned from managing properties owned by others such as management, construction and leasing fees, are also included. In 2002, our gross revenue from property management was down from $1,910 in 2001 to $853. This represents a $1,057, or 55.3% decrease. This was largely a result of one-time construction and leasing fees relating to the completion of the State Street Financial Centre in 2001. Our property management fees in 2000 were $1,751.

Income and Large Corporations Taxes

For the six months ended June 30, 2003, income and large corporations taxes increased to 47.0% as a percentage of pre-tax income versus 35.6% for the six months ended June 30, 2002. This increase was primarily due to a reduction in the benefit recognized in 2002 for decreases in expected future income tax rates. Large corporations taxes were relatively stable in absolute dollars on a year-over-year basis and did not fluctuate as a percentage of income before taxes.

In 2002, income and large corporations taxes were $7,388 or 36.4% of pre-tax income, representing an increase of 0.7% over 2001 ($7,340 or 33.5% of pre-tax income). The increase in 2002 was primarily due to the benefit of decreases in future income tax rates substantively enacted in 2002 totalling $2,567 (2001 — $3,766).

In 2001, income and large corporations taxes increased $9,420 even though there was little change in pre-tax income. The increase in 2001 was primarily due to the benefit of the $3,766 decrease in future income tax rates substantively enacted in 2001 (2000 — $13,282).

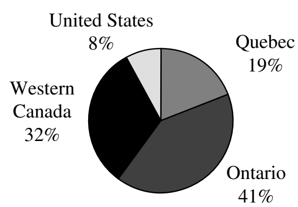
Financial Condition

Rental Properties

The book value of segmented rental properties is geographically dispersed as follows:

	June 30, 2003					December 31, 2002		December 31, 2001	
	Office	Industrial	Retail	Total	%	Total	%	Total	%
Québec	$ 50,606	$102,998	$ 1,537	$155,141	19	$155,577	19	$156,322	19
Ontario	267,684	54,145	13,981	335,810	41	335,803	41	334,042	41
Western Canada	98,932	96,313	65,025	260,207	32	260,931	32	258,215	32
Total Canada	417,222	253,456	80,543	751,221	92	752,311	92	748,579	92
United States	—	—	60,118	60,118	8	70,104	8	70,947	8
Total at June 30, 2003	$417,222	$253,456	$140,661	$811,339	100	$822,415	100	$819,526	100
Percentage	51%	31%	18%	100%					
Total at December 31, 2002	$417,829	$254,504	$150,082	$822,415					
Percentage	51%	31%	18%	100%					
Total at December 31, 2001	$416,720	$252,843	$149,963	$819,526					
Percentage	51%	31%	18%	100%					

Geographic Distribution of Rental Properties by Book Value at June 30, 2003



The geographic distribution of the asset base of the Commercial Division from 2000 through to 2003 remained substantially unchanged. The decrease in book value from December 31, 2002 to June 30, 2003 included $5,170 of cash investment in rental properties, offset by depreciation expense for the period and a $9,928 reduction resulting from a decrease in U.S. exchange rates. The $2,889 increase in book value from 2001 to 2002 was primarily due to the $15,564 in cash investments in rental properties described below, offset by depreciation and amortization recorded in 2002.

Net Investment in Rental Properties Before Financing

The following table illustrates the net property investment activities of the Commercial Division before financing:

	Six months Ended June 30, 2003			
	Office	Industrial	Retail	Total
Rental properties under development	$ 681	$ —	$ —	$ 681
Building improvements and equipment	1,405	1,688	535	3,628
	2,086	1,688	535	4,309
Acquisitions	—	3	858	861
Total	$ 2,086	$1,691	$1,393	$ 5,170

	Six months Ended June 30, 2002			
	Office	Industrial	Retail	Total
Rental properties under development	$ 7,723	$ —	$ —	$ 7,723
Building improvements and equipment	283	93	411	787
	8,006	93	411	8,510
Acquisitions	24	—	200	224
Total	$ 8,030	$ 93	$ 611	$ 8,734

	Year Ended December 31, 2002			
	Office	Industrial	Retail	Total
Rental properties under development	$ 9,064	$ —	$ —	$ 9,064
Building improvements and equipment	1,824	1,918	1,843	5,585
	10,888	1,918	1,843	14,649
Acquisitions	24	686	205	915
Total	$10,912	$2,604	$2,048	$15,564

	Year Ended December 31, 2001			
	Office	Industrial	Retail	Total
Rental properties under development	$16,352	$1,181	$ —	$17,533
Building improvements and equipment	8,120	1,756	1,961	11,837
	24,472	2,937	1,961	29,370
Acquisitions	26,242	4	—	26,246
Total	$50,714	$2,941	$1,961	$55,616

	Year Ended December 31, 2000			
	Office	Industrial	Retail	Total
Rental properties under development	$10,198	$ —	$ 2	$10,200
Building improvements and equipment	497	192	572	1,261
	10,695	192	574	11,461
Acquisitions	43	1,562	2	1,607
Total	$10,738	$1,754	$ 576	$13,068

The investment in office rental properties under development in 2003, 2002, 2001 and 2000 represented the costs to complete the redevelopment of the State Street Financial Centre.

Capital expenditures for rental property building improvements and equipment were $3,628 for the six months ended June 30, 2003 and $787 for the six months ended June 30, 2002 (for the years ended December 31, 2002 — $5,585, 2001 — $11,837, 2000 — $1,261). These expenditures included both recurring items as well as non-recurring one-time projects. Recurring items are capital items, which are expected to occur on a regular basis in the rental property portfolio. Non-recurring items are for capital items that are incurred for major renovations or similar expenditures that are undertaken and are not typically anticipated to occur in the normal operations of revenue properties.

	Six months Ended June 30, 2003		
	Total Investment	Non-cash Adjustment	Net Cash
Recurring	$1,302	$ 249	$1,551
Non-recurring	890	1,187	2,077
Total	$2,192	$ 1,436	$3,628

	Six months Ended June 30, 2002		
	Total Investment	Non-cash Adjustment	Net Cash
Recurring	$ 787	$ —	$ 787
Non-recurring	—	—	—
Total	$ 787	$ —	$ 787

	Year Ended December 31, 2002		
	Total Investment	Non-cash Adjustment	Net Cash
Recurring	$2,819	$ (42)	$2,777
Non-recurring	3,922	(1,114)	2,808
Total	$6,741	$(1,156)	$5,585

	Year Ended December 31, 2001		
	Total Investment	Non-cash Adjustment	Net Cash
Recurring	$ 5,964	$ 325	$ 6,289
Non-recurring	5,548	—	5,548
Total	$11,512	$ 325	$11,837

	Year Ended December 31, 2000		
	Total Investment	Non-cash Adjustment	Net Cash
Recurring	$1,091	$ (114)	$ 977
Non-recurring	802	(518)	284
Total	$1,893	$ (632)	$1,261

For the six month period ended June 30, 2003, non-recurring expenses included the cost of a major exterior renovation for a Toronto office property and concrete floor replacement in certain industrial properties.

Non-recurring expenditures in 2002 included $2,429 (2001 — $870) to reconfigure an industrial building in Edmonton and $1,252 to construct a new entranceway at Northgate Mall. Also included was the preliminary cost of the above referenced major exterior renovation that was estimated to cost $1,000 and is scheduled for completion in 2004. Non-recurring expenditures in 2001 included $4,678 for the conversion of theatre space into office space, which was fully leased upon completion.

A number of recurring property improvements, such as roof replacement and parking lot structural repair, were completed in each of 2000, 2001, 2002 and 2003. Such expenses are of a recurring nature, as a portion of the portfolio would undergo such improvements at any given time. Based upon the historic spending patterns of the Commercial Division, management believes that normalized recurring capital expenditures for the portfolio are expected to be approximately $2,000 per year.

Deferred Leasing Costs

During the first six months of 2003, leasing costs of $2,921 (2002 — $2,342) were incurred to retain or attract tenants in the Properties. These costs are capitalized and amortized over the life of the lease. They vary across the portfolio and are market driven.

For the year ended December 31, 2002, $10,361 (2001 — $6,373, 2000 — $6,188) was expended on inducements to attract or retain tenants. Included in this amount was $4,346 incurred in respect of a major tenancy at Northgate Mall in 2002.

The amount of inducements varies from year to year depending on the maturity and termination of leases, existing vacancies and market requirements. Based upon the historic spending patterns of the Commercial Division, management believes that normalized leasing costs for the portfolio is approximately $6,000 per year.

Debt

Outstanding debt at period-end is as follows:

	June 30, 2003			December 31, 2002			December 31, 2001		
	Fixed	Floating	Total	Fixed	Floating	Total	Fixed	Floating	Total
Mortgages	$420,468	$ —	$420,468	$417,437	$ —	$417,437	$371,789	$30,720	$402,509
Term debt	65,570	19,554	85,124	62,357	24,365	86,722	56,513	25,382	81,895
Total	$486,038	$19,554	$505,592	$479,794	$24,365	$504,159	$428,302	$56,102	$484,404
Percentage	96%	4%	100%	95%	5%	100%	88%	12%	100%

The changes in debt levels were a result of the following items:

	Six Months Ended June 30, 2003		
	Mortgages	Term Debt	Total
Debt as at December 31, 2002	$417,437	$ 86,722	$ 504,159
New debt placed	50,918	—	50,918
Lump sum repayments	(32,411)	(509)	(32,920)
Scheduled repayments	(7,249)	(562)	(7,811)
Accrued interest	(2,437)	(527)	(2,964)
Foreign exchange adjustments	(5,790)	—	(5,790)
Debt as at June 30, 2003	$420,468	$ 85,124	$ 505,592

	Six Months Ended June 30, 2002		
	Mortgages	Term Debt	Total
Debt as at December 31, 2001	$402,509	$ 81,895	$ 484,404
New debt placed	67,052	—	67,052
Lump sum repayments	(47,792)	(102)	(47,894)
Scheduled repayments	(5,192)	(676)	(5,868)
Accrued interest	(199)	(8)	(207)
Foreign exchange adjustments	(1,944)	—	(1,944)
Debt as at June 30, 2002	$414,434	$ 81,109	$ 495,543

	Year Ended December 31, 2002		
	Mortgages	Term Debt	Total
Debt as at December 31, 2001	$402,509	$ 81,895	$ 484,404
New debt placed	106,931	5,846	112,777
Lump sum repayments	(80,467)	—	(80,467)
Scheduled repayments	(11,387)	(1,572)	(12,959)
Acquisitions	—	495	495
Accrued interest	201	58	295
Foreign exchange adjustments	(350)	—	(350)
Debt as at December 31, 2002	$417,437	$ 86,722	$ 504,159

	Year Ended December 31, 2001		
	Mortgages	Term Debt	Total
Debt as at December 31, 2000	$372,039	$ 66,216	$ 438,255
New debt placed	56,788	81,707	138,495
Lump sum repayments	(38,648)	(65,098)	(103,746)
Scheduled repayments	(9,736)	(879)	(10,615)
Acquisitions	19,449	—	19,449
Accrued interest	144	(51)	93
Foreign exchange adjustments	2,473	—	2,473
Debt as at December 31, 2001	$402,509	$ 81,895	$ 484,404

	Year Ended December 31, 2000		
	Mortgages	Term Debt	Total
Debt as at December 31, 1999	$373,456	$ 70,324	$ 443,780
New debt placed	21,097	—	21,097
Lump sum repayments	(7,901)	—	(7,901)
Scheduled repayments	(15,820)	(4,123)	(19,943)
Accrued interest	(341)	15	(326)
Foreign exchange adjustments	1,548	—	1,548
Debt as at December 31, 2000	$372,039	$ 66,216	$ 438,255

In the first quarter of 2003, the Commercial Division completed the refinancing of a portfolio of six industrial buildings located in Montréal, which accounted for $6,500 of the new debt placed and $4,657 of lump sum repayments. This refinancing replaced loans with a historic face rate of 6.82% and a marked-to-market rate of 6.5% with new five-year mortgages at a face rate of 6.30%. In addition, a $4,821 mortgage maturing at the beginning of the quarter was renewed for a two-year period and reduced the interest rate from 8.59% to 5.17%

In the second quarter of 2003, a $19,857 mortgage on a portfolio of three office and two industrial buildings located in Toronto was refinanced. The new five-year mortgage is in the amount of $24,000 and the interest rate was reduced to 6.15% from 6.42%. Furthermore, a $40,000 refinancing of a portfolio of 26 buildings located in Montréal was completed at a rate of 7.16% and the maturity date of the outstanding balance of approximately $28,457 was extended to May 2011 from December 2004. Effective December 2004, this refinancing will also replace existing loans with a rate of 8.02% with a new rate of 7.16%. In addition, existing mortgages on a retail property totalling $3,501 were refinanced at a blended rate of 6.71% with a new one-year loan for $3,625 at 5.27%. The Commercial Division replaced the financing on an industrial building in the amount of $5,250 at 5.97% for a five-year term. The existing mortgage had formerly been $4,396 at 7.25%.

In the first quarter of 2002, the Commercial Division completed the refinancing of a portfolio of 11 industrial buildings located primarily in Montréal, which accounted for $38,000 of the new debt placed and $26,404 of the lump sum repayments. This refinancing replaced loans with a historic face rate of 8.75% and a marked-to-market rate of 7.00% with new ten-year mortgages at a face rate of 7.55%, and provided an additional $11,596 of leverage. In the second quarter of 2002, the Commercial Division extended a $21,387 mortgage maturing in 2002 for an additional year and reduced the interest rate to 5.74% from 8.08%. In the third quarter of 2002, the Commercial Division negotiated an eleven-year mortgage for $33,750 at a rate of 7.15% and repaid $30,412 of interim construction financing for the State Street Financial Centre. The Commercial Division also negotiated a $2,000 five-year mortgage for an industrial building in Toronto at a rate of 6.14%, and refinanced a Western Canada industrial building with an existing $2,262 loan at an interest rate of 7.25% with a new $3,000 five-year loan at an interest rate of 6.96%. In addition, the Commercial Division extended an $8,012 loan on the theatre at Greenbriar for another year.

The proportion of variable interest rate debt to total debt decreased significantly to 4.8% in 2002 (2001 — 11.6%). The Commercial Division maintained its strategy of fixing as high a proportion of debt as possible to protect against interest rate volatility.

At June 30, 2003, the weighted average interest rate of the Commercial Division's debt was 7.19% (2002 — 7.24%; 2001 — 7.16%) and the weighted average term to maturity was 54 months (2002 — 49.7 months). Without the marked-to-market adjustment, the weighted average interest rate dropped to 7.22% from 7.33%. The weighted average interest rate for the variable rate debt was 6.04% (2002 — 5.53%) and for the fixed rate debt was 7.23% (2002 — 7.33%). As of June 30, 2003, a 1% increase in interest rates would have resulted in a $196 increase in interest expense and cash interest paid.

The debt maturity and scheduled principal repayments of mortgages and term debt in future years ended December 31, as at June 30, 2003, are as follows:

Year Ending December 31	Balance Due at Maturity	Scheduled Principal Repayments on Non-matured Debt	Total	Percentage of Total	Weighted Average Interest Rate on Balance Due at Maturity
2003 (six months to December 31)	$ 16,383	$ 6,001	$ 22,384	4.4%	8.2%
2004	126,484	12,409	138,893	27.5%	6.8%
2005	8,917	12,200	21,117	4.2%	6.8%
2006	37,267	11,855	49,122	9.7%	7.1%
2007	37,020	9,930	46,950	9.3%	7.9%
2008 and thereafter	199,339	27,787	227,126	44.9%	7.1%
Total	$ 425,410	$80,182	$505,592	100%	7.2%
Weighted average term to maturity	54 months				

MANAGEMENT OF DUNDEE REIT

Our overall operations and affairs are subject to the control of our trustees. Our day-to-day operations are directed by our management team, which includes the senior officers of Dundee REIT, as well as other individuals employed by Dundee Realty Management, in which we have a joint interest with Dundee Realty.

Board of Trustees

Pursuant to the Declaration of Trust, Dundee REIT may have between five and 12 trustees at any given time, although a majority of our trustees must be resident Canadians. Dundee REIT currently has 11 trustees.

Each of our trustees is required to exercise the powers and discharge the duties of his or her office honestly and in good faith with a view to the best interests of Dundee REIT and its unitholders and, in connection with doing so, exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The following table sets forth the name, municipality of residence, principal occupation and years of service as a director of Dundee Realty for each of our trustees:

Name and Municipality of Residence	Principal Occupation	Years of Service as Director of Dundee Realty
DR. GÜNTHER BAUTZ (1)(5) Ulm, Germany	Counsellor on Intellectual Property to Braun GmbH, a manufacturer of small electric appliances	5 years
DETLEF BIERBAUM (2)(4)(5) Cologne, Germany	Partner, Bankhaus Sal. Oppenheim jr. & Cie, KGaA, a private investment bank	5 years
DONALD K. CHARTER (6) Toronto, Ontario	Executive Vice-President, Dundee Bancorp, a financial services company, Chairman, President and Chief Executive Officer, Dundee Securities Corporation, an investment dealer	7 years
MICHAEL J. COOPER (2) Toronto, Ontario	President and Chief Executive Officer of Dundee REIT	7 years
PETER A. CROSSGROVE (1)(3)(4)(5) Caledon, Ontario	Chairman, Masonite International Inc., a door manufacturing company	5 years

Name and Municipality of Residence	Principal Occupation	Years of Service as Director of Dundee Realty
ROBERT G. GOODALL (1)(3)(5) .... Mississauga, Ontario	President, Canadian Mortgage Capital Corporation, a mortgage brokerage company	7 years
DAVID J. GOODMAN (6) .... Toronto, Ontario	President and Chief Executive Officer, Goodman & Company Investment Counsel Ltd., an investment management company and Executive Vice President, Dundee Bancorp, a financial services company	7 years
NED GOODMAN (2)(3)(6)(7)........ Innisfil, Ontario	President and Chief Executive Officer, Dundee Bancorp, a financial services company	7 years
DUNCAN JACKMAN (5) .... Toronto, Ontario	Chairman and President, E-L Financial Corporation Limited, an insurance holding company	N/A
GERT SILBER-BONZ (3)(5) .... Michelstadt, Germany	Business Consultant	5 years
ROBERT TWEEDY (4)(5) .... Toronto, Ontario	Chairman and Chief Executive Officer, Useppa Holdings Limited, a diversified management company, and Sklar Peppler Furniture Corporation, a furniture manufacturer	N/A

Notes:

(1) Member of the Audit Committee.

(2) Member of the Investment Committee.

(3) Member of the Compensation Committee.

(4) Member of the Governance and Environmental Committee.

(5) Independent Trustee.

(6) Dundee Bancorp appointee.

(7) Chairman of the board of trustees.

Biographical information regarding each of our trustees is provided below.

Dr. Günther Bautz

Günther Bautz is Counsellor on Intellectual Property to Braun GmbH, a manufacturer of small electric appliances based in Kronberg, Germany. In this capacity, Dr. Bautz advises the company on the resolution of international patent disputes after having been Braun's Patent and Trademark Counsel from 1993 to 2002. From 1981 to 1993 he held different positions in Braun's patent, trademark and licensing department. Prior to joining Braun, Dr. Bautz worked as a scientist in different institutions and companies. Since 1993 he has been lecturing on patent law at the University of Applied Sciences of Frankfurt. Dr. Bautz holds a degree in physics (Diplom-Physiker) from the Technical University of Munich, a doctoral degree in natural science from the University of Ulm and is a certified German and European patent and trademark attorney.

Detlef Bierbaum

Detlef Bierbaum is a Partner with Bankhaus Sal. Oppenheim jr. & Cie, a private investment bank in Cologne, Germany. Since 1991, Mr. Bierbaum has held the position of Managing Partner with responsibility for asset management and since 2002, for investment banking as well. Prior to 1991, he was the Chief Financial Officer of the Nordstern Insurance Companies based in Cologne. He is a member of the Board of Directors of a number of companies in the asset management and banking sector based in Germany, England, Ireland, Luxemburg, the United States and Hong Kong. Mr. Bierbaum is a graduate of the Universities of Cologne and Munich where he studied commercial banking and business administration.

Donald K. Charter

Don Charter is an Executive Vice-President of Dundee Wealth Management Inc., Executive Vice-President of Dundee Bancorp, Chairman, President and Chief Executive Officer of Dundee Securities Corporation, and Chairman of Dundee Private Investors Inc. and Dundee Insurance Agency Ltd. Prior to joining the Dundee Group of Companies in 1996, Mr. Charter was a partner in the law firm of Smith, Lyons, Torrance, Stevenson & Mayer now incorporated under the practice of Gowlings. Mr. Charter is also a director of Dundee Wealth Management Inc., Breakwater Resources Ltd., Iamgold Corporation, and Glencairn Gold Corporation.

Michael J. Cooper

Michael Cooper has 18 years of experience in real estate development and property management. He currently holds the position of President and Chief Executive Officer of Dundee REIT. He held the position of Chief Executive Officer of Dundee Realty from its creation in 1996 and held the dual positions of President and Chief Executive Officer of Dundee Realty from 1998. Prior to joining Dundee Realty, Mr. Cooper was a Vice-President of Goodman & Company, responsible for investments in real estate and for establishing and co-managing the Dynamic Real Estate Funds. Prior to that time, Mr. Cooper served as Vice-President, Marketing and Development for Twigg Holdings Limited, a developer and manager of urban office buildings, primarily in downtown Toronto. Mr. Cooper currently sits on the Board of Directors of Pethealth Inc. and Dundee Precious Metals. He holds a law degree from the University of Western Ontario and received a Masters in Business Administration from York University in 1986.

Peter A. Crossgrove

Peter Crossgrove is the Chairman of Masonite International Inc., a TSX-listed door manufacturing company. Mr. Crossgrove was a founder of Premdor Inc., a predecessor of Masonite. Masonite has operations in 14 countries, has 12,000 employees and annual sales in excess of US$1.5 billion. Mr. Crossgrove has served as a director of Masonite since 1989. Mr. Crossgrove also sits on various boards of directors including Barrick Gold Corporation, QLT Inc., Band-Ore Resources Ltd. and Philex Gold Inc. His charitable work includes serving as Chairman of Cancer CARE Ontario, Treasurer of CARE International (based in Brussels) and Chairman of the Canadian Association of Provincial Cancer Agencies. He holds a bachelor of commerce degree from Concordia University, a Masters in Business Administration from the University of Western Ontario, is a Sloan Fellow of the Doctoral Program at Harvard Business School and a recipient of the Order of Canada.

Robert G. Goodall

Robert Goodall is the President of Canadian Mortgage Capital Corporation (CMCC), a mortgage brokerage company based in Toronto that arranges in excess of $500 million of commercial and multi-residential mortgages per year. In addition, the company arranges and funds private mortgages, construction financing and equity loans to real estate developers. Prior to founding CMCC, Mr. Goodall was the National Managing Partner of Royal Trust's Real Estate Finance Group. He currently serves as a Director of The Fair Rental Policy Organization of Ontario (Ontario's association of apartment landlords). He holds a Masters in Business Administration in Finance from York University and an Honours Bachelor of Business Administration degree from the University of Western Ontario.

David J. Goodman

David Goodman is President and Chief Executive Officer of Goodman & Company Investment Counsel Ltd., with assets under management of approximately $11 billion. Prior to joining Goodman & Company, Mr. Goodman was a lawyer, specializing in commercial and debt-related litigation with Smith, Lyons, Torrance, Stevenson & Mayer now incorporated under the practice of Gowlings. Mr. Goodman earned his Bachelor of Commerce Degree from McGill University in 1985. He received his LL.B (cum laude) from the University of Ottawa in 1988, and his Chartered Financial Analyst designation in 1996. Mr. Goodman is an Executive Vice President of Dundee Wealth Management Inc. and Dundee Bancorp and is also a director of Dundee Wealth Management Inc.

Ned Goodman

Ned Goodman is President and Chief Executive Officer of Dundee Bancorp, Chairman, President and Chief Executive Officer of Dundee Wealth Management Inc., Chairman of Dynamic Mutual Funds Ltd. and Chairman of Dundee REIT. He is a portfolio manager for the Dynamic Focus+ family of mutual funds. His investment experience spans 40 years as a securities analyst, portfolio manager and senior executive. Mr. Goodman is the founder and benefactor of the Goodman Institute of Investment Management, a graduate school for investment management at Concordia University, and serves there as an Adjunct Professor and as a member of the Associates of the Chancellor. He is actively involved in and a benefactor of various philanthropic activities including

Chairman Emeritus of the Canadian Council of Christians and Jews and a Governor of Junior Achievement. He is also a founding director of the Roasters Foundation, the Jodamada Foundation and the Dynamic Fund Foundation. Mr. Goodman has a Bachelor of Science degree from McGill University and a Masters in Business Administration from the University of Toronto. He earned the designation of Chartered Financial Analyst in 1967. In 1997, he was awarded a Doctorate of Laws, honoris causa, by Concordia University.

Duncan Jackman

Duncan Jackman was appointed as a trustee on September 11, 2003. Mr. Jackman is Chairman and President of E-L Financial Corporation Limited, an insurance holding company with assets of approximately $6 billion. He has been a director of E-L Financial Corporation Limited since 1997. Since 2001, he has also held the positions of Chairman and Chief Executive Officer of Economic Investment Corporation and United Corporations Limited, two closed-end investment trusts. In addition, Mr. Jackman is the Managing Director of The Fulcrum Investment Company Limited. He sits on various boards of directors and is the Chairman of The Dominion of Canada General Insurance Company and The Empire Life Insurance Company. He holds an Honours Bachelor of Arts degree from McGill University.

Gert Silber-Bonz

Gert Silber-Bonz is presently a business consultant with several business associations. He serves as the managing partner of J.J. Schlayer GmbH, a German company that invests in real estate in Germany, the United States and Canada. In addition, he sits on the board of directors of various companies including the German newspaper company Frankfurter Allgemeine Zeitung GmbH, the publishing houses Deutsche Verlagsanstalt GmbH and Maerkische Verlags- und Druckgesellschaft mbH, and a Volkswagen Audi, Porsche and Skoda dealer in Berlin. From 1963 to 1995 Mr. Silber-Bonz was the Chief Executive Officer of Pirelli Deutschland AG, a tire manufacturing company.

Robert Tweedy

Robert Tweedy was appointed as a trustee on September 11, 2003. Mr. Tweedy is the Chairman and Chief Executive Officer of Useppa Holdings Limited, a diversified management company, and Sklar Peppler Furniture Corporation, a residential furniture manufacturer. He is Chairman of CARE Canada, Barrie Rent All Inc., Crescent Park Homes and Bloomen Networks Inc. He is a director of a number of companies, including Aegon Canada Inc., TransAmerica Life Insurance Company of Canada, Rockwater Capital Corporation, Arrow Electronics Inc. (Canada), Nu-Tech Precision Metals Inc. and CARE International. Mr. Tweedy earned his Honours Bachelor of Arts degree from the University of Toronto and his Masters in Business Administration degree from Stanford University. In 2003, he was awarded H.M. The Queen's Jubilee Medal for his work with CARE Canada.

Committees

Our board of trustees has established four committees: the Audit Committee, the Compensation Committee, the Governance and Environmental Committee and the Investment Committee. Our Declaration of Trust requires that a majority of the trustees on each of these committees (other than the Investment Committee) be Independent Trustees and that a majority of the trustees on each of these committees be resident Canadians. The Audit Committee and Governance and Environmental Committee currently include only Independent Trustees. Each member of a committee shall serve on such committee until such member resigns from such committee or otherwise ceases to be a trustee.

Audit Committee

The Declaration of Trust requires the board of trustees to have an Audit Committee consisting of at least three trustees. The Chair of the Audit Committee must be selected from the group of Independent Trustees who are resident Canadians appointed to serve on the Audit Committee. The Audit Committee's terms of reference include (i) reviewing our procedures for internal control with our auditors and Chief Financial Officer; (ii) reviewing the engagement of the auditors; (iii) reviewing and recommending to the board of trustees the approval of the annual and quarterly financial statements and management's discussion and analysis of financial condition and results of operations; (iv) assessing our financial and accounting personnel; and (v) reviewing any significant transactions outside our ordinary activities and all pending litigation involving us. The Audit Committee currently consists of all Independent Trustees, being Messrs. Bautz, Crossgrove and Goodall with Mr. Crossgrove being the Chair.

Compensation Committee

The Declaration of Trust requires the board of trustees to have a Compensation Committee consisting of at least three trustees. The Chair of the Compensation Committee must be selected from the group of Independent Trustees who are resident Canadians appointed to serve on the Compensation Committee. In addition to having responsibility for our human resources and compensation policies, the Compensation Committee has primary responsibility for: (i) administering our unit incentive plans; (ii) assessing the performance of the Chief Executive Officer; (iii) reviewing and approving the compensation of our senior management and consultants; and (iv) reviewing and making recommendations to the board of trustees concerning the level and nature of the compensation payable to the trustees. The Compensation Committee currently consists of Messrs. Crossgrove, Goodall, Ned Goodman and Silber-Bonz, with Mr. Goodall being the Chair.

Governance and Environmental Committee

The Declaration of Trust requires the board of trustees to have a Governance and Environmental Committee consisting of at least three trustees. The Chair of the Governance and Environmental Committee must be selected from the group of Independent Trustees who are resident Canadians appointed to serve on the Governance and Environmental Committee. With respect to the corporate governance functions of the Governance and Environmental Committee, in addition to reviewing our approach to corporate governance and having general responsibility for our governance, the Governance and Environmental Committee is primarily responsible for (i) assessing the effectiveness of the board of trustees and each of its committees; (ii) considering questions of management succession; (iii) participating along with management in the recruitment and selection of candidates for trustees of Dundee REIT; and (iv) considering and approving proposals by our trustees to engage outside advisers on behalf of the board of trustees as a whole or on behalf of the Independent Trustees. With respect to the environmental functions of the Governance and Environmental Committee, the Governance and Environmental Committee will review the environmental state of any real property owned by Dundee Properties LP and is responsible for the formal polices and procedures relating to reviewing and monitoring our environmental exposure. The Governance and Environmental Committee currently consists of all Independent Trustees, being Messrs. Bierbaum, Crossgrove and Tweedy, with Mr. Crossgrove being the Chair.

Investment Committee

The Declaration of Trust requires the board of trustees to have an Investment Committee consisting of at least three trustees, each of whom must have a minimum of three years of substantial experience in the real estate industry. The Investment Committee will (i) approve or reject proposed acquisitions and dispositions of investments by us; (ii) authorize proposed transactions; and (iii) approve all financing arrangements and the assumption or granting of any mortgage other than the renewal of any existing mortgage by any of our subsidiaries. The Investment Committee currently consists of Messrs. Bierbaum, Cooper and Ned Goodman, with Mr. Ned Goodman being the Chair.

Remuneration of Trustees

Our trustees are entitled to compensation for their services as they may unanimously determine from time to time. The compensation for our trustees, other than trustees who are also our employees, is $20,000 per year plus a meeting fee of $1,500 per day for each meeting of the board of trustees or a committee thereof attended in person or via telephone conference and reimbursement for their out-of-pocket expenses incurred in acting as trustee. The chairman of the board of trustees, if not one of our employees, receives an additional annual fee of $100,000, but does not receive any other fees for board or committee meetings attended. The chair of each committee (other than the chair of the Investment Committee when it is a committee of the board as a whole), if not one of our employees, receives an additional annual fee of $5,000. In addition, trustees are entitled to receive remuneration for services rendered to us in any other capacity, except in respect of their service as trustees or directors of any of Dundee REIT's subsidiaries. Trustees who are our employees and who receive salary from us are not entitled to receive any remuneration for their services in acting as trustees but are entitled to reimbursement from us of their out-of-pocket expenses incurred in acting as trustees. Our trustees are entitled to fees totalling approximately $211,000 for 2003. In addition, on September 22, 2003, the trustees were granted an aggregate of 29,000 Deferred Trust Units based on a closing price for the Units of $21.35. The dollar value of such Deferred Trust Units on the date of grant was $619,150 and an aggregate of 720 Income Deferred Trust Units have been credited to the trustees in 2003. See ''— Deferred Unit Incentive Plan''.

Term of Office

Other than the nominees of Dundee Bancorp, trustees will hold office for a term expiring at the close of the first annual meeting of our unitholders or until their respective successors are elected or appointed and shall be eligible for re-election. Thereafter, trustees (other than the nominees of Dundee Bancorp) will be elected at each annual meeting of our unitholders for a term expiring at the conclusion of the next annual meeting or until their successors are elected or appointed and will be eligible for re-election. Dundee Bancorp will appoint its nominees as trustees at each annual meeting of our unitholders for a term expiring at the next annual meeting unless removed prior to such meeting at the direction of Dundee Bancorp. A trustee appointed by the trustees between meetings of unitholders or to fill a vacancy will be appointed for a term expiring at the conclusion of the next annual meeting of our unitholders or until his or her successor is elected or appointed and will be eligible for election or re-election.

Our Declaration of Trust provides that a trustee may resign upon written notice to us and a trustee (other than a nominee of Dundee Bancorp) may be removed with or without cause by a majority of the votes cast at a meeting of unitholders called for that purpose or with cause by two-thirds of the remaining trustees.

Appointment of Trustees

Pursuant to our Declaration of Trust, Dundee Bancorp is entitled to appoint up to one less than a majority of the trustees provided that Dundee Bancorp and its affiliates continue to beneficially own, in the aggregate, at least 4 million REIT Units or an aggregate number of REIT Units that, upon the surrender or exchange of the LP Class B Units, Series 1, would equal at least 4 million REIT Units or an equivalent number resulting from any consolidation, subdivision, or division of REIT Units (the ''Minimum Number of REIT Units''). The remaining trustees will be elected by unitholders in the manner described above under ''Term of Office''. In particular, Dundee Bancorp is also entitled to vote its Special REIT Units for the election of our remaining trustees. Such Special REIT Units represent, as at December 31, 2003, approximately 37% of the votes attaching to all outstanding REIT Units. If Dundee Bancorp and its affiliates fail to beneficially own at least the Minimum Number of REIT Units, Dundee Bancorp will permanently lose its right to appoint such trustees. Dundee Bancorp may also voluntarily surrender its right to appoint trustees on a permanent basis. Our Chief Executive Officer and/or President may not be appointed as a trustee by Dundee Bancorp, but may be elected as a trustee by unitholders. The number of trustees may be changed by the trustees, provided that our trustees may not, between meetings of unitholders, unless otherwise approved by a majority of the Independent Trustees, appoint an additional trustee if, after such appointment, the total number of trustees would increase by more than one-third the number of trustees in office immediately following the last annual meeting of unitholders. A vacancy occurring among our trustees, other than among the nominees of Dundee Bancorp, may be filled by Dundee Bancorp if Dundee Bancorp at that time has not appointed the maximum number of trustees to which it is entitled. If Dundee Bancorp has appointed the maximum number of trustees to which it is entitled, or if Dundee Bancorp chooses not to fill a vacancy, such vacancy may be filled by resolution of the remaining trustees, so long as they constitute a quorum, or by the unitholders at a meeting of the unitholders. A vacancy occurring among the nominees of Dundee Bancorp may be filled by Dundee Bancorp.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains ''conflict of interest'' provisions similar to those applicable to corporations under section 132 of the OBCA which serve to protect unitholders without creating undue limitations on us. Given that our trustees and officers are engaged in a wide range of real estate and other business activities, our Declaration of Trust requires each of our trustees or officers to disclose to us if he or she is a party to a material contract or transaction or proposed material contract or transaction with us or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with us. Such disclosure is required to be made by a trustee (i) at the first meeting of the trustees or the Investment Committee, as the case may be, at which a proposed contract or transaction is considered, (ii) if the trustee was not then interested in a proposed contract or transaction, at the first such meeting after a trustee becomes so interested, (iii) if the trustee becomes interested after a contract is made or a transaction is entered into, at the first such meeting after the trustee becomes so interested, or (iv) at the first meeting after an interested party becomes a trustee. Disclosure is required to be made by an officer as soon as the officer becomes aware that a contract or transaction or proposed contract or transaction is to be, or has been, considered by the trustees, as soon as the officer becomes aware of his or her interest in a contract or transaction or, if not currently one of our officers, as soon as such person becomes one of our officers. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by our trustees or unitholders, that trustee or officer is required to disclose in writing to the trustees or request to have entered into the minutes of the meeting of the trustees the nature and extent of his or her interest forthwith after the trustee or officer becomes aware of the contract or transaction or proposed contract or transaction. In any case, a trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration for serving as our trustee, officer, employee or agent or one for indemnity under the indemnity provisions of our Declaration of Trust or the purchase of liability insurance.

Our Declaration of Trust contains provisions to address potential conflicts of interest arising between us and any Related Party. In particular, our trustees are required to obtain a valuation in respect of any real property that Dundee Properties LP intends to purchase from or sell to a Related Party prepared by a valuator engaged by, and prepared under the supervision of, a committee of two or more Independent Trustees who have no interest in such transaction. In addition, Dundee REIT will not permit Dundee Properties LP to effect a transaction with a Related Party unless the transaction is determined to be on commercially reasonable terms by, and is approved by, a majority of our Independent Trustees who have no interest in such transaction.

Independent Trustee Matters

In addition to requiring the approval of a majority of our trustees, the following matters require the approval of at least a majority of our Independent Trustees who have no interest in the matter to become effective:

- permitting Dundee Properties LP to make a material change to the Master Property Management Agreement, the Dundee REIT Administrative Services Agreement, the limited partnership agreement of Dundee Management LP or the Governance Agreement, change the fees payable thereunder, if any, renew the Master Property Management Agreement or the Dundee REIT Administrative Services Agreement at the end of their respective terms or appoint a substitute for the property manager after the end of the term of the Master Property Management Agreement, and any change to the provisions of such agreements relating to Independent Trustee approval shall be deemed to be such a material change;
- entering into any agreement or transaction in which any Related Party has a material interest or making a material change to any such agreement or transaction;
- any matter relating to a claim by or against any Related Party;
- any matter relating to a claim in which the interests of a Related Party differ from the interests of Dundee REIT;
- permitting Dundee Properties LP to acquire any real or other property in which a Related Party has an interest or to sell any interest in any real or other property to a Related Party;
- granting REIT Units under any unit incentive or unit compensation plan approved by the trustees or awarding any right to acquire or other right or interest in REIT Units or securities convertible into or exchangeable for REIT Units under any plan approved by the trustees;
- approving or enforcing any agreement entered into by us with a trustee who is not an Independent Trustee or an associate thereof, with a Related Party, or with the property manager under the Master Property Management Agreement;
- recommending to the holders of REIT Units to increase the number of trustees serving on the board of trustees or authorizing the trustees to change the number of trustees from time to time; and
- changing the compensation of any of the officers or employees of Dundee REIT.

Senior Management of Dundee REIT

The limits of management's responsibilities are clearly defined by our board of trustees. This is accomplished, in part, by specifically identifying the role and responsibilities of our Chief Executive Officer.

Among other duties, our management is responsible for providing the trustees and the Investment Committee with information and advice relating to acquisitions, dispositions and financing, maintaining the books and financial records of Dundee REIT, preparing reports and other information required to be sent to unitholders and other disclosure documents, calculating and determining all allocations, designations, elections and determinations to be made in connection with the income and capital gains of Dundee REIT for tax and accounting purposes, preparing all documentation relating to meetings of unitholders, completing or supervising completion of transactions, and recommending suitable individuals for nomination as trustees.

Our senior officers are Michael J. Cooper, President and Chief Executive Officer; Jeff B. Barnes, Executive Vice-President and Chief Financial Officer; J. Michael Knowlton, Executive Vice-President and Chief Operating Officer; and P. Jane Gavan, Executive Vice-President and General Counsel. Our senior officers have extensive experience in acquiring, developing and profitably managing office, industrial and retail properties. The services of additional officers and personnel are provided by Dundee Management LP, with the assistance of its wholly-owned subsidiary, Dundee Realty Management, to support the senior officers of Dundee REIT in fulfilling their duties. We own a joint interest in Dundee Management LP, which provides a wide range of management and other services to us and to third parties. See ''— Master Property Management Agreement'' and ''— Dundee REIT Administrative Services Agreement''.

We have a diverse group of people who help run Dundee REIT. Each of our regional managers has extensive experience in real estate and an intimate knowledge of their local markets. Our other key employees come from a broad range of industries and bring their own unique knowledge and expertise to our team.

The following table sets forth the name and municipality of residence and office held with Dundee REIT or Dundee Realty Management, as the case may be, of each of the members of our senior management team:

Name and Municipality of Residence	
Officers of Dundee REIT	
MICHAEL J. COOPER Toronto, Ontario	President and Chief Executive Officer
JEFF B. BARNES Toronto, Ontario	Executive Vice-President and Chief Financial Officer
J. MICHAEL KNOWLTON Mississauga, Ontario	Executive Vice-President and Chief Operating Officer
P. JANE GAVAN Vaughan, Ontario	Executive Vice-President and General Counsel
Officers of Dundee Realty Management	
MARIO BARRAFATO Burlington, Ontario	Senior Vice-President and Controller
RANDY CAMERON Calgary, Alberta	Senior Vice-President, Western Canada
CHRISTOPHER HOLTVED Burlington, Ontario	Senior Vice-President, Toronto Region
JOE IADELUCA Montréal, Québec	Vice-President, Montréal Region
ADARSH KHOSLA Vaughan, Ontario	Senior Vice-President, Finance
JOHN PAGE Gatineau, Québec	Vice-President, Ottawa Region

Biographical information regarding our senior officers and the officers of Dundee Realty Management is provided below. Biographical information regarding Michael Cooper is provided under ''— Board of Trustees''.

Dundee REIT Senior Officers

Jeff B. Barnes

Jeff Barnes has 22 years of experience in the development and management of commercial and residential real estate. In his current position as Executive Vice-President and Chief Financial Officer, Mr. Barnes is responsible for overseeing our corporate and project accounting, finance, investor relations and information systems. Mr. Barnes served formerly as Executive Vice-President and Chief Financial Officer of Dundee Realty. Prior to its acquisition by Dundee Realty in 1996, Mr. Barnes was Executive Vice-President and Chief Financial Officer of Preston Developments, a land development and home building company in Saskatchewan. Prior to joining Preston Developments, he held the position of Audit Manager with Coopers & Lybrand (a predecessor firm to PricewaterhouseCoopers LLP). Mr. Barnes holds a Bachelor of Science degree from the University of Saskatchewan and received his Chartered Accountant designation in 1979.

J. Michael Knowlton

Michael Knowlton has 18 years of experience in the real estate industry. In his current position as Executive Vice-President and Chief Operating Officer, Mr. Knowlton is responsible for overseeing our property management operations. Mr. Knowlton formerly served as Executive Vice-President and Chief Operating Officer of Dundee Realty. Prior to joining Dundee Realty in 1998, Mr. Knowlton spent eight years at OMERS Realty Corporation and held various positions ultimately becoming Senior Vice-President, Finance and Treasury and serving as Interim President in 1997. Mr. Knowlton has also held senior positions with companies including Imperial Oil, Datacrown, American Standard and Citicom (a privately held real estate development company). Mr. Knowlton holds a Bachelor of Science degree in Engineering, a Masters in Business Administration from Queen's University and received his Chartered Accountant designation in 1977.

P. Jane Gavan

Jane Gavan has 14 years of experience in the real estate industry. In her current capacity, Ms. Gavan is responsible for managing all of our transactions, our human resources function and serving as our corporate secretary and general counsel. Ms. Gavan formerly served as Executive Vice-President, General Counsel and Secretary at Dundee Realty. Prior to its acquisition by Dundee Realty in 1998, Ms. Gavan acted as General Counsel for The Lehndorff Group. From 1991 to 1997 Ms. Gavan was Legal Counsel for Oxford Properties Group Inc., prior to which she was Legal Counsel to Denison Mines Limited. Ms. Gavan began her career in private practice with Blake, Cassels & Graydon LLP. Ms. Gavan holds a Bachelor of Laws degree from Osgoode Hall Law School and a Bachelor of Commerce degree from Carleton University.

Dundee Realty Management Senior Officers

Mario Barrafato

In his present position as Senior Vice President and Controller, Mr. Barrafato is responsible for financial reporting, corporate accounting and taxation matters. From November 2001 to July 2003, he held the position of Vice President, Taxation for Dundee Realty, and was responsible for all taxation matters including the reorganization of the Dundee Realty commercial real estate division into Dundee REIT. Between 1997 and 2001, he held various positions at Molson Inc., including the position of Director, Income Tax. Mr. Barrafato began his career in public practice at KPMG Chartered Accountants. Mr. Barrafato earned an Honours Bachelor of Commerce degree from McMaster University and received his Chartered Accountant designation in 1991.

Randy Cameron

Randy Cameron has over 25 years of experience in the residential and commercial real estate industry. He served with Dundee Realty and a predecessor company for more than ten years. In his current capacity as Senior Vice President, Western Canada, he is responsible for the property management and leasing of a portfolio of office and industrial properties comprising approximately 2.6 million square feet. Mr. Cameron has also held finance, treasury, and operating and development positions during his 13 years with Oxford Properties Group Inc. in the

Edmonton, Toronto and Calgary markets. Mr. Cameron is a past board member of the Calgary chapter of BOMA. He is also a Licensed Broker in the Province of Alberta and a Certified General Accountant.

Christopher Holtved

Christopher Holtved has 15 years of experience in the real estate industry. As Senior-Vice President, Toronto Region, Mr. Holtved is responsible for overseeing the leasing, property management and construction functions for our owned and third party portfolio in the Greater Toronto Area comprising approximately 4.2 million square feet. Prior to joining Dundee Realty in 2003, Mr. Holtved was Vice-President, Leasing and Development for Bentall Real Estate Services. He has also held various positions in leasing, real estate investment and property management with the Manulife Financial group in Toronto, Calgary and San Diego. Mr. Holtved holds an Honours degree in Business Administration from the Ivey School of Business at the University of Western Ontario.

Joe Iadeluca

Joe Iadeluca has over 20 years of experience in the real estate industry. As Vice-President, Montréal Region, Mr. Iadeluca is responsible for the property management and leasing functions for our owned and third party portfolio of office and industrial properties comprising approximately 4.0 million square feet. Prior to its acquisition by Dundee Realty, Mr. Iadeluca held the position of Senior Property Manager for The Lehndorff Group. From 1982 to 1996, he held various management level positions within the real estate division of Great West Life Assurance Company and at Marathon Realty Company Ltd. Mr. Iadeluca holds a Bachelor of Education degree from McGill University, a Masters of Science degree from the Université de Montréal and received his Real Property Administrator designation in 1987.

Adarsh Khosla

Adarsh Khosla has 23 years of experience in the real estate industry. In his present position as Senior Vice-President, Finance, Mr. Khosla is responsible for the Treasury and Financing functions. From 1997 to 1998 he held the position of Vice-President and Controller at Dundee Realty. Prior to joining Dundee Realty in 1997 he also worked in executive positions with Trizec Properties Limited, Coscan Development Corporation and Louis Dreyfus Property Group. Mr. Khosla was educated in London, England and New Delhi, India. He has a fellowship from the Institute of Chartered Accountants in England and Wales, as well as a diploma in Electrical Engineering from the Gujarat Technical Board in India.

John Page

John Page has 30 years of experience in the real estate industry and has served with Dundee Realty and a predecessor company for the past 15 years. As Vice-President, Ottawa Region, Mr. Page is responsible for the property management and leasing functions for our owned and third party portfolio of office properties comprising approximately 790,000 square feet. Prior to joining Dundee Realty, he occupied various positions in lease administration and property management at Metropolitan Life Insurance Company. Mr. Page was a past-president of the Ottawa chapter of BOMA and currently serves as its Secretary Treasurer in Canada. He obtained his Real Property Administrator designation from BOMA in 1995.

Senior Management Compensation

The table below sets forth information concerning the annual and long-term compensation arrangements for services rendered in the 2003 fiscal year in respect of the senior officers of Dundee REIT, who are employed and paid by Dundee REIT.

	Annual Compensation		Long Term Compensation
Name and Principal Position	Year(1)	Salary(2)	No. of Deferred Trust Units Granted(3)
Michael J. Cooper President and Chief Executive Officer	2003	$210,000	20,000
Jeff B. Barnes Executive Vice-President and Chief Financial Officer	2003	$142,500	9,500
J. Michael Knowlton Executive Vice-President and Chief Operating Officer	2003	$142,500	9,500
P. Jane Gavan Executive Vice-President and General Counsel	2003	$105,000	7,000

(1) Each of the senior officers above was employed by Dundee REIT for six months from June 30, 2003 to December 31, 2003.

(2) The aggregate value of perquisites and other personal benefits for each of the senior officers was less than the lesser of $50,000 and 10% of total annual salary and bonus. The senior officers are eligible to be paid an annual bonus in an amount to be determined by the Compensation Committee based on qualitative and quantitative performance standards established and approved at the beginning of each financial year. The maximum bonus payable to Mr. Cooper is 100% of his annual salary, while the maximum bonus payable to each of Messrs. Barnes and Knowlton and Ms. Gavan is 70% of annual salary. The bonus for 2003, if any, has yet to be determined by the Compensation Committee.

(3) Dundee REIT has a deferred unit incentive plan, but does not have a unit option plan. See ''— Deferred Unit Incentive Plan''. On September 22, 2003, each of Messrs. Cooper, Barnes and Knowlton and Ms. Gavan were granted Deferred Trust Units based on a closing price for the Units of $21.35. The dollar values of such Deferred Trust Units on the date of grant were $427,000, $202,825, $202,825 and $149,450, respectively. 503, 239, 239 and 176 Income Deferred Trust Units were credited to each of Messrs. Cooper, Barnes and Knowlton and Ms. Gavan in 2003.

Trustees' and Officers' Liability Insurance

Dundee REIT carries trustees' and officers' liability insurance with an annual aggregate policy limit of $10,000,000. Under this insurance coverage, we are reimbursed for payments made under indemnity provisions on behalf of our trustees and officers contained in the Declaration of Trust, and pursuant to individual indemnity agreements between Dundee REIT and each officer and trustee (the ''Indemnities'') subject to a deductible payable by us of $150,000 for each loss. The Declaration of Trust and the Indemnities provide for the indemnification in certain circumstances of trustees from and against liability and costs in respect of any action or suit against them in respect of the execution of their duties of office.

Employment Agreements

The members of our management team are generally not parties to formal employment contracts with us. However, we have assumed Dundee Realty's obligations under an employment agreement with Michael J. Cooper. The agreement is dated December 23, 1998 and has an original five year term terminating on December 31, 2004. The agreement renews automatically for successive three year periods unless terminated by us or by Mr. Cooper on three months' notice. The agreement entitles Mr. Cooper to receive a lump sum payment of $1.5 million if Mr. Cooper is terminated other than by reason of death, disability, voluntary resignation or on three months' notice as described above. In addition, the agreement provides that Mr. Cooper has the right to elect that there has been a termination in his employment and to receive the lump sum payment of $1.5 million upon (i) any material diminution of his compensation, duties or responsibilities, (ii) our failure to comply with any material term of the agreement, or (iii) our failure to obtain the assumption of the agreement by any successor company upon a change of control.

In addition, we have assumed Dundee Realty's obligations under an employment agreement with Jane Gavan. The agreement is dated April 28, 1998 and has an original five year term. The agreement renews automatically for successive periods of two years unless terminated by us or by Ms. Gavan on 60 days' notice. The agreement entitles Ms. Gavan to receive a lump sum payment in the amount of two times annual salary plus two times the then value of Ms. Gavan's benefits upon Ms. Gavan's termination without cause or our failure to renew the agreement. In addition, the agreement provides that Ms. Gavan has the right to elect that there has been a termination of her employment and to receive the lump sum payment upon (i) a material diminution of her compensation, duties or responsibilities occurring within one year after a change of control, (ii) our failure to comply with any material term of the agreement, (iii) any purported termination or constructive termination of her employment, or (iv) our requiring her to be relocated.

Deferred Unit Incentive Plan

Our Deferred Unit Incentive Plan provides for the grant to our trustees, officers and employees and our affiliates and their service providers (''Eligible Individuals'') of deferred trust units (''Deferred Trust Units'') and income deferred trust units (''Income Deferred Trust Units''). Up to a maximum of 500,000 Deferred Trust Units and Income Deferred Trust Units are issuable under our Deferred Unit Incentive Plan. To date, 88,200 Deferred Trust Units have been granted under the plan.

Deferred Trust Units will be granted to Eligible Individuals at the discretion of the trustees. Once vested, each Deferred Trust Unit and Income Deferred Trust Unit will entitle the holder to receive, and require us to issue, a Unit to the holder at no cost to the holder. One-fifth of the Deferred Trust Units granted to our trustees and to employees of Dundee REIT and its affiliates in each year will vest on the anniversary of the grant. One-third of the Deferred Trust Units granted to all other Eligible Individuals in each year will vest on the anniversary of the grant. Subject to an election for certain Eligible Individuals to postpone receipt of Units, such Units will be issued immediately following the vesting of Deferred Trust Units and Income Deferred Trust Units.

Income Deferred Trust Units will be granted to holders of Deferred Trust Units and Income Deferred Trust Units based on distributions paid by us on Units. The number of Income Deferred Trust Units granted to a holder of Deferred Trust Units will be calculated by multiplying the aggregate number of Deferred Trust Units and Income Deferred Trust Units held on the Distribution Record Date by the amount of distributions paid by us on each Unit and dividing the result by the market price of the Units on the Distribution Record Date. Income Deferred Trust Units will vest and be paid out in Units on the same date as the Deferred Trust Units or Income Deferred Trust Units in respect of which they were credited.

Any unvested Deferred Trust Units or Income Deferred Trust Units held by an Eligible Individual will be forfeited if the employment of the individual is terminated for any reason, whether voluntarily or involuntarily. However, pursuant to our Deferred Unit Incentive Plan, our trustees may, at their discretion if the circumstances warrant, accelerate the vesting of such units held by an individual whose employment is terminated. In addition, our trustees can accelerate the vesting of, or make other arrangements with respect to, Deferred Trust Units and Income Deferred Trust Units if we undergo a change of control.

Employee Bonus Plan

Dundee Management LP will, with the prior approval of the Independent Trustees, adopt a bonus plan providing for the compensation of the employees of Dundee Management LP and its subsidiaries that is similar to the plan that was in place at Dundee Realty. The plan at Dundee Management LP will provide for a bonus amount to be established based on specific financial targets for Dundee REIT. Actual bonuses will be determined based on the overall financial performance of Dundee REIT and the evaluation of each individual's contribution based on goals established at the beginning of each year.

Individual Non-Competition Agreements

The Declaration of Trust requires each of our trustees to enter into a non-competition agreement with us. The Individual Non-Competition Agreements provide that each of our trustees and officers and any personal holding company thereof will be prohibited from directly or indirectly acquiring an ownership interest in any real property which meets the investment criteria of Dundee Properties LP, unless such investment opportunity has first been offered to Dundee Properties LP in accordance with the terms of the Individual Non-Competition Agreement. The investment criteria of Dundee Properties LP are set out in its investment guidelines. See ''Investment Guidelines and Operating Policies — Investment Guidelines of Dundee Properties LP''.

The above investment restriction will only apply to real properties located in Canada and will not apply to investments in vacant land, residential housing, multi-residential housing units, residential condominium units, nursing homes or retirement homes. This investment restriction will not apply to any of our trustees or officers, or any personal holding company thereof, with respect to any real property investment made in connection with or as a condition of their securing a property, facilities or leasing management assignment with respect to such investment; provided that if the investment (i) equals or exceeds $25 million; or (ii) equals or exceeds $10 million and results in the trustee or officer, or a personal holding company thereof, acquiring a 10% or greater interest in the property, Dundee Properties LP will be offered the right to co-invest with the trustee or officer, or the personal holding company thereof, on an equal basis. Further, this investment restriction will not apply to (i) passive real estate investments made by the trustee or officer, or a personal holding company thereof, which are each less than $10 million and represent less than a 25% interest in the real property, (ii) investments in properties that do not meet the investment criteria of Dundee Properties LP, as set out in the Properties Limited Partnership Agreement, (iii) investments in any property that will be used personally for office space, (iv) investments in any property that will be used by the trustee or officer as his or her personal residence, (v) investments that were owned by the trustee or officer, or a personal holding company or an affiliate of a personal holding company thereof, on June 30, 2003, (vi) investments made on behalf of fiduciary, managed or client accounts, (vii) investments that result from the realization of a loan secured by the property, and (viii) investments made by any personal holding company, or any of such company's affiliates, which are public companies or any subsidiaries or affiliates of such public companies (other than Dundee Realty and its direct subsidiaries).

The Individual Non-Competition Agreements provide that our trustees or officers will no longer be bound by their terms when such trustee or officer, as applicable, ceases to be one of our trustees or officers.

Governance of Dundee REIT

Dundee REIT's investment and operating activities are limited because our operating business is carried out by Dundee Properties LP, one of our subsidiary entities. Dundee Properties LP holds direct and indirect interests in our commercial revenue producing properties, and carries out all of our property investment activities, as well as operating activities such as the leasing, developing and mortgaging of our properties. Properties General Partner is the general partner of Dundee Properties LP and, as such, directs the activities of Dundee Properties LP.

In order to govern certain aspects of the relationship between Dundee REIT and Dundee Properties LP, Dundee REIT entered into the Governance Agreement with Properties General Partner and Dundee Bancorp. This agreement contains provisions governing, among other things, the election of the directors of Properties General Partner. In particular, pursuant to the Governance Agreement, Dundee REIT will:

- appoint the board of directors of Properties General Partner and ensure that at all times up to one less than a majority of the directors of Properties General Partner shall be appointed in accordance with the recommendations of the Governance and Environmental Committee;
- ensure that at all times a majority of the directors of Properties General Partner are not trustees of Dundee REIT; and
- ensure that, for as long as Dundee Bancorp continues to beneficially own REIT Units, one of the directors of Properties General Partner shall be appointed in accordance with the recommendation of Dundee Bancorp.

Pursuant to the Governance Agreement, some of the decision making powers of Properties General Partner will be subject to the oversight of our trustees. For example, pursuant to the operating policies of Dundee Properties LP, Dundee Properties LP is prohibited from incurring or assuming indebtedness over certain percentages of Gross Book Value unless Properties General Partner determines that the maximum amount of indebtedness is to be based on the appraised value of the real properties instead of Gross Book Value. Pursuant to the Governance Agreement, Properties General Partner will not exercise its discretion in this manner without the approval of our trustees.

In addition, Properties General Partner will not:

- without the approval of the Investment Committee of our board of trustees approve or authorize any investments, acquisitions or dispositions by Dundee Properties LP having a purchase price or investment price greater than $5 million, net of assumed or arranged mortgage debt, if any; or

- without the approval of our trustees or any committee of our trustees authorize the issuance of any units of Dundee Properties LP to any person, other than to Trust A or Trust B or to a holder of its LP Class B Units, Series 1 pursuant to the distribution reinvestment feature of the Properties Limited Partnership Agreement.

The Governance Agreement requires Properties General Partner to obtain the approval of our trustees in order to make any change to the distribution policy of Dundee Properties LP.

Pursuant to the Governance Agreement, Dundee REIT will not transfer any of the shares of Properties General Partner without the approval of at least $66\frac{2}{3}$% of the votes cast at a meeting of unitholders of Dundee REIT called for such purpose.

Management of the Properties

Overview

All but one of the Properties are managed by Dundee Management LP, with the assistance of its wholly-owned subsidiary, Dundee Realty Management. Nine of the Properties are co-owned and are managed by Dundee Realty Management directly. One of the Properties, 110 Sheppard Avenue East, Toronto is co-owned with H&R Real Estate Investment Trust and is managed by H&R Property Management Ltd. As well, the newly acquired Telus Tower, Calgary is co-owned with H&R Real Estate Investment Trust and is managed by H&R Property Management Ltd.

We have a joint interest with Dundee Realty in Dundee Management LP. Dundee Realty Management, as at December 31, 2003 had approximately 258 employees involved in its operations.

The terms under which Dundee Management LP manages the non co-owned Properties are governed by the Master Property Management Agreement. The Master Property Management Agreement provides that Dundee Management LP, with the prior approval of Dundee Properties LP, may delegate specific aspects of its obligations under the Master Property Management Agreement, provided that such delegation will not relieve Dundee Management LP of its obligations under the Master Property Management Agreement. Dundee Management LP has entered into a sub-management agreement with Dundee Realty Management pursuant to which Dundee Realty Management has agreed to assist Dundee Management LP in carrying out the services required to be provided under the Master Property Management Agreement.

In addition to providing property management services to Dundee Properties LP, Dundee Management LP also provides general administrative services to Dundee REIT, the Operating Trusts and Dundee Properties LP pursuant to the Dundee REIT Administrative Services Agreement and to Dundee Realty and its affiliates pursuant to the Dundee Realty Administrative Services Agreement. Dundee Management LP has entered into sub-administrative services agreements with Dundee Realty Management pursuant to which Dundee Realty Management has agreed to assist Dundee Management LP in carrying out the services required to be provided under these administrative services agreements. See ''— Master Property Management Agreement'' and ''— Dundee REIT Administrative Services Agreement''.

Dundee Management LP

Dundee Management LP is a limited partnership formed under the laws of Ontario. The general partner of Dundee Management LP is Dundee Management (GP) Inc., a corporation incorporated under the laws of Ontario. Each of Dundee Properties LP and Dundee Realty holds one limited partnership unit of Dundee Management LP, and 50% of the issued and outstanding shares of its general partner. Through these direct and indirect interests, each of Dundee Properties LP and Dundee Realty is entitled to 50% of the distributions of income from Dundee Management LP.

Dundee Realty, Dundee Properties LP and Dundee Management (GP) Inc. have entered into a shareholders' agreement (the ''Shareholders' Agreement'') dated June 30, 2003 which provides for the organization of Dundee Management (GP) Inc. and sets out terms pursuant to which Dundee Management (GP) Inc. is to be governed. Pursuant to the Shareholders' Agreement, the board of directors of Dundee Management (GP) Inc. consists of four directors, with Dundee Properties LP and Dundee Realty each entitled to appoint two directors. The Shareholders' Agreement provides that a majority of the board of directors of the general partner cannot be the same individuals as the trustees of Dundee REIT. The officers of Dundee Management (GP) Inc. are currently the same individuals as the senior officers of Dundee REIT.

The Shareholders' Agreement provides that certain matters require the unanimous consent of both of the shareholders, including the entering into of any amendments to, or the termination of, the Master Property Management Agreement, the Dundee REIT Administrative Services Agreement, the Dundee Realty Administrative Services Agreement and any sub-management agreements entered into with affiliates of Dundee Management LP. The Shareholders' Agreement also specifies that, except for transfers to its affiliates, a shareholder that transfers its partnership interest in Dundee Management LP (which transfer requires the consent of all of the partners of Dundee Management LP) must contemporaneously transfer its shares of Dundee Management (GP) Inc. to the transferee of the partnership interest in Dundee Management LP.

Master Property Management Agreement

Property Management Services

Pursuant to the Master Property Management Agreement, Dundee Management LP provides customary property management services to us, which include: (i) preparing an annual operating budget and leasing plan; (ii) preparing and maintaining books and records, performing accounting and preparing financial reports; (iii) purchasing operating supplies, materials and services; (iv) negotiating, settling and administering the terms of all tenancies and renewals; (v) supervising and directing the making of renovations, repairs and maintenance; (vi) providing computer, telecommunications and other information technology systems and equipment; (vii) ensuring compliance with contractual obligations and applicable laws; (viii) engaging in legal proceedings; (ix) selecting accounting, legal, engineering and other professionals; (x) paying charges and expenses relating to the operation of the real properties; (xi) collecting and remitting Goods and Services Tax, Québec Sales Tax and other like taxes; (xii) keeping the real properties free from liens; (xiii) notifying Dundee Properties LP of certain claims against Dundee Management LP, Dundee Properties LP or Dundee REIT; (xiv) providing information to us and certain other third parties in connection with a proposed sale, financing or refinancing of any real property; (xv) obtaining and maintaining any necessary permits; (xvi) cash management; (xvii) reviewing property taxes and assessments; (xviii) carrying out advertising and promotional activities; (xix) notifying Dundee Properties LP of damage to any real properties; (xx) supervising construction and technical services; (xxi) making available officers and employees to meet with Dundee Properties LP and Dundee REIT; (xxii) maintaining heating, ventilation and air conditioning equipment and ensuring proper climate control; (xxiii) maintaining interior and exterior common areas of the properties; (xxiv) arranging and supervising security with respect to the real properties; and (xxv) other general services necessary for the management, operation and maintenance of non-co-owned properties.

The Master Property Management Agreement also authorizes Dundee Management LP, subject to certain restrictions, to contract on behalf of Dundee Properties LP with third parties for the provision of certain specialized services to Dundee Properties LP as provided for in the annual operating plan for the non-co-owned properties prepared by Dundee Management LP, as may be prudent, reasonable and consistent with its annual operating plan or as otherwise authorized in writing by Dundee Properties LP. These services include (i) title search services; (ii) financial investigation services; (iii) commission brokerage services for the sale and leasing of the real properties; (iv) marketing services for the real properties; (v) surveying services; (vi) environmental consulting services; (vii) tax consulting and appraisal services; (viii) general construction and construction subcontracting services; and (ix) architectural, engineering or construction consulting services. Dundee Management LP is entitled to be reimbursed by Dundee Properties LP for its reasonable costs for such services.

Rent Supplement

Under the terms of the Master Property Management Agreement, Dundee Realty has agreed to pay a rent supplement to Dundee Properties LP. The rent supplement contributes to our stable and predictable revenue stream by eliminating the leasing and rental rate uncertainty for certain premises that were vacant at the beginning of 2003 and expected to be leased in the near term and by guaranteeing that certain leases expiring in 2003 would not be subject to any vacancy losses.

The rent supplement applies with respect to 4,931 square feet of retail space, 127,486 square feet of office space and 415,358 square feet of industrial space that has been vacant since January 1, 2003. The rent supplement also applies to 6,555 square feet of retail space, 148,142 square feet of office space and 752,592 square feet of industrial space that was leased as of January 1, 2003, but is subject to leases that mature during 2003. The rent supplement currently applies to 3,066 square feet of retail space, 60,260 square feet of office space and 287,567 square feet of industrial space that is vacant and not committed. Under the rent supplement provisions of the Master Property Management Agreement, the maximum rent supplement for December 2003 would have been $1.0 million. However, with the leases that are in place, the amount of the rent supplement payable for December 2003 was reduced to $326,000.

The term of the rent supplement commenced on July 1, 2003 and continues for five years for retail and office space (expiring June 30, 2008), and three years for industrial space (expiring June 30, 2006). We believe that these terms reflect the average terms for leases currently being completed within the portfolio. The rent supplement is paid monthly and is based upon rental market rates for each premise on a fully net basis as if the premises had been leased in accordance with the standard lease for each premise, less amortized leasing costs budgeted for each premise. The rent supplement is reduced monthly by the amount that is the actual base rent and additional rent received by Dundee Properties LP, after deduction for amortization of leasing costs including, but not limited to, tenant inducements, landlord's work, free rent and leasing commissions paid by Dundee Properties LP to lease any such premises.

Under the terms of the Master Property Management Agreement, if Dundee Properties LP enters into a lease for any premise covered by the rent supplement, the rent supplement will be permanently reduced by the actual base rent and additional rent received by Dundee Properties LP for such premise after deduction for amortization of all leasing costs, so long as all of the following criteria have been met with respect to the lease or tenant, as the case may be:

- the credit quality of the tenant meets the requirements set out by Dundee Properties LP for tenants of similar spaces
- the term of the lease extends to or beyond the term of the remaining term of the rent supplement applicable to the premise
- the tenant is in occupancy and paying rent.

If, at any time, any of the premises to which the rent supplement applies is either sold by Dundee Properties LP or ceases to be managed by Dundee Management LP, the amount of the rent supplement will be permanently reduced by the amount attributed to such premises.

Term and Termination

The initial term of the Master Property Management Agreement is five years, expiring on June 30, 2008. The Master Property Management Agreement will be extended for a five year period with the consent of Dundee Management LP. Thereafter, the agreement will be automatically extended for further five year periods with the consent of Dundee Management LP and Dundee Properties LP. Dundee Management LP may terminate the agreement within 60 days of receiving notice from Dundee Properties LP of its consent to extend the agreement for a further five year term. Dundee Management LP may terminate the agreement by providing six months' notice prior to the expiration date of the initial term or any extension term, provided that Dundee Properties LP has the option to delay the effective day of the termination for a further six month period. Dundee Properties LP can terminate the agreement by giving at least six months' notice to Dundee Management LP prior to the expiration date of any extension term (other than the first extension term).

The Master Property Management Agreement may be terminated by Dundee Management LP or Dundee Properties LP upon the occurrence of an event of default and will be automatically terminated immediately prior to the occurrence of certain insolvency events relating to Dundee Management LP or Dundee Properties LP. Either Dundee Properties LP or Dundee Management LP may terminate the Master Property Management Agreement with respect to a particular property in the event of material damage or the expropriation, taking or condemnation of such property. A termination fee is payable by Dundee Properties LP in the event that Dundee Properties LP terminates the Master Property Management Agreement, other than at the expiry of any extension term, upon a default by Dundee Management LP or the occurrence of an insolvency event with respect to Dundee Management LP. The termination fee is calculated by reference to prior fees paid under the agreement and the length of the remaining term. If either of Dundee Properties LP or Dundee Management LP terminates the agreement in respect of any property by reason of material damage to such property, Dundee Management LP is entitled to receive from

Dundee Properties LP a termination fee equal to the base management fee (as described below) earned in respect of the relevant property during the 12 month period preceding the month in which the material damage to such property occurred. No termination fee is payable if either Dundee Properties LP or Dundee Management LP terminates the agreement in respect of any property by reason of the expropriation, taking or condemnation of such property, or if the agreement is terminated by Dundee Management LP with six months' notice prior to the expiration date as described above.

Management Fees

The Master Property Management Agreement provides that Dundee Properties LP will pay Dundee Management LP a base management fee, a construction fee and a leasing administration fee for the services provided under such agreement. The base management fee will be 3.5% of the gross revenue of each property managed (including revenue from the rent supplement described above). The construction fee will be 10% of the first $100,000 of costs for each project and 5% of the costs in excess of $100,000 for approved construction and capital expenditures, while the leasing administration fee will constitute 50% of the customary market leasing brokerage fee (25% if a third party listing leasing broker is involved in the transaction or in the case of a lease renewal), calculated without deduction for any rent free period. In addition, we will reimburse Dundee Management LP for certain of the costs and expenses incurred by Dundee Management LP in the performance of its duties under the Master Property Management Agreement and the provision of administrative services to Dundee REIT, the Operating Trusts or Dundee Properties LP.

Dundee Realty Non-Competition Agreement

The Dundee Realty Non-Competition Agreement prohibits Dundee Realty and its affiliates (excluding affiliates which are public companies as described below) from directly or indirectly acquiring an ownership interest in any real property which meets the investment criteria of Dundee Properties LP, unless such investment opportunity has first been offered to Dundee Properties LP in accordance with the terms of the Dundee Realty Non-Competition Agreement. See ''Investment Guidelines and Operating Policies — Investment Guidelines of Dundee Properties LP''.

The above investment restriction will only apply to real properties located in Canada and will not apply to investments in vacant land, residential housing, multi-residential housing units, residential condominium units, nursing homes or retirement homes. This investment restriction will not apply to Dundee Realty or its affiliates with respect to any real property investment made in connection with or as a condition of their securing a property, facilities or leasing management assignment with respect to such investment; provided that if the investment (i) equals or exceeds $25 million; or (ii) equals or exceeds $10 million and results in Dundee Realty or its affiliate acquiring a 10% or greater interest in the property, Dundee Properties LP will be offered the right to co-invest with Dundee Realty or its affiliate, as the case may be, on an equal basis. Further, this investment restriction will not apply to (i) passive real estate investments made by Dundee Realty or any affiliate which are each less than $10 million and represent less than a 25% interest in the real property, (ii) investments in properties that do not meet the investment criteria of Dundee Properties LP, as set out in the Properties Limited Partnership Agreement, (iii) investments in any property that will be used as office space by Dundee Realty or any affiliate, (iv) investments that were owned by Dundee Realty or any affiliate on June 30, 2003, (v) investments made on behalf of fiduciary, managed or client accounts, (vi) investments that result from the realization of a loan secured by the property, and (vii) investments made by any affiliate of Dundee Realty that is a public company or any subsidiaries or affiliates of such public companies (other than Dundee Realty and its direct subsidiaries).

The Dundee Realty Non-Competition Agreement provides that Dundee Realty and its affiliates will no longer be bound by the terms of the Dundee Realty Non-Competition Agreement when Dundee Realty and all of its affiliates no longer own any interest in Dundee REIT or in Dundee Properties LP or, in the case of an affiliate of Dundee Realty, when such person is no longer an affiliate of Dundee Realty.

Dundee REIT Administrative Services Agreement

Management and General Administrative Services

The Dundee REIT Administrative Services Agreement sets out the terms and conditions pursuant to which Dundee Management LP or its subsidiaries provide certain management and general administrative services to Dundee REIT, Dundee Properties LP, Trust A and Trust B. The services provided to Dundee REIT, Dundee

Properties LP and the Operating Trusts include (i) undertaking any matters required to be performed by the trustees of Dundee REIT and the Operating Trusts not otherwise delegated under the respective declarations of trust or the Dundee REIT Administrative Services Agreement; (ii) keeping and maintaining books and records; (iii) preparing returns, filings and documents and making determinations necessary for the discharge of the obligations of the trustees of Dundee REIT and the Operating Trusts; (iv) providing unitholders with annual audited and interim financial statements and relevant tax information; (v) preparing and filing income tax returns and filings; (vi) ensuring compliance by Dundee REIT with all applicable securities legislation and stock exchange requirements including, without limitation, continuous disclosure obligations; (vii) preparing and approving on behalf of Dundee REIT any circular or other disclosure document required under applicable securities legislation in response to an offer to purchase REIT Units; (viii) providing investor relations services to Dundee REIT; (ix) calling and holding annual and/or special meetings in respect of Dundee REIT, the Operating Trusts and Dundee Properties LP and preparing, approving and arranging for the distribution of meeting materials; (x) preparing and providing to Unitholders information such as monthly and annual reports, notices, financial reports and tax information relating to Dundee REIT; (xi) attending to administrative and other matters arising in connection with redemptions of REIT Units; (xii) ensuring that Dundee REIT elects to be a ''mutual fund trust'' from the date it is established and monitoring Dundee REIT's status as such and as a ''registered investment'' within the meaning of the Tax Act and Dundee Properties LP's status as a ''Canadian partnership'' for the purposes of the Tax Act; (xiii) monitoring the investments of Dundee REIT to ensure that the foreign property of Dundee REIT does not exceed the limits prescribed in the Tax Act; (xiv) determining the amount of ''distributable income'', net realized capital gains and net realized income of Dundee REIT and the Operating Trusts and arranging for distributions to be paid to unitholders; (xv) promptly notifying Dundee REIT, Dundee Properties LP and the Operating Trusts of any event that might reasonably be expected to have a material adverse effect on their respective affairs; and (xvi) generally providing all other services as may be necessary or requested by Dundee REIT, Dundee Properties LP and the Operating Trusts.

Additional Services

The Dundee REIT Administrative Services Agreement provides that Dundee Management LP will provide, or cause its subsidiaries to provide, certain asset management services to Dundee REIT, the Operating Trusts and Dundee Properties LP. These services include: (i) developing, implementing and monitoring an annual strategic asset plan with respect to the portfolio of properties; (ii) preparing and implementing an asset business plan for each property or group of properties at least once every five years; (iii) arranging for the financing and refinancing of all of the properties; (iv) identifying and recommending properties to be acquired or divested; (v) monitoring compliance with agreements relating to the ownership and management of the properties; (vi) advising with respect to compliance with environmental laws and regulations; (vii) advising with respect to contractual rights such as options, rights of purchase and rights of first refusal affecting the properties; (viii) monitoring the physical condition of the properties and recommending capital expenditures; (ix) obtaining appraisals of the properties as may be required from time to time; (x) making recommendations, providing advice and acting with respect to matters involving third parties in relation to the properties; (xi) providing information required by a third party property manager in connection with returns and filings with governmental authorities; (xii) providing information required to assist accounting firms with completing annual audited financial statements with respect to the properties; (xiii) providing advice and information to any third party property manager in connection with matters such as business assessments and taxes, local improvement rates, building and zoning by-laws and governmental regulations relating to the properties; (xiv) assisting in connection with appearances before any tribunals in connection with matters relating to the properties; (xv) reviewing and making recommendations with respect to insurance matters; (xvi) permitting examination of all books and records of Dundee Management LP relating to the services performed under the Dundee REIT Administrative Services Agreement; (xvii) providing tax accounting and advisory services; and (xviii) preparing, planning and coordinating management meetings and meetings of the trustees of Dundee REIT.

Administrative and Support Services

Pursuant to the Dundee REIT Administrative Services Agreement, Dundee Management LP also provides or will cause its subsidiaries to provide certain administrative and support services to Dundee REIT, the Operating Trusts and Dundee Properties LP. The administrative and support services provided by Dundee Management LP include providing office space, office equipment and communications services and computer systems, providing secretarial support personnel and reception and telephone answering services, installing and maintaining signage and promotional materials and providing such other administrative and secretarial support services as may be reasonably required from time to time.

Conflicts

The Dundee REIT Administrative Services Agreement contains an acknowledgement that Dundee Management LP or its affiliates or associates may engage in other businesses that may be similar to or competitive with the affairs of Dundee REIT, the Operating Trusts and Dundee Properties LP. In the event of a conflict, Dundee Management LP will provide Dundee REIT, the Operating Trusts and Dundee Properties LP with notice of the conflict and each of us will be entitled to retain one or more third parties to perform the administrative services to which the conflict relates and to deduct from the fees otherwise payable to Dundee Management LP under the Dundee REIT Administrative Services Agreement the fees payable to such third parties.

Term

The term of the Dundee REIT Administrative Services Agreement commenced on June 30, 2003 and is only terminable upon the termination of the Master Property Management Agreement.

Fees

The Dundee REIT Administrative Services Agreement provides for the payment to Dundee Management LP or its subsidiaries by Dundee Properties LP or its subsidiaries of a services fee sufficient to reimburse Dundee Management LP or its subsidiaries for the expenses incurred by it in providing services under the Dundee REIT Administrative Services Agreement as long as the expenses are identified in the current annual budget for the Properties or are otherwise approved in writing by Dundee REIT, the Operating Trusts and Dundee Properties LP prior to being incurred by Dundee Management LP.

The agreement also requires Dundee Properties LP to pay Dundee Management LP an acquisition and financing fee equal to 0.5% of (i) the cost of any properties acquired by Dundee Properties LP; (ii) the principal amount and associated costs of any financing or refinancing of a property held by Dundee Properties LP; and (iii) the proceeds of any equity financing undertaken by Dundee REIT. This fee is designed to cover the costs of Dundee Management LP of supplying services to Dundee REIT, the Operating Trusts and Dundee Properties LP in connection with these activities and will not include a profit component for Dundee Management LP or any of its affiliates. Dundee Management LP is paid a monthly advance of the acquisition and financing fee based on an estimate contained in the approved budget of expenses. The acquisition and financing fee due at the closing of each acquisition, financing or refinancing or equity offering will be adjusted against the advances already received by Dundee Management LP and any fee in excess of the advances will be paid accordingly. Within 120 days after the end of each calendar year, Dundee Management LP will deliver to Dundee REIT, the Operating Trusts and Dundee Properties LP a year end statement setting out the actual expenses incurred in providing services to Dundee REIT, the Operating Trusts and Dundee Properties LP, with a reconciliation of the acquisition and financing fee paid to the expenses incurred to supply such services. If, pursuant to the year end statement, the acquisition and financing fee payable by Dundee REIT, the Operating Trusts and Dundee Properties LP is higher than the aggregate amount already paid to Dundee Management LP, the amount of such excess will be paid to Dundee Management LP. Conversely, if the acquisition and financing fee payable by Dundee REIT, the Operating Trusts and Dundee Properties LP is less than the aggregate amount already paid to Dundee Management LP, the amount of such difference will be refunded by Dundee Management LP. In effect, at the end of each year, the amount of the acquisition and financing fee paid to Dundee Management LP will be adjusted upwards or downwards to reflect the actual expenses incurred by Dundee Management LP in providing such services. The acquisition and financing fee to be paid on closing of this offering to Dundee Management LP in connection with this offering is expected to be no more than $550,000, which amount will be adjusted at the end of 2004 to reflect actual expenses incurred. The cash expenses of Dundee REIT under this agreement are limited to the actual costs of Dundee Management LP in providing these services and the cash expense is not increased by the fee associated with this offering.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Dundee REIT's investment and operating activities are limited because our operating business is carried out by Dundee Properties LP. The investment guidelines governing our investments in real estate and other assets and the operating policies governing our business exist at the Dundee Properties LP level and are set out below under the headings ''— Investment Guidelines of Dundee Properties LP'' and ''— Operating Policies of Dundee Properties LP''.

Investment Guidelines of Dundee REIT

Pursuant to the Declaration of Trust, Dundee REIT's assets may be invested only in accordance with the following investment guidelines:

(a) Dundee REIT will only invest in Operating Trust Units, Operating Trust Notes and shares of Properties General Partner, amounts receivable in respect of such Operating Trust Units, Operating Trust Notes and shares and in cash and similar deposits in a Canadian chartered bank or trust company; and

(b) Dundee REIT will not make or permit a subsidiary to make any investment that would result in:

  (i) the Units or REIT Units, Series B being disqualified for investment by Plans or RESPs;

  (ii) Dundee REIT being liable under the Tax Act to pay a tax imposed under Part XI or Part XII.2 of the Tax Act, including, without limitation, as a result of holdings by Dundee REIT of foreign property as defined in the Tax Act;

  (iii) REIT Units being foreign property for the purpose of the Tax Act for any Plans; or

  (iv) Dundee REIT ceasing to qualify as a ''mutual fund trust'' or a ''registered investment'' for purposes of the Tax Act.

Pursuant to the Declaration of Trust, the investment guidelines set forth above may only be amended with the approval of at least 66⅔% of the votes cast at a meeting of unitholders of Dundee REIT called for that purpose except for certain amendments that may be undertaken by a majority of the trustees of Dundee REIT including a majority of the Independent Trustees pursuant to the Declaration of Trust. See ''Declaration of Trust and Description of REIT Units — Amendments to the Declaration of Trust and Other Documents''.

Investment Guidelines of Dundee Properties LP

The Properties Limited Partnership Agreement provides for certain restrictions on investments which may be made by or on behalf of Dundee Properties LP. These investment guidelines are set out below.

(a) Notwithstanding any other provision set out below, Dundee Properties LP shall not make any investment that would result in:

  (i) REIT Units being disqualified for investment by Plans or RESPs;

  (ii) Dundee REIT, Trust A or Trust B being liable under the Tax Act to pay a tax imposed under Part XI of the Tax Act, including, without limitation, as a result of holdings by Dundee REIT of foreign property as defined in the Tax Act;

  (iii) REIT Units being foreign property for the purpose of the Tax Act for any Plans; or

  (iv) Dundee REIT ceasing to qualify as a ''mutual fund trust'' or a ''registered investment'' for the purposes of the Tax Act;

(b) Dundee Properties LP shall not acquire any single asset if the cost to Dundee Properties LP of such acquisition (net of the amount of debt incurred or assumed in connection with such investment and secured by such asset) will exceed 15% of the Adjusted Unitholders' Equity of Dundee REIT;

(c) except for the joint ventures existing as of the date of the Properties Limited Partnership Agreement, Dundee Properties LP may invest in a joint venture arrangement only if:

  (i) the arrangement is an arrangement pursuant to which Dundee Properties LP holds an interest in real property jointly or in common with others (''joint venturers'') either directly or through the ownership of securities of a corporation (''joint venture corporation'') formed and operated solely for the purpose of acquiring, holding, maintaining, improving, leasing or managing a particular real property or properties or interests therein;

(ii) Dundee Properties LP's interest in the joint venture arrangement is an interest of not less than 25% that is not subject to any restriction on transfer other than a right of first refusal or right of first offer, if any, in favour of the joint venturers;

(iii) Dundee Properties LP has a right of first offer or a right of first refusal to buy the interests of the other joint venturers in the joint venture arrangement;

(iv) Dundee Properties LP has the ability to provide input in the management decisions of such joint venture arrangement;

(v) the joint venture arrangement provides an appropriate buy-sell mechanism to enable Dundee Properties LP to cause the joint venturers to purchase Dundee Properties LP's interest or to sell their interests to Dundee Properties LP;

(vi) Dundee Properties LP has received a legal opinion to the effect that the investment would not contravene (a) above; and

(vii) without limitation, any joint venture arrangement with a Related Party for the purposes of the related party provisions of the Properties Limited Partnership Agreement has been entered into in accordance with such provisions;

provided that, notwithstanding the foregoing, Dundee Properties LP may from time to time acquire from another person, that person's interest in any existing joint venture arrangement which does not comply with any of subparagraphs (ii), (iii) or (iv) above if Properties General Partner determines that the investment is desirable for Dundee Properties LP and is otherwise in compliance with the investment guidelines and the operating policies of Dundee Properties LP established in accordance with the Properties Limited Partnership Agreement and in effect at such time;

(d) unless otherwise permitted by the investment guidelines of Dundee Properties LP, except for temporary investments held in cash, deposits with a Canadian or United States chartered bank or trust company registered under the laws of a province of Canada, in short-term government debt securities or in money market instruments of, or guaranteed by, a Schedule I Canadian chartered bank maturing prior to one year from the date of issue, Dundee Properties LP may not hold securities other than (i) currency or interest rate futures contracts for hedging purposes to the extent permitted by National Instrument 81-102 of the Canadian Securities Administrators; (ii) securities of a joint venture entity or a partnership as contemplated in these investment guidelines, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned by Dundee Properties LP, or an entity wholly-owned by Dundee Properties LP formed and operated solely for the purpose of holding a particular real property or real properties; and (iii) securities of another issuer unless either (A) such securities derive their value, directly or indirectly, principally from real property, or (B) the principal business of the issuer of the securities is the ownership or operation, directly or indirectly, of real property (in each case as determined by Properties General Partner);

(e) except for U.S. property owned directly or indirectly by Dundee Realty or Dundee Properties LP on the effective date of the Reorganization, Dundee Properties LP will not make any investment in a U.S. property unless Dundee Properties LP has obtained a favourable opinion (as determined by Properties General Partner) from legal counsel to the effect that the making of the investment should not result in interest paid by any U.S. entity in which Dundee Properties LP, directly or indirectly, owns an interest to any affiliate of Dundee Properties LP ceasing to be deductible for U.S. federal income tax purposes or becoming subject to U.S. withholding tax and an unqualified opinion from counsel that making such investment would not cause Dundee REIT to be subject to tax under Part XI or cause the REIT Units to be ''foreign property'' for purposes of the Tax Act;

(f) unless otherwise permitted by the investment guidelines of Dundee Properties LP, Dundee Properties LP shall invest only in equity interests in revenue producing real property (including fee ownership and leasehold interests);

(g) Dundee Properties LP will not indirectly invest in operating businesses unless such investment is incidental to a transaction:

(i) where revenue will be derived, directly or indirectly, principally from real property; or

(ii) which principally involves the ownership, maintenance, improvement, leasing or management, directly or indirectly, of real property (in each case as determined by Properties General Partner);

(h) notwithstanding the investment guidelines of Dundee Properties LP, and other than Dundee Properties LP's interests in the limited partnerships acquired on the effective date of the Reorganization, Dundee Properties LP shall not invest in or acquire interests in general partnerships or limited partnerships unless:

(i) the partnership is formed and operated solely for the purpose of acquiring, holding, maintaining, improving, leasing or managing a particular real property or properties or interests therein that is capital property of the partnership for the purposes of the Tax Act;

(ii) Dundee Properties LP's interest in the partnership, and the partnership's interest in the particular real property or properties, is not subject to any restriction on transfer other than a right of first refusal or right of first offer, if any, in favour of any other partner or any affiliate thereof;

(iii) Dundee Properties LP has a right of first offer or right of first refusal to buy the interests of the other partners;

(iv) the partnership agreement provides an appropriate buy-sell mechanism to enable Dundee Properties LP to cause the other partners to purchase Dundee Properties LP's interest or to sell their interests to Dundee Properties LP; and

(v) Dundee Properties LP has received a legal opinion to the effect that the investment does not contravene (a) above,

provided that, notwithstanding the foregoing, Dundee Properties LP may from time to time enter into any general partnership or limited partnership arrangement which does not comply with any of subparagraphs (ii), (iii) or (iv) above if Properties General Partner determines that the investment is desirable for Dundee Properties LP and is otherwise in compliance with the investment guidelines and the operating policies established in accordance with the Properties Limited Partnership Agreement and in effect at such time;

(i) Dundee Properties LP shall not invest in or acquire securities of a Canadian real estate investment trust unless:

(i) the activities of the real estate investment trust are focused on acquiring, holding, maintaining, improving, leasing or managing primarily commercial revenue producing properties; and

(ii) in the case of any proposed investment or acquisition which would result in Dundee Properties LP owning beneficially more than 10% of the outstanding units of such real estate investment trust (the ''acquired trust''), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of Dundee Properties LP and the acquired trust or for otherwise ensuring that Dundee Properties LP will control the business and operations of the acquired trust;

(j) Dundee Properties LP shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(k) Dundee Properties LP will invest in a mortgage or mortgage bonds (including participating or convertible mortgages) only where:

(i) the real property which is security therefor is income producing real property which otherwise meets the investment guidelines of Dundee Properties LP;

(ii) the mortgage is a first mortgage registered on title to the real property which is security therefor;

(iii) the amount of the mortgage loan is not in excess of 75% of the appraised value of the property securing the mortgage; and

(iv) the aggregate value of the investments of Dundee Properties LP in mortgages, after giving effect to the proposed investment, will not exceed 10% of the Adjusted Unitholders' Equity of Dundee REIT;

provided that, notwithstanding the foregoing, Dundee Properties LP may invest in mortgages if the sole intention is to use the acquisition of the mortgages as a method of acquiring control of a revenue producing real property which would otherwise meet the investment guidelines of Dundee Properties LP and provided that the aggregate value of the investments of Dundee Properties LP in these mortgages will not exceed 10% of the Adjusted Unitholders' Equity of Dundee REIT and provided that Dundee Properties LP has an option to acquire a 100% interest in the subject property or properties;

(l) Dundee Properties LP shall not invest in raw land (except for the acquisition of properties adjacent to existing properties of Dundee Properties LP for the purpose of renovation or expansion of existing facilities where the total cost of all such investments does not exceed 5% of the Adjusted Unitholders' Equity of Dundee REIT);

(m) Dundee Properties LP may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by Dundee REIT and secured by a mortgage on such property) up to 10% of the Adjusted Unitholders' Equity of Dundee REIT in investments or transactions which do not comply with the investment guidelines of Dundee Properties LP, so long as the investment does not contravene (a) above;

(n) Subject to the qualifications in (e) above, Dundee Properties LP shall only invest in revenue producing properties located within Canada and the United States; and

(o) Dundee Properties LP shall not invest in hotels or buildings with unsold residential condominium units except in cases where Dundee Properties LP is buying the entire condominium building.

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a subsidiary wholly-owned by Dundee Properties LP will be deemed to be those of Dundee Properties LP on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement that holds real property.

Pursuant to the Properties Limited Partnership Agreement, no amendment to the investment guidelines set forth above or operating policies set forth under ''Operating Policies of Dundee Properties LP'' or any other material change to such agreement may be made without the approval of 66⅔% of the votes cast by the limited partners entitled to vote at a meeting called for such purpose or the written approval of holders holding more than 66⅔% of the outstanding limited partnership units entitled to vote and, pursuant to the Operating Trust Declarations, Trust A and Trust B, as the case may be, shall not approve of any amendment to such investment guidelines or operating policies or any other material change to the Properties Limited Partnership Agreement without the approval of 66⅔% of its unitholders.

The Declaration of Trust provides that Dundee REIT will not agree to or approve any material change to the Properties Limited Partnership Agreement without the approval of at least 66⅔% of the votes cast at a meeting of unitholders of Dundee REIT called for such purpose.

Operating Policies of Dundee REIT

The Declaration of Trust provides that our operations and affairs must be conducted in accordance with the following operating policies and that we will not permit any subsidiary to conduct its operations and affairs other than in accordance with the following operating policies:

(a) (i) any written instrument creating an obligation which is or includes the granting by Dundee REIT of a mortgage; or

(ii) to the extent our trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the unitholders, any written instrument which in the judgment of our trustees is a material obligation;

must, in each case, contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of any of the trustees, unitholders, annuitants or beneficiaries under a plan of which a unitholder acts as a trustee or carrier or officers, employees or agents of Dundee REIT, but that only property of Dundee REIT or a specific portion thereof will be bound;

(b) Dundee REIT will not underwrite, sell or market, or participate in the underwriting, selling or marketing of securities other than REIT Units and other securities of Dundee REIT; and

(c) Dundee REIT will only guarantee the obligations of its wholly-owned subsidiaries (other than Properties General Partner or any other wholly-owned subsidiaries of Dundee REIT that are general partners in partnerships that are not wholly-owned by Dundee REIT), provided that Dundee REIT may guarantee the obligations of Dundee Properties LP or Properties General Partner, and any other wholly-owned subsidiaries of Dundee REIT that are general partners in partnerships that are not wholly-owned by Dundee REIT if Dundee REIT has received an unqualified legal opinion that Dundee REIT's guarantee of the obligations of Dundee Properties LP or Properties General Partner and any other wholly-owned subsidiaries of Dundee REIT that are general partners in partnerships that are not wholly-owned by Dundee REIT, as the case may be, will not cause Dundee REIT to cease to qualify as a ''mutual fund trust'' for the purposes of the Tax Act.

Pursuant to the Declaration of Trust, the operating policies set forth above may only be amended with the approval of a majority of the votes cast at a meeting of unitholders of Dundee REIT called for that purpose.

Operating Policies of Dundee Properties LP

The Properties Limited Partnership Agreement provides that the operations and affairs of Dundee Properties LP must be conducted in accordance with the following operating policies and that Dundee Properties LP will not permit any subsidiary to conduct its operations and affairs other than in accordance with the following operating policies:

(a) Dundee Properties LP will not lease or sublease to any person any real property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market rental in excess of 15% of the Adjusted Unitholders' Equity of Dundee REIT; provided, however, that this limitation will not apply to the renewal of a lease or sublease existing on the effective date of the Reorganization;

(b) Dundee Properties LP shall not enter into any transaction involving the purchase of lands or land and improvements thereon and the leasing thereof back to the vendor where the fair market value net of encumbrances of the property being leased to the vendor together with all other property being leased by Dundee Properties LP to the vendor and its affiliates is in excess of 15% of the Adjusted Unitholders' Equity of Dundee REIT;

(c) the limitations referred to in paragraphs (a) and (b) will not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by:

    (i) the Government of Canada, the Government of the United States, the Government of any province or territory of Canada, any state of the United States, any municipality or city in Canada or the United States, or any agency or crown corporation thereof;

    (ii) any corporation which has securities outstanding that have received and continue to hold an investment grade rating from a recognized credit rating agency at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements (as determined by Properties General Partner in its discretion) were entered into that is not less than A low or its equivalent; or

    (iii) a Canadian chartered bank or a trust company or insurance company registered or licensed federally or under the laws of a province of Canada;

(d) Dundee Properties LP may engage in construction or development of real property in order to maintain its real properties in good repair or to enhance the revenue-producing potential of the real properties in which Dundee Properties LP has an interest;

(e) title to each real property shall be held by and registered in the name of Dundee Properties LP, Properties General Partner or a corporation or other entity wholly-owned, directly or indirectly, by Dundee Properties LP or jointly-owned, directly or indirectly, by Dundee Properties LP with joint venturers; provided that where land tenure will not provide fee simple title, Dundee Properties LP, Properties General Partner or a corporation or other entity wholly-owned, directly or indirectly, by

Dundee Properties LP or jointly-owned, directly or indirectly, by Dundee Properties LP with joint venturers shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;

(f) Dundee Properties LP shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of Dundee Properties LP would be more than 65% of Gross Book Value and the total amount of indebtedness and the amount of any undrawn advances available under any operating and acquisition facility would be more than 70% of Gross Book Value unless Properties General Partner determines that the maximum amount of indebtedness shall be based on the appraised value of the real properties of Dundee Properties LP instead of Gross Book Value. For the purposes of this paragraph, the term ‘‘indebtedness’’ means (without duplication) on a consolidated basis:

(i) any obligation of Dundee Properties LP for borrowed money;

(ii) any obligation of Dundee Properties LP incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;

(iii) any obligation of Dundee Properties LP issued or assumed as the deferred purchase price of property;

(iv) any capital lease obligation of Dundee Properties LP; and

(v) any obligation of the type referred to in clauses (i) through (iv) of another person, the payment of which Dundee Properties LP has guaranteed or for which Dundee Properties LP is responsible or liable;

provided that (a) for the purposes of (i) through (iv), an obligation (other than convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of Dundee Properties LP in accordance with GAAP, (b) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable and accrued liabilities arising in the ordinary course of business; and (c) convertible debentures will constitute indebtedness to the extent of the principal amount outstanding;

(g) except with respect to indebtedness existing on the effective date of the Reorganization, at no time will Dundee Properties LP incur indebtedness aggregating more than 15% of its Gross Book Value (other than trade payables, accrued expenses, distributions payable to unitholders and all other forms of indebtedness with an original term of less than one year) at floating interest rates;

(h) except for any indebtedness existing on the effective date of the Reorganization, Dundee Properties LP will not incur any new indebtedness (otherwise than by the assumption of existing indebtedness) or renew or refinance any indebtedness under a mortgage on any of the real property of Dundee Properties LP unless, at the date of the proposed incurring of the indebtedness, the aggregate of (i) the amount of all indebtedness secured by such real property, and (ii) the amount of additional indebtedness proposed to be incurred, does not exceed 75% of the market value of such real property;

(i) except for guarantees existing on the effective date of the Reorganization, Dundee Properties LP shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness assumed or incurred under a mortgage by a subsidiary of Dundee Properties LP or other entity wholly-owned by Dundee Properties LP or jointly-owned by Dundee Properties LP with joint venturers and operated solely for the purpose of holding a particular property or properties where such mortgage, if granted by Dundee Properties LP directly, would not cause Dundee Properties LP to otherwise contravene the restrictions in the investment guidelines set out under the heading ‘‘— Investment Guidelines of Dundee Properties LP’’ and, where such mortgage is granted by a joint venture entity, subject to a joint venturer being required to give up its interest in a property owned by the joint venture entity as a result of another joint venturer's failure to honour its proportionate share of the obligations relating to such property, the liability of Dundee Properties LP is limited strictly to the proportion of the mortgage loan equal to Dundee Properties LP's proportionate ownership interest in the joint venture entity. In addition, Dundee Properties LP will not directly or indirectly guarantee any indebtedness or liabilities of any person if doing so would contravene paragraph (a) of the investment guidelines of Dundee Properties LP as set forth above under ''— Investment Guidelines of Dundee Properties LP'';

(j) except for assets acquired pursuant to the Master Asset Transfer Agreements, Dundee Properties LP will have conducted an engineering survey of each real property it intends to acquire with respect to the physical condition thereof, including required capital replacement programs;

(k) except for assets acquired pursuant to the Master Asset Transfer Agreements, Dundee Properties LP will obtain an independent appraisal of each property that it intends to acquire;

(l) except for assets acquired pursuant to the Master Asset Transfer Agreements, Dundee Properties LP will obtain and maintain at all times insurance coverage in respect of potential liabilities of Dundee Properties LP and the accidental loss of value of the assets of Dundee Properties LP from risks, in amounts, with such insurers, and on such terms as Properties General Partner considers appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and

(m) except for assets acquired pursuant to the Master Asset Transfer Agreements, Dundee Properties LP shall have conducted a Phase I environmental audit of each real property to be acquired by it, excluding properties where there is no requirement to obtain a Phase I environmental audit in order to obtain Canada Mortgage and Housing Corporation financing for the real property, and, if the Phase I environmental audit report recommends that further environmental audits be conducted, Dundee Properties LP shall have conducted such further environmental audits, in each case by an independent and experienced environmental consultant; such audit as a condition to any acquisition shall be satisfactory to Properties General Partner.

For the purpose of the foregoing policies, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which Dundee Properties LP has an interest will be deemed to be those of Dundee Properties LP on a proportionate consolidated basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement.

Pursuant to the Properties Limited Partnership Agreement, no amendment to the investment guidelines or operating policies set forth above or any other material change to such agreement may be made without the approval of $66\frac{2}{3}\%$ of the votes cast by the limited partners entitled to vote at a meeting called for such purpose or the written approval of holders holding more than $66\frac{2}{3}\%$ of the outstanding limited partnership units entitled to vote and, pursuant to the Operating Trust Declarations, Trust A and Trust B, as the case may be, shall not approve of any amendment to such investment guidelines or operating policies or any other material change to the Properties Limited Partnership Agreement without the approval of $66\frac{2}{3}\%$ of its unitholders.

The Declaration of Trust provides that Dundee REIT will not agree to or approve any material change to the Properties Limited Partnership Agreement without the approval of at least $66\frac{2}{3}\%$ of the votes cast at a meeting of unitholders of Dundee REIT called for such purpose.

DISTRIBUTION POLICY

The following outlines the distribution policy of Dundee REIT as contained in the 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.

General

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 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. See ''Description of Dundee Properties LP — Distributions''.

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 and Expressions 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 in each month since August 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 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 in each month since August 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 REIT 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 REIT 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.

Tax Deferral on Distributions

We estimate that, of our distributions to Unitholders in 2004, approximately 40% will be tax deferred by reason of their characterization as non-taxable amounts, but will result in a reduction of the holder's adjusted cost base of its Units. The tax deferred portion of such distributions is dependent on the nature of the distributions received by Dundee REIT. The extent to which distributions will be tax deferred in the future will indirectly depend in part on the extent to which Dundee Properties LP and the partnerships of which it is a partner claim capital cost allowance in respect of the revenue producing properties and any other depreciable assets held by them. Accordingly, the actual amount of the tax deferral may vary from our estimates. The adjusted cost base of REIT Units held by a Unitholder will generally be reduced by the non-taxable portion of distributions made to the Unitholder other than the non-taxable portion of certain capital gains. A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's REIT Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any REIT Units. See ''Certain Canadian Federal Income Tax Considerations''.

DRIP Plan

We have a distribution reinvestment and unit purchase plan entitling holders of Units and REIT Units, Series B to reinvest all cash distributions made by us in additional Units. The price at which Units will be acquired for DRIP plan participants will be determined by Dundee REIT but will generally be a price per Unit calculated by reference to a five day weighted average closing price of the Units on the TSX preceding the relevant Distribution Date. Participants electing to reinvest cash distributions in Units pursuant to our DRIP plan will receive a further ''bonus'' distribution equal to 4% of the amount of each cash distribution that they reinvest, which further distribution will also be reinvested in Units. Participants may also make optional cash purchases of additional Units pursuant to our DRIP plan in a maximum amount of $250,000 per year. Participants in our DRIP plan will not receive a bonus distribution of Units in connection with any such optional cash purchases. Our principal investor, Dundee Bancorp, has the ability to reinvest distributions payable on its limited partnership units of Dundee Properties LP on the same economic terms as participants in our DRIP plan. We may amend, suspend or terminate the DRIP plan at any time. In connection with the distributions we paid to our unitholders from October 2003 through December 2003, including our principal investor, an average of 49.5% of the total amount of the distributions were reinvested in additional Units and limited partnership units of Dundee Properties LP.

Participation in our DRIP plan is open to holders of Units and REIT Units, Series B, other than those who are resident or present in the United States. If a participant in our DRIP plan is not resident in Canada, participation in our DRIP plan will be subject to applicable withholding tax. In those circumstances, cash that would otherwise be distributed to such participants by us on any given Distribution Date will be reduced by the amount of applicable withholding tax, and then applied towards the purchase of additional Units pursuant to our DRIP plan. No brokerage commissions will be payable in connection with the purchase of Units under the DRIP plan and all administrative costs will be borne by Dundee REIT. We will use the proceeds received upon the issuance of additional Units under the DRIP plan for future property acquisitions, capital improvements and working capital.

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

Dundee REIT has been established under the Declaration of Trust for an indeterminate term. The following is a summary, which does not purport to be complete, of certain terms of the Declaration of Trust and 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 two classes of units: REIT units and Special REIT Units. The REIT units are initially divided into and issuable in two series: Units and REIT Units, Series B. The Special REIT 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. Pursuant to the Reorganization, we issued 6,909,245 Special REIT Units to Dundee Realty and its affiliate in connection with their respective subscriptions for an aggregate of 6,909,245 LP Class B Units, Series 1. On November 5, 2003, we completed a public offering of 2.6 million Units at a price of $21.70 per Unit. See ''Recent Developments — Offering of 2.6 million Units''.

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.

Except as set out under ''— Issuance of REIT Units'' and ''— REIT Unit Redemption Right'' below, the REIT Units have no conversion, retraction, redemption or pre-emptive rights. 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 REIT Units

The Special REIT Units are not transferable separately from the LP Class B Units, Series 1 to which they relate. The Special REIT 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 REIT Units will be automatically redeemed by Dundee REIT for a nominal amount and will be immediately cancelled. Each Special REIT 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 REIT Unit relates. Accordingly, holders of Special REIT Units are currently entitled to one vote for each Special REIT Unit held at all meetings of unitholders of Dundee REIT. The Special REIT 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 REIT 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 REIT 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. See ''Description of Dundee Properties LP — Partnership Units''. We may issue Special REIT Units only in tandem with LP Class B Units, Series 1. Other than the pre-emptive rights granted to Dundee Bancorp 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 Bancorp 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 Bancorp 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 Bancorp 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 the Distribution Reinvestment Plan referred to under ''Distribution Policy — Distribution Reinvestment Plan'' or under the Exchange and Support Agreement. Dundee Bancorp 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 accompanying Special REIT Units. Dundee Bancorp 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 Bancorp will be issued to Dundee Bancorp on the same terms and conditions as issued to any other person. Any units not taken up by Dundee Bancorp may be issued to any person within three months of the date of such offer at not less than the price offered to Dundee Bancorp. Dundee Bancorp has elected not to exercise its pre-emptive right in connection with this offering.

Purchase of REIT Units

We may from time to time purchase for cancellation Units and REIT Units, Series B at a price per Unit or REIT Unit, Series B, as applicable, and on a basis determined by our trustees in accordance with applicable securities legislation and the rules and policies of any applicable stock exchange.

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 ''Declaration of Trust and Description of REIT Units — REIT Unit Redemption Right'', the term ''REIT Units'' shall exclude Special REIT 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 in 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 REIT 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.

Meetings of Unitholders

Our Declaration of Trust provides that meetings of Unitholders must be called and held for the election or removal of trustees (other than the Dundee Bancorp appointees), the appointment or removal of our auditors, the approval of amendments to our Declaration of Trust (except as described below under ''Declaration of Trust and Description of REIT Units — Amendments to the Declaration of Trust and Other Documents''), the sale of our assets as an entirety or substantially as an entirety (other than as part of an internal reorganization of our assets as approved by our trustees) and our termination. Meetings of unitholders will be called and held annually within 180 days after the end of the fiscal year for the election of our trustees (except for the Dundee Bancorp appointees) and appointment of the auditors of Dundee REIT, the Operating Trusts and Dundee Properties LP.

Our trustees have the power at any time to call special meetings of unitholders at such time and place in Canada as our trustees determine. Unitholders holding in the aggregate not less than 5% of the votes attaching to all outstanding REIT Units (on a fully diluted basis) may requisition our trustees in writing to call a special meeting of Unitholders and our trustees shall, subject to certain limitations, call a meeting of unitholders. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the *Canada Business Corporations Act*.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder need not be a unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attaching to all outstanding REIT Units (on a fully diluted basis) shall constitute a quorum for the transaction of business at all such meetings. In the case of a meeting of the holders of a series of REIT Units, a quorum shall consist of unitholders who hold in the aggregate at least 10% of the votes attaching to all outstanding REIT Units of such series. If no quorum is present at any meeting of unitholders when called, the meeting, if convened on the requisition of unitholders, will be dissolved and otherwise will be adjourned for not less than 10 days, and at the adjourned meeting, the unitholders then present in person or represented by proxy will form the necessary quorum.

Our Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of unitholders.

Limitation on Non-Resident Ownership

In order for Dundee REIT to maintain its status as a mutual fund trust under the Tax Act, it must not be established or maintained primarily for the benefit of Non-Residents. Accordingly, our Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49% of the REIT Units (other than the Special REIT Units) or 49% of the Special REIT Units then outstanding. Our trustees may require declarations as to the jurisdictions in which beneficial owners of REIT Units are resident or declarations from unitholders as to whether such REIT Units are held for the benefit of Non-Residents.

If our trustees become aware that the beneficial owners of more than 49% of the REIT Units (other than the Special REIT Units) or more than 49% of the Special REIT Units then outstanding are, or may be, Non-Residents or that such a situation is imminent, our trustees may make a public announcement thereof and shall not accept a subscription for REIT Units from or issue or register a transfer of REIT Units to a person unless the person provides a declaration that he or she is not a Non-Resident and does not hold his or her REIT Units for the benefit of a Non-Resident. If, notwithstanding the foregoing, our trustees determine that more than 49% of the REIT Units (other than the Special REIT Units) or more than 49% of the Special REIT Units then outstanding are beneficially owned by Non-Residents, our trustees may send a notice to Non-Resident holders of REIT Units and holders of REIT Units for the benefit of Non-Residents, chosen in inverse order to the order of acquisition or registration or in such other manner as our trustees may consider equitable and practicable, requiring them to sell or redeem, within a specified period of not more than 60 days, all or a portion of their REIT Units. If the holders of REIT Units receiving such notice have not sold or redeemed the specified number of REIT Units or provided our trustees with satisfactory evidence that they are not Non-Residents and do not hold their REIT Units for the benefit of a Non-Resident within such period, our trustees may, on behalf of such holder of REIT Units, and shall have the power of attorney of such holder to, sell or redeem such REIT Units, and, in the interim, the voting and distribution rights attached to such REIT Units shall be suspended. Upon such sale or redemption, the affected holders shall cease to be holders of the REIT Units and their rights shall be limited to receiving the net proceeds of such sale upon surrender of the certificates representing such REIT Units.

Amendments to the Declaration of Trust and Other Documents

Our Declaration of Trust may be amended or altered from time to time. Certain amendments (including our termination) require approval by at least 66⅔% of the votes cast at a meeting of unitholders called for such purpose. Other amendments to our Declaration of Trust require approval by a majority of the votes cast at a meeting of the unitholders called for such purpose.

The following amendments require the approval of at least 66⅔% of the votes cast by the unitholders at a meeting called for that purpose:

(a) an exchange, reclassification or cancellation of all or part of the REIT Units;

(b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the REIT Units, including, without limiting the generality of the foregoing,

  (i) the removal or change of rights to distributions; or

  (ii) the addition or removal of or change to conversion privileges, redemption privileges, voting, transfer or pre-emptive rights;

(c) the creation of new rights or privileges attaching to certain of the REIT Units; and

(d) any change to the existing constraints on the issue, transfer or ownership of the REIT Units.

In addition, the Declaration of Trust provides that Dundee REIT will not agree to or approve any material change to the Properties Limited Partnership Agreement, the Operating Trust Declarations or the Exchange and Support Agreement without the approval of at least 66⅔% of the votes cast at a meeting of unitholders of Dundee REIT called for such purpose. However, no Unitholder approval will be required to approve any change to the Properties Limited Partnership Agreement for the purposes of providing a distribution reinvestment entitlement to holders of LP Class B Units, Series 1 that is substantially equivalent to that provided by the DRIP plan to holders of Units.

A majority of our trustees, including a majority of the Independent Trustees, may, without the approval of the unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over (i) our trustees or Dundee REIT; (ii) the status of Dundee REIT as a ‘‘mutual fund trust’’, ‘‘unit trust’’ and a ‘‘registered investment’’ under the Tax Act; or (iii) the distribution of REIT Units;

(b) which, in the opinion of our trustees, acting reasonably, are necessary to maintain the rights of the unitholders set out in our Declaration of Trust;

(c) to remove any conflicts or inconsistencies in our Declaration of Trust or to make minor corrections which are, in the opinion of our trustees, necessary or desirable and not prejudicial to the unitholders;

(d) which, in the opinion of our trustees, are necessary or desirable as a result of changes in taxation or other laws;

(e) for any purpose (except one in respect of which a unitholder vote is specifically otherwise required) which, in the opinion of our trustees, is not prejudicial to unitholders and is necessary or desirable;

(f) deemed necessary or desirable to ensure that Dundee REIT has not been established nor maintained primarily for the benefit of persons who are not resident Canadians; and

(g) to implement a distribution reinvestment plan or any amendments to such plan.

Effect of Termination

Upon our termination, our liabilities shall be discharged forthwith, our net assets shall be liquidated and the proceeds of such liquidation shall be distributed to our unitholders. Such distribution may be made in cash, as a distribution in kind, or both, all as our trustees in their sole discretion may determine. Subject to applicable law, each holder of a Unit will be entitled to receive an amount per Unit equal to the holder's *pro rata* share of our assets derived from Trust A. Each holder of a REIT Unit, Series B will be entitled to receive an amount per REIT Unit, Series B equal to the holder's *pro rata* share of our assets derived from Trust B. Each holder of a Special REIT Unit will be entitled to receive a nominal amount upon liquidation. On our termination, our trustees will be required to take all reasonable steps to ensure that the amount and timing of any distribution in respect of each Unit and REIT Unit, Series B are the same.

Pursuant to our Declaration of Trust, the termination of Dundee REIT, other than on the expiry of its term, requires approval by at least 66⅔% of the votes cast at a meeting of the unitholders called for that purpose.

Take-Over Bids

Our Declaration of Trust contains provisions to the effect that if a take-over bid, as defined under the *Securities Act* (Ontario), is made for the REIT Units and not less than 90% of the REIT Units (including REIT Units issuable upon the surrender or exchange of any securities for REIT Units but not including any REIT Units held at the date of the take-over bid by or on behalf of the offeror or affiliates and associates of the offeror) have been or are legally required to be taken up and paid for by the offeror, the offeror will be entitled to acquire the REIT Units held by the remaining unitholders who did not accept the take-over bid by requiring such Unitholders to elect (a) to transfer their REIT Units to the offeror on the terms on which the offeror acquired the REIT Units of the offerees who accepted the take-over bid or (b) to demand payment of the fair value of the REIT Units.

In addition, as required by the TSX, holders of Units have certain protections in the event a take-over bid is made for LP Class B Units, Series 1 and/or REIT Units, Series B held by Dundee Bancorp and its affiliates. These protections are contained in our Declaration of Trust and the Properties Limited Partnership Agreement. They provide that, for the purposes of the take-over bid provisions of the *Securities Act* (Ontario), an acquisition of LP Class B Units, Series 1 and/or REIT Units, Series B (other than a treasury issuance) by a person other than Dundee Bancorp or any of its affiliates, or the initial holder thereof, will be considered an acquisition of Units, and, in order for any transfer of such units by any person to be effective: (a) an acquiror of such units must comply with the provisions of Part XX of the *Securities Act* (Ontario) as if such units were Units, to the extent such provisions are applicable; and (b) the transfer will be subject to the prior approval of the TSX if the transfer would, under applicable securities legislation, have required the same offer or a follow-up offer to be made to holders of Units if the transfer had been of Units rather than LP Class B Units, Series 1 or REIT Units, Series B.

The terms of our Declaration of Trust and the Properties Limited Partnership Agreement would permit sales by Dundee Bancorp and/or its affiliates to be made on a basis which is exempt from the take-over bid rules as, in such circumstances, the protections referred to in the preceding paragraph would not be available under applicable legislation.

Information and Reports

We will furnish, in accordance with and subject to applicable securities legislation, to unitholders our consolidated financial statements (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each annual or any special meeting of Unitholders, our trustees will provide the unitholders (along with notice of such meeting) all such information as is required by applicable law and our Declaration of Trust to be provided to such holders.

DESCRIPTION OF THE OPERATING TRUSTS

General

Trust A is an unincorporated open-ended trust established under the laws of the Province of Ontario pursuant to the Trust A Declaration of Trust. The trustees of each of Trust A and Trust B are Michael Cooper and Jeff Barnes. Trust A qualifies as a ''unit trust'' pursuant to the Tax Act on the basis that its units are redeemable on demand by the holder thereof. Trust A is a limited purpose trust and its activities are restricted to, among other things, (i) investing in cash and securities, including those issued by Dundee Properties LP; (ii) issuing Trust A Units; (iii) issuing debt securities, including the series 1 notes and series 2 notes of Trust A; (iv) redeeming Trust A Units; (v) guaranteeing the obligations of its subsidiaries pursuant to any good faith debt for borrowed money incurred by such subsidiary and pledging securities held by Trust A as security for such guarantee; and (vi) satisfying its obligations, liabilities or other indebtedness. Trust A may also carry on such other activities as may be reasonably incidental to the foregoing or necessary in connection with the performance by the trustees of Trust A of their obligations under any agreement to which they are or may become a party for such purposes or in connection with such activities.

The Operating Trust Declarations contain provisions that are substantially similar to those contained in our Declaration of Trust. As the Trust A Declaration of Trust and the Trust B Declaration of Trust are substantially identical, the information in this section entitled ''Description of the Operating Trusts'' refers only to information concerning Trust A. Accordingly, for information concerning Trust B, references in this section to Trust A, Units or LP Class A Units should generally be read as references to Trust B, REIT Units, Series B and LP Class B Units, Series 2, respectively.

Some of the principal differences between the Trust A Declaration of Trust and our Declaration of Trust are set out below.

Investment Guidelines

The Trust A Declaration of Trust states that the assets of Trust A shall only be invested in LP Class A Units, debt of Dundee Properties LP, amounts receivable in respect of such LP Class A Units and debt, cash or deposits of a Canadian chartered bank or trust company. The Trust A Declaration of Trust also provides that Trust A shall not make or permit a subsidiary to make any investment that would result in:

(a) the REIT Units being disqualified for investment by Plans or RESPs;

(b) the REIT Units being foreign property for the purpose of the Tax Act for any Plans;

(c) Dundee REIT being liable under the Tax Act to pay a tax imposed under Part XI of the Tax Act; or

(d) Dundee REIT ceasing to qualify as a ''mutual fund trust'' or ''registered investment'' and Trust A ceasing to qualify as a ''unit trust'', each within the meaning of the Tax Act.

Operating Policies

The Trust A Declaration of Trust provides that the operations and affairs of Trust A will be conducted in accordance with the following policies and that Trust A will not permit any subsidiary to conduct its operations and affairs other than in accordance with the following policies:

(a) (i) any written instrument creating an obligation which is or includes the granting by Dundee REIT of a mortgage; or

(ii) to the extent the trustees of Trust A determine to be practicable and consistent with their fiduciary duty to act in the best interests of Trust A unitholders, any written instrument which in the judgment of the trustees of Trust A is a material obligation;

must, in each case, contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of any of the trustees of Trust A, unitholders, annuitants or beneficiaries under a plan of which a unitholder acts as a trustee or carrier or officers, employees or agents of Trust A but that only property of Trust A or a specific portion thereof will be bound; and

(b) Trust A shall not underwrite, sell or market, or participate in the underwriting, selling or marketing of securities other than Trust A Units and other securities of Trust A.

Amendments to Trust A Declaration of Trust

Pursuant to the Trust A Declaration of Trust, the trustees of Trust A are prohibited from making any amendment to any of the investment guidelines or operating policies set forth above or any other material change to the Trust A Declaration of Trust without the approval of at least 66⅔% of the unitholders of Trust A.

Redemption Right

The Trust A Declaration of Trust provides that the Trust A Units will be redeemable at any time on demand by the holders thereof upon delivery to Trust A of a duly completed and properly executed notice requiring Trust A to redeem the Trust A Units, in a form reasonably acceptable to the trustees of Trust A, together with the certificates representing the Trust A Units to be redeemed and written instructions as to the number of Trust A Units to be redeemed. Upon tender of the Trust A Units by a holder thereof for redemption, the holder of the Trust A Units tendered for redemption will no longer have any rights with respect to such Trust A Units (other than the right to receive the redemption price for such Trust A Units) including the right to receive distributions thereon which are declared payable to unitholders of record on a date which is subsequent to the day of receipt by Trust A of the redemption notice. The redemption price for each of the Trust A Units tendered for redemption will be equal to:

$$\frac{(A \times B) - C}{D}$$

Where:

A = the redemption price per Unit calculated as of the close of business on the date the Trust A Units were so tendered for redemption by a holder thereof;

B = the aggregate number of Units outstanding as of the close of business on the date the Trust A Units were so tendered for redemption by a holder thereof;

C = (i) the aggregate unpaid principal amount and accrued interest thereon of the Trust A Notes held by or owed to Dundee REIT and the fair market value of any other assets or investments held by Dundee REIT reasonably considered to be attributable to and derived from Trust A (other than Trust A Units) as of the close of business on the date the Trust A Units were so tendered for redemption by a holder thereof minus (ii) the aggregate unpaid principal of any indebtedness and any accrued liabilities owed by Dundee REIT reasonably considered to be attributable to Trust A; and

D = the aggregate number of Trust A Units outstanding held by Dundee REIT as of the close of business on the date the Trust A Units were so tendered for redemption by a holder thereof.

The trustees of Trust A will also be entitled to call for redemption, at any time, all or part of the outstanding Trust A Units registered in the name of Dundee REIT or any other holder of Trust A Units at the same redemption price as described above for each Trust A Unit called for redemption calculated with reference to the date the trustees of Trust A approved the redemption of the Trust A Units.

The aggregate redemption price payable by Trust A in respect of any Trust A Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of the trustees of Trust A, in immediately available funds by cheque or by such other manner of payment approved by the trustees of Trust A from time to time.

In certain circumstances, Trust A may satisfy the redemption price in respect of the Trust A Units by issuing series 2 notes of Trust A.

Cash Distributions

Trust A will distribute to Dundee REIT, to the extent possible, and Dundee REIT will have the right to receive, not less than one-twelfth of the distributable income of Trust A on an annualized basis, based on the estimated distributable income of Trust A for the calendar year. Such distributions will be made on or about the tenth day following each calendar month end and are intended to be received by Dundee REIT prior to its related cash distribution to Unitholders. If the trustees of Trust A determine that it would be in the best interests of Trust A, and provided that it would not cause Dundee REIT to be subject to tax under Part XI of the Tax Act, they may reduce for any period the percentage of distributable income to be distributed to Dundee REIT and may choose to repay principal on the series 1 notes of Trust A in lieu of making distributions. In addition, on December 31 of each year, Trust A will make payable to its unitholder, and its unitholder 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 Trust A 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 10th.

Notwithstanding the foregoing, if the trustees of Trust A determine that Trust A does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Trust A Units and series 1 notes, if necessary, having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the trustees of Trust A to be available for the payment of such distribution such that the issuance will not result in Dundee REIT being liable for Part XI tax under the Tax Act. The value of each Trust A Unit so issued will be the redemption price thereof.

Operating Trust Notes

The Trust A Notes issuable by Trust A will be issuable in series in Canadian currency. The Trust A Notes will be issuable in denominations of $100 and integral multiples of $100. All of the Operating Trust Notes are owned by Dundee REIT. No fractional Trust A Notes will be issued and where the number of Trust A Notes to be received by a noteholder includes a fraction, such number shall be rounded to the next lowest $100 denomination.

Series 1 notes of Trust A will be issued to Dundee REIT. Series 2 notes will be reserved by Trust A to be issued exclusively as full or partial payment of the redemption price of the series 1 notes of Trust A and the Trust A Units.

Interest and Maturity

Series 1 notes of Trust A issued to Dundee REIT in connection with the Reorganization are payable on demand, but have a maximum term of ten years, less a day. Such notes bear interest at a rate of 5% per annum. Each series 2 note of Trust A will have a term not to exceed 10 years less a day from the date of its issue and will bear interest at a market rate to be determined by the trustees of Trust A, at the time of issuance thereof, payable on the 30th day of each calendar month that each series 2 note is outstanding.

Payment on Maturity

On maturity, Trust A will repay its series 2 notes by paying to the Trust A Note Trustee under the Trust A Note Indenture, in cash, an amount equal to the principal amount of the outstanding series 2 notes of Trust A which have then matured, together with accrued and unpaid interest thereon.

Redemption

The series 2 notes of Trust A will be redeemable at the option of Trust A prior to maturity.

Subordination/Security

Payment of the principal amount and interest on the series 2 notes of Trust A will be subordinated in right of payment to the prior payment in full of the principal of, and accrued and unpaid interest on, all other amounts owing in respect of all senior indebtedness, which is defined as all indebtedness, liabilities and obligations of Trust A which, by the terms of the instrument creating or evidencing the same, is expressed to rank in right of payment in priority to the indebtedness evidenced by the Trust A Note Indenture. The Trust A Note Indenture provides that upon any distribution of the assets of Trust A in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to Trust A, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the series 2 notes of Trust A are entitled to receive any payment.

Default

The Trust A Note Indenture provides that any of the following shall constitute an event of default:

(a) default in payment of the principal of any of the series 2 notes of Trust A when the same becomes due and the continuation of such default for a period of ten Business Days;

(b) default in payment of any interest due on any of the series 2 notes of Trust A and continuation of such default for a period of ten Business Days;

(c) default in the performance or breach of any other covenant or agreement of the Trust A Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Trust A Note Trustee specifying such default and requiring Trust A to rectify the same;

(d) default with respect to any issue or issues of indebtedness of Trust A having an outstanding principal amount of $1 million or more that has caused the holder thereof to declare such indebtedness to be due and payable prior to its maturity and such indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled within 30 days of such acceleration; or

(e) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to Trust A. The provisions governing an event of default under the Trust A Note Indenture and remedies available thereunder do not provide protection to the holders of series 2 notes of Trust A which would be comparable to the provisions generally found in debt securities issued to the public.

Subordination Agreements

Pursuant to the terms of the Trust A Note Indenture, the Trust A Note Trustee may enter into subordination agreements with the holders of certain senior indebtedness under which the Trust A Note Trustee, on behalf of the holders of series 2 notes of Trust A, may agree directly with a holder of senior indebtedness in implementation of and/or in addition to the subordination terms described under ''Subordination/Security'' above. The Trust A Note Trustee may give a holder of senior indebtedness a power of attorney to be exercised in any creditor proceedings to enforce the terms thereof. The Trust A Note Trustee may also agree to ensure any transferee of series 2 notes of Trust A (or other securities of Trust A) agrees to be bound by the provisions of the subordination agreements.

DESCRIPTION OF DUNDEE PROPERTIES LP

General

Dundee Properties LP is a limited partnership formed under the laws of the Province of Ontario. Dundee Properties LP holds all of the direct and indirect interests in the Properties.

Properties General Partner

Properties General Partner is the general partner of Dundee Properties LP. Properties General Partner is a wholly-owned subsidiary of Dundee REIT. Michael J. Cooper, Jeff B. Barnes, J. Michael Knowlton and Ned Goodman are currently the directors of Properties General Partner. Pursuant to the Governance Agreement, Dundee Bancorp will have the right to have one nominee appointed as a director of Properties General Partner. A majority of the directors of Properties General Partner cannot be the same individuals as our trustees.

Partnership Units

Dundee Properties LP is authorized to issue an unlimited number of two classes of limited partnership units, the LP Class A Units and the LP Class B Units, and such other classes of partnership interests as Properties General Partner may decide from time to time. The LP Class B Units will be issuable in two series: LP Class B Units, Series 1 and LP Class B Units, Series 2. Trust A holds the LP Class A Units, Dundee Realty and an affiliate thereof holds the LP Class B Units, Series 1 and Trust B holds one LP Class B Unit, Series 2.

The LP Class B Units, Series 1, together with the accompanying Special REIT Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Units and REIT Units, Series B. In particular, subject to certain limitations contained in the Properties Limited Partnership Agreement and the Exchange and Support Agreement, each LP Class B Unit, Series 1 entitles the holder thereof to receive a distribution from Dundee Properties LP equal to the amount of a distribution we declare on a REIT Unit, Series B, or, if no such distribution is declared, on a Unit. Additional principal terms of the LP Class B Units, Series 1 are as follows: (i) the LP Class B Units, Series 1 may be surrendered or, if such surrender cannot be effected, indirectly exchanged, on a one-for-one basis (subject to customary anti-dilution provisions) for REIT Units, Series B at the option of the holder, at any time unless our trustees determine, acting reasonably this would cause a significant risk to Dundee REIT's status as a ''unit trust'', ''mutual fund trust'' or ''registered investment'' under the Tax Act; (ii) each LP Class B Unit, Series 1 will be accompanied by a Special REIT Unit which will entitle the holder thereof to receive notice of, to attend and to vote at all meetings of Unitholders (except in respect of LP Class B Units, Series 1 previously surrendered or exchanged); and (iii) except as required by law and in certain specified circumstances where the rights of a holder of LP Class B Units, Series 1 are affected, holders of the LP Class B Units, Series 1 are not entitled to vote at any meeting of the limited partners of Dundee Properties LP.

Pursuant to the Declaration of Trust and the Exchange and Support Agreement, if an offer, issuer bid, take-over bid or similar transaction with respect to the Units and/or the REIT Units, Series B is proposed by us or is proposed to us or holders of Units and/or REIT Units, Series B and is recommended by our trustees, or is otherwise effected or to be effected with the consent or approval of our trustees, and the LP Class B Units, Series 1 are not acquired by Dundee Properties LP or exchanged for REIT Units, Series B, Dundee REIT will, expeditiously and in good faith, take all such actions and do all such things as are necessary or desirable to enable and permit holders of those LP Class B Units, Series 1 to participate in such offer to the same extent and on an economically equivalent basis as the holders of Units and/or REIT Units, Series B, without discrimination. Without limiting the generality of the foregoing, Dundee REIT will, expeditiously and in good faith, ensure that holders of LP Class B Units, Series 1 may participate in all such offers without being required to surrender such units for withdrawal or exercise their right to exchange such units (or, if so required, to ensure that any such surrender or exchange will be effective only upon, and will be conditional upon, the closing of the offer and only to the extent necessary to tender to or deposit under the offer). In the case of offers, issuer bids, take-over bids or similar transactions which are not effected or to be effected with the consent or approval of our trustees, Dundee REIT will take such actions only to the extent possible in the circumstances.

Pursuant to the Reorganization, Dundee Realty and its affiliate subscribed for 6,909,245 LP Class B Units, Series 1 of Dundee Properties LP. The LP Class B Units, Series 1 may also be issued in respect of other acquisitions made by Dundee Properties LP from time to time, with the consent of all of the holders of LP Class B Units, Series 1.

The LP Class B Units, Series 2 have terms similar to those attached to the LP Class B Units, Series 1, except that the holders of LP Class B Units, Series 2 (i) are not entitled to receive REIT Units, Series B in the event of a full or partial surrender of the LP Class B Units, Series 2 or upon the liquidation, dissolution or winding up of Dundee Properties LP; (ii) are not entitled to elect to reinvest the cash distributions payable on the LP Class B Units, Series 2 in additional LP Class B Units, Series 2 or to elect to receive a loan from Dundee Properties LP in an amount equal to the cash distributions payable on the LP Class B Units, Series 2; and (iii) are entitled to receive notice of, to attend and vote at all meetings of the partners of Dundee Properties LP, but will not be entitled to receive notice of, to attend or vote at meetings of the unitholders. Trust B currently holds one outstanding LP Class B Unit, Series 2.

The LP Class A Units have terms substantially similar to those attached to the LP Class B Units, Series 2. Trust A owns all of the issued and outstanding LP Class A Units.

Sale of REIT Units, Series B

The Exchange and Support Agreement provides holders of LP Class B Units, Series 1 with the right to require us to prepare a prospectus to qualify for distribution to the public the REIT Units, Series B acquired upon the surrender or exchange of LP Class B Units, Series 1. Such holder may exercise this right once per year, and five times in total. Pursuant to the Exchange and Support Agreement, if we propose to qualify for distribution any REIT Units under applicable securities legislation, a holder of LP Class B Units, Series 1 or REIT Units, Series B may request that we use commercially reasonable efforts to also qualify such holder's REIT Units, Series B, unless the underwriters or agents for such offering determine that including such units in the offering would materially adversely affect our offering. We will bear all expenses related to such prospectus distributions except for underwriters' fees attributable to the REIT Units, Series B sold by the holder of LP Class B Units, Series 1 or REIT Units, Series B, which shall be borne by such holder.

Amendments to Properties Limited Partnership Agreement

Pursuant to the Properties Limited Partnership Agreement, no amendment to the investment guidelines or operating policies set forth above or any other material change to such agreement may be made without the approval of $66\frac{2}{3}\%$ of the votes cast by the limited partners entitled to vote at a meeting called for such purpose or the written approval of holders holding more than $66\frac{2}{3}\%$ of the outstanding limited partnership units entitled to vote and, pursuant to the Operating Trust Declarations, Trust A and Trust B, as the case may be, shall not approve of any amendment to such investment guidelines or operating policies or any other material change to the Properties Limited Partnership Agreement without the approval of $66\frac{2}{3}\%$ of its unitholders.

Distributions

Dundee Properties LP will distribute to Properties General Partner and to the limited partners holding LP Class A Units and LP Class B Units their *pro rata* portions of distributable income as set out below. Distributions will be made forthwith after Properties General Partner determines the distributable income of Dundee Properties LP and determines its expenses for acting as general partner, which shall take place no later than the 10th day of each month. Distributable income will represent, in general, all of Dundee Properties LP's cash on hand that is derived from any source (other than amounts received in connection with the subscription for additional interests in Dundee Properties LP) and that is determined by Properties General Partner not to be required in connection with the business of Dundee Properties LP. The amount of distributable income that will be distributed to the limited partners of Dundee Properties LP will be the amount of distributable income which remains after the distribution of (a) an amount to Properties General Partner sufficient to reimburse it for its expenses incurred in performing its duties and obligations under the Properties Limited Partnership Agreement; (b) an amount to the holders of LP Class A Units and LP Class B Units, Series 2 sufficient to allow Dundee REIT, Trust A and Trust B to pay their expenses on a timely basis; and (c) an amount to Properties General Partner equal to 0.1% of the balance of the distributable income of Dundee Properties LP remaining after the distributions in (a) and (b) have been made. However, holders of LP Class B Units, Series 1 will be entitled to receive distributions on each such unit equal to the amount of the distribution declared on each REIT Unit, Series B or, if no such distribution is declared, on each Unit. The record date and the payment date for any distribution declared on the LP Class B Units, Series 1 will be the same as those for the REIT Units, Series B or Units, as the case may be.

Our principal investor, Dundee Bancorp, as the beneficial holder of LP Class B Units, Series 1, has the right to elect to reinvest all or a portion of distributions payable on its limited partnership units of Dundee Properties LP on the same economic terms as participants in our DRIP plan. Dundee Bancorp may reinvest such distributions in LP Class B Units, Series 1, REIT Units, Series B or, subject to regulatory approval, REIT Units, Series A, or any combination thereof. If it elects to reinvest all or a portion of its distributions, Dundee Bancorp will receive a bonus distribution of 4% of the amount elected to be reinvested, which bonus distribution will be reinvested in the units that Dundee Bancorp elects to receive.

Allocation of Net Income and Losses

Dundee Properties LP's income or loss for tax purposes for a fiscal year will be allocated to Properties General Partner and to each person who was a limited partner of Dundee Properties LP in that year in the manner provided below. At the end of each fiscal year, Properties General Partner will be allocated taxable income of Dundee Properties LP, as determined in accordance with the Tax Act, in an amount equal to the aggregate of (i) all of the amounts paid to Properties General Partner as reimbursement for its expenses in performing its duties and obligations under Properties Limited Partnership Agreement and (ii) all distributions from Dundee Properties LP that it has received during that year. After giving effect to the allocation of taxable income to Properties General Partner, each person who was a limited partner of Dundee Properties LP at any point during that year will be allocated taxable income or losses of Dundee Properties LP, as determined in accordance with the Tax Act, in an amount based on the total sum of the cash distributions received by that limited partner with respect to that fiscal year. However, if, with respect to a given fiscal year, no cash distribution is made by Dundee Properties LP to its limited partners, or Dundee Properties LP has a loss for tax purposes, the income or loss, as the case may be, for tax purposes of Dundee Properties LP for that fiscal year will be allocated to each person who was a limited partner at anytime in such fiscal year in the proportion determined by Properties General Partner.

Functions and Powers of Properties General Partner

Subject to the provisions of the Properties Limited Partnership Agreement, Properties General Partner is authorized to carry out the business of Dundee Properties LP with the full power and exclusive authority to administer, manage, control and operate the operations and affairs of Dundee Properties LP and the business of Dundee Properties LP and to bind Dundee Properties LP. In addition, Properties General Partner has all of the power and authority for and on behalf of Dundee Properties LP to do or cause to be done any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document on behalf of Dundee Properties LP permitted by the Properties Limited Partnership Agreement and involving matters or transactions which are necessary for or incidental to carrying on the business of Dundee Properties LP. Properties General Partner is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Dundee Properties LP and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and as would the director of a corporation in comparable circumstances. Properties General Partner is not entitled to dissolve Dundee Properties LP, wind up its affairs or effect a sale of all or substantially all of Dundee Properties LP's assets except in accordance with the provisions of the Properties Limited Partnership Agreement.

The Properties Limited Partnership Agreement provides that all material transactions and agreements involving Dundee Properties LP must be approved by Properties General Partner's board of directors.

Restrictions on the Authority of Properties General Partner

The authority of Properties General Partner is limited in certain respects by the Limited Partnership Agreement. For example, Properties General Partner is prohibited, without the prior approval of the limited partners given by special resolution, from selling or otherwise disposing of all or substantially all of the assets of Dundee Properties LP.

Reimbursement of Properties General Partner

Dundee Properties LP will reimburse Properties General Partner for all expenses incurred by Properties General Partner in the performance of its duties as general partner under the Properties Limited Partnership Agreement on behalf of Dundee Properties LP.

Limited Liability

Properties General Partner will operate and carry on the business of Dundee Properties LP and conduct the affairs of Dundee Properties LP in a manner so as to ensure to the greatest extent possible the limited liability of its limited partners. However, limited partners may lose their limited liability in certain circumstances.

Management

Our senior officers are also senior officers of Properties General Partner, being Michael J. Cooper, President and Chief Executive Officer; Jeff B. Barnes, Executive Vice-President and Chief Financial Officer; J. Michael Knowlton, Executive Vice-President and Chief Operating Officer; and P. Jane Gavan, Executive Vice-President and General Counsel.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the ''Underwriting Agreement'') dated January 19, 2004 with TD Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Dundee Securities Corporation, National Bank Financial Inc. and CIBC World Markets Inc. (collectively, the ''Underwriters''), Dundee REIT has agreed to sell and the Underwriters have severally agreed to purchase, subject to the terms and conditions contained in the Underwriting Agreement, on February 19, 2004 or on such other date as may be agreed between Dundee REIT and the Underwriters but, in any event, not later than February 26, 2004, a total of 4,125,000 Units at a price of $24.25 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 $4,001,250 in respect of all of the Units offered or $0.97 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 412,000 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 $0.97 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.

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.

Pursuant to the policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, 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 the by-laws and rules of the TSX 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.

TD Securities Inc. is an affiliate of the Canadian chartered bank with which we expect to enter into the Interim Facility to provide standby financing for the acquisition of the Pauls Portfolio. If the closing of this offering occurs after the closing of the acquisition of the Pauls Portfolio, the Interim Facility will be drawn and the proceeds of this offering will be used to repay the Interim Facility. Consequently, Dundee REIT may be a connected issuer of TD Securities Inc. for the purposes of applicable Canadian securities legislation. See ‘‘Indebtedness — Interim Facility’’, ‘‘Recent Developments’’ and ‘‘Use of Proceeds’’.

Dundee Securities Corporation is an indirect, wholly-owned subsidiary of Dundee Bancorp. Dundee Realty, a subsidiary of Dundee Bancorp, together with its affiliates, holds an approximate 37% voting interest in Dundee REIT by virtue of their holdings of Special REIT Units. See ‘‘Structure of Dundee REIT’’ and ‘‘Declaration of Trust and Description of REIT Units — Special REIT Units’’. Dundee Realty is also a promoter of Dundee REIT for the purposes of applicable Canadian securities legislation. See ‘‘Promoter and Principal Unitholders’’. Accordingly, Dundee REIT is 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 the Underwriters (Dundee REIT is neither a related issuer nor a connected issuer of any of Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc. or CIBC World Markets Inc.) and Dundee REIT. 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. Neither TD Securities Inc. nor Dundee Securities Corporation will receive any benefit in connection with this offering other than as described in this prospectus.

USE OF PROCEEDS

The net proceeds from the sale of Units hereunder are estimated to be approximately $94,730,000 ($104,321,360 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 for general purposes, including for funding possible future acquisitions, including the acquisition of the Pauls Portfolio. We regularly review acquisition opportunities, although we have no commitments with respect to any acquisition, other than with respect to the Pauls Portfolio. In the event that we draw down the Interim Facility, the proceeds from this offering will be used to repay it. See ''Recent Developments'' and ''Real Estate Portfolio — Acquisition Opportunities'' and ''Indebtedness — Interim Facility''.

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 to 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 (a ''Holder''). 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 Holder that is a ''financial institution'' for purposes of the mark-to-market rules contained in the Tax Act or a ''specified financial institution'' or to 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 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 Canada Customs and Revenue Agency (''CCRA''), 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 CCRA will not change its administrative policies and assessing practices. This summary takes into account all 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 (''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 CCRA, 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 with respect to their particular circumstances.

Status of Dundee REIT

Mutual Fund Trust

This summary assumes that Dundee REIT will qualify as a ''mutual fund trust'' as defined in the Tax Act from the date of its settlement and will thereafter continuously qualify as a mutual fund trust at all relevant times, and that Dundee REIT will be able to elect and will elect to be deemed to be a ''mutual fund trust'' from the date of its settlement. 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.

Qualified Investment

Provided Dundee REIT is, on Closing, 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, 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.

Foreign Property

Based in part on certificates as to factual matters given by Dundee REIT, the Operating Trusts and Properties General Partner, the Units, will, if issued on Closing, not constitute ''foreign property'', at that time, for Plans, registered pension plans or other persons subject to tax under Part XI of the Tax Act, provided that Dundee REIT is a mutual fund trust under the Tax Act at that time and at all relevant times restricts its investment in foreign property or is a registered investment under the Tax Act on that date. RESPs are not subject to foreign property tax.

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 on 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 the reasonable expenses incurred by Dundee REIT to issue Units pursuant to this offering. 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 Holder s 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 REIT 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 REIT Units 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 REIT 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.

During the period in which Dundee REIT is a registered investment, Dundee REIT may be subject to a special tax under Part XI of the Tax Act if it acquires or holds foreign property in excess of the limits provided in the Tax Act or enters into certain agreements to acquire shares of a corporation at a price that may differ from the fair market value of the shares at the time of acquisition. Dundee REIT is required under the Declaration of Trust to restrict its investments so that it will not become liable for such tax.

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 Operating Trust Declarations, 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 LP 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 Properties Limited Partnership Agreement, 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.

Taxation of Holders

Distributions

A Holder 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 $6\frac{2}{3}\%$ 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 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.

RISK FACTORS

Risk factors inherent in an investment in our Units include but are not limited to the following:

Risks Inherent in the Real Estate Industry May Affect Our Financial Performance

Real estate ownership is generally subject to numerous risks, including changes in general economic conditions, such as the availability and cost of mortgage funds, local economic conditions (such as an oversupply of office, industrial and retail properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition of others with available space, the ability of the owner to provide adequate maintenance at an economic cost and other factors.

Our portfolio of properties generates income through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. Our financial position would be adversely affected if a number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Properties were not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting our investment may be incurred. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of such tenant and, thereby, cause a reduction in the cash flow available to us.

Certain significant obligations, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made regardless of whether or not a property is producing sufficient income to pay such expenses. As at September 30, 2003, we had outstanding indebtedness of approximately $506 million, comprised of existing mortgages on the Properties. A portion of the cash flow generated by the Properties will be devoted to servicing such debt, and there can be no assurance that these properties will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If we are unable or unwilling to meet mortgage payments on any property, the mortgage lender may exercise its rights of foreclosure or sale.

The Illiquidity of Real Estate Investments May Limit Our Ability to Vary Our Portfolio in Response to Changing Economic or Investment Conditions

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Competition in the Office, Industrial and Retail Real Estate Market May Adversely Affect Our Financial Performance

We compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the commercial office, industrial and retail properties of our competitors are newer, better located or better capitalized than our Properties. Certain of these competitors have greater financial and other resources and greater operating flexibility than us. The existence of competing managers and owners could have a material adverse effect on our ability to lease space in our Properties and on the rents we are able to charge, and could adversely affect our revenues and our ability to meet our obligations.

Our Trustees and Executive Officers May be Put in a Position of Conflict as a Result of their Positions Held and Interests in Other Businesses

Certain of our trustees and executive officers are also directors and officers of other entities such as Dundee Management LP, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with our business strategy. Consequently, there exists the possibility for such trustees and executive officers to be in a position of conflict. Pursuant to our Declaration of Trust, all decisions to be made by such trustees which involve us are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to our and our Unitholders' best interests. In addition, our trustees and officers are required to declare their interests in, and such trustees are required to refrain from voting on, any matter in which they may have a material conflict of interest.

Environmental Contamination on Properties May Expose Us to Liability and Adversely Affect Our Financial Performance

As an owner of real property, we are subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental audit to be conducted. Although such an audit provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to conduct a Phase I environmental audit before acquiring any real property or any interest therein.

Some of the Properties including, in particular, the industrial properties, have tenants that use hazardous or toxic substances or create waste. There are also retail gas stations located at some of the Properties. Such uses can potentially create environmental liabilities. A few issues have been identified through our site assessment process, including the need to remediate or otherwise address certain contamination at some of the Properties. These issues are being carefully managed with the involvement of professional consultants. We do not anticipate material expenditures in respect of remediation at these Properties. In addition, asbestos containing materials, underground storage tanks, petroleum hydrocarbons and lead paint are known to be present at certain of the Properties. Where circumstances so warrant, designated substance surveys and/or Phase II environmental assessments are conducted to determine the presence and/or extent of these or any other materials or potential environmental hazards. If appropriate, we remediate such situations. Notwithstanding the above, we are not aware of any environmental conditions with respect to any of the Properties that we believe would involve material expenditure by us.

Insurance to protect against certain environmental liability is in place in respect of certain of the Properties with a limit of $2 million per claim and a $5 million aggregate claim limit during the term of coverage (which is five years expiring in 2006). In addition, certain of the existing tenant leases in respect of the Properties specify that the tenant will conduct its business in accordance with environmental laws and regulations and be responsible for any liabilities arising out of infractions to such laws and regulations.

We will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, we do not believe that costs relating to environmental matters will have a material adverse effect on our business, financial condition, results of operations or distributions. However, environmental laws and regulations can change and we may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing legislation) in the future.

Losses of Key Personnel May Affect Our Ability to Operate Effectively

Our operations are highly dependent upon the participation of our key executives. While we believe that we could find replacements for these key executives, the loss of their services and Dundee REIT's or Dundee Management LP's inability to attract and retain qualified and experienced personnel may materially affect our ability to operate and expand.

Failure to Refinance Existing Indebtedness on Acceptable Terms May Limit Our Ability to Grow Our Portfolio

Upon the expiry of the term of the financing or refinancing of any particular property or operating or acquisition debt facilities, refinancing may not be available in the amounts required or may be available only on terms less favourable to us than existing financing. We may require additional financing in order to grow and expand our operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. Future financing may take many forms, including debt or equity financing which could alter the current debt-to-equity ratio or which could be dilutive to our unitholders.

Certain of the Properties are Subject to Long-Term Ground Leases

As at September 30, 2003, three of the Properties are subject to long-term ground leases pursuant to which all or a portion of the underlying land is owned by a third party and is or will be leased (or subleased) to us. Under the terms of a typical ground lease, we will pay rent for the use of the land and will be generally responsible for all costs and expenses associated with the building improvements. An event of default by us under the terms of a ground lease could also result in a loss of the property subject to such ground lease. The ground leases may provide for restrictions on financing or refinancing the properties subject to the ground lease and the transferability of the interests in such properties. Unless the lease is extended or we exercise our option to purchase the property, where available, the land together with all improvements thereon will revert to the landowner upon the expiration of the lease term. However, the earliest land lease expiration on any of the Properties following the exercise of all renewal options is June 29, 2060.

Investments in, and Profits and Cash Flows from, Properties May be Lost in the Event of Uninsured or Underinsured Losses to Properties or Losses from Title Defects

We carry general liability, umbrella liability and excess liability insurance with a total limit of $61,000,000. For the property risks we carry ''All Risks'' property insurance including but not limited to, flood, earthquake and loss of rental income insurance (with a 24 month indemnity period). We also carry Boiler and Machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore there are other risks that are not economically viable to insure at this time. We currently self-insure against terrorism risk for the entire Canadian portfolio. We have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of the Properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. Additionally, we generally have owners' title insurance policies with respect to our properties located in the United States. However, the amount of coverage under such policies may be less than the full value of such properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

Accelerated Compliance Obligations under the Americans with Disabilities Act May Adversely Affect Our Cash Flow

All of the Properties situated in the United States are required to comply with the Americans with Disabilities Act (the ''ADA''). The ADA has separate compliance requirements for ''public accommodations'' and ‘‘commercial facilities’’, but generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers and non-compliance could result in the imposition of fines by the United States government or an award of damages to private litigants. We believe that the costs of compliance with the ADA will not have a material adverse effect on our business, financial condition or results of operations. However, if the changes must be made on a more accelerated basis than we anticipate, cash flow and distributions could be materially and adversely affected.

Investments in Real Estate Properties Through Joint Venture, Partnership and Co-Ownership Agreements May Restrict Our Ability to Deal with Those Properties or Expose Us to Liability

We are a participant in joint ventures and partnerships with third parties in respect of 10 of the Properties. A joint venture or partnership involves certain additional risks, including, (i) the possibility that such co-venturers/ partners may at any time have economic or business interests or goals that will be inconsistent with ours or take actions contrary to our instructions or requests or to our policies or objectives with respect to our real estate investments, (ii) the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on us to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by us or for which we will be liable and/or result in our suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions, (iii) the risk that such co-venturers/ partners may, through their activities on behalf of or in the name of, the ventures or partnerships, expose or subject us to liability, and (iv) the need to obtain co-venturers'/partners' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to rights of first refusal or first offer and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not desire to sell but may be forced to do so because we do not have the cash to purchase the other party's interests. Such rights may also inhibit our ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis we desire. The investment by Dundee Properties LP in properties through joint venture and partnership agreements is subject to the investment guidelines set out in ‘‘Investment Guidelines and Operating Policies — Investment Guidelines of Dundee Properties LP’’.

Risks Associated with the Structure of Dundee REIT

We are entirely dependent on the business of Dundee Properties LP through our ownership of Trust A, Trust B and, to a lesser extent, Dundee Management LP. The cash distributions to Unitholders are dependent on the ability of Trust A and Trust B to pay distributions in respect of the Trust A Units, Trust B Units and interest on the Trust A and Trust B Notes, respectively, and the ability of Dundee Properties LP to pay distributions on the LP Class A Units and LP Class B Units, Series 2. The ability of Dundee Properties LP to pay distributions or make other payments or advances to Trust A or Trust B may be subject to contractual restrictions contained in any instruments governing the indebtedness of Dundee Properties LP. The ability of Dundee Properties LP to pay distributions or make other payments or advances is also dependent on the ability of Dundee Properties LP's subsidiaries to pay distributions or make other payments or advances to Dundee Properties LP.

Cash Distributions are not Guaranteed and May Fluctuate with Our Financial Performance

Our distribution policy was established in the Declaration of Trust and may only be changed with the approval of a majority of unitholders of Dundee REIT. However, our trustees may reduce or suspend cash distributions indefinitely, which could have a material adverse impact on the market price of the Units.

Although we intend to make cash distributions in accordance with our distribution policy, the actual amount of Distributable Income will depend upon numerous factors, including the amount of net rental income from the Properties, interest payable on our indebtedness, tenant allowances, leasing commissions, capital expenditures, Unit redemptions and other factors that may be beyond our control.

Distributable Income may exceed actual cash available to us from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. We may be required to use part of our debt capacity or to reduce the cash component of distributions in order to accommodate such items. We may temporarily fund such items, if necessary, through an operating line of credit in expectation of refinancing long-term debt on its maturity.

Market for Units and Unit Prices

Dundee REIT is an unincorporated open-ended investment trust and its Units are listed on the TSX. There can be no assurance that an active trading market in the Units will be sustained. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Instead, the Units may trade at a premium or a discount to such values. A number of factors may influence the market price of the Units, including general market conditions, fluctuations in the markets for equity securities, short term supply and demand factors for real estate investment trusts and numerous other factors beyond our control.

Unitholders will not have Legal Rights Normally Associated with the Ownership of Shares of a Corporation

Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring ''oppression'' or ''derivative'' actions against us. 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. 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 or intend to carry on the business of a trust company.

The Ability of Unitholders to Redeem Units is Subject to Restrictions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of such Units liquidate their investments. The entitlement of holders of Units and REIT Units, Series B to receive cash upon the redemption of their Units or REIT Units, Series B is subject to the limitations that: (i) the total amount payable by us in respect of such Units or REIT Units, Series B and all other REIT Units, other than Special REIT Units, tendered for redemption in the same calendar month shall not exceed $50,000 (provided that such limitations may be waived at the discretion of our trustees); (ii) at the time such Units or REIT Units, Series B are tendered for redemption, our outstanding units of the applicable series (or in the case of REIT Units, Series B, where that series is not listed, Units) shall be listed for trading on a stock exchange or traded or quoted on another market which our trustees consider, in their sole discretion, provides representative fair market value prices for such series of our units; and (iii) the normal trading of the Units or REIT Units, Series B is not suspended or halted on any stock exchange on which such series of our units (or in the case of REIT Units, Series B, where that series is not listed, Units) are listed (or, if not listed on a stock exchange, on any market on which such series of our units are quoted for trading) on the redemption date or for more than five trading days during the 20-day trading period commencing immediately after the redemption date.

Regulatory Approvals May be Required in Connection with a Distribution of Securities on a Redemption of Units or Our Termination

Upon a redemption of Units or our termination, our trustees may distribute securities directly to the Unitholders, subject to obtaining any required regulatory approvals. No established market may exist for the securities so distributed at the time of the distribution and no market may ever develop. In addition, the securities so distributed may not be qualified investments for Plans or RESPs, depending upon the circumstances at the time.

An Investment in Units is Subject to Certain Tax Considerations

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If Dundee REIT ceases to qualify as a ''mutual fund trust'' or ''registered investment'' under the Tax Act, the income tax considerations described herein under the heading ''Certain Canadian Federal Income Tax Considerations'' would be materially and adversely different in certain respects, including that REIT Units may cease to be qualified investments for Plans and RESPs and may become foreign property for Plans and other tax exempt entities. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments and on excess holdings of foreign property by certain investors. See ''Certain Canadian Federal Income Tax Considerations''.

Our Declaration of Trust provides that a sufficient amount of Dundee REIT's net income and net realized capital gains will be distributed each year to Unitholders in cash, or otherwise in order to eliminate Dundee REIT's liability for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances where they do not directly receive a cash distribution.

Although we are of the view that all expenses to be claimed by Dundee REIT, Trust A, Trust B and Dundee Properties LP will be reasonable and deductible, that the cost amount and capital cost allowance claims of entities indirectly owned by Dundee REIT will have been correctly determined and that the allocation of Dundee Properties LP's income for purposes of the Tax Act among its partners is reasonable, there can be no assurance that the Tax Act, or the interpretation of the Tax Act will not change, or that the CCRA will agree. If the CCRA successfully challenges the deductibility of such expenses or the allocation of such income, Dundee Properties LP's allocation of taxable income to the Operating Trusts, taxes payable by the Operating Trusts, and indirectly the taxable income of Dundee REIT and the Unitholders, will increase or change.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which entities indirectly owned by Dundee REIT are able to deduct capital cost allowance relating to the Properties held by them.

We will endeavour to ensure that the Units continue to be qualified investments for Plans and RESPs, and that the Units are not foreign property under the Tax Act; however, there can be no assurance that this will be so. Units will cease to be qualified investments for Plans and RESPs if Dundee REIT ceases to qualify as a mutual fund trust and its registration as a registered investment under the Tax Act is revoked and may become foreign property if Dundee REIT's registration as a registered investment is revoked. In addition, Operating Trust Notes received on a redemption *in specie* of Units may not be qualified investments for Plans and RESPs. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments and on excess holdings of foreign property by certain investors. See ''Certain Canadian Federal Income Tax Considerations''.

Since Dundee Properties LP acquired the Properties on a tax deferred basis its tax cost in certain properties is less than their fair market value. Accordingly, if one or more properties are disposed of, the gain recognized by Dundee Properties LP will be in excess of that which it could have realized if it acquired the properties at their fair market values.

Any disposition by Dundee REIT or its subsidiaries of real estate located in the U.S. will be potentially subject to U.S. taxes.

There is a Remote Possibility that Unitholders May be Held Personally Liable for Our Obligations or Liabilities

Recourse for any of our liability is intended to be limited to our assets. Our Declaration of Trust provides that no Unitholder or annuitant or beneficiary under a plan of which a Unitholder acts as trustee or carrier (an ''annuitant'') will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any of our contracts or obligations or of our trustees.

Because of uncertainties in the law relating to investment trusts, there is a risk (which is considered to be remote in the circumstances) that a Unitholder or annuitant could be held personally liable for our obligations (to the extent that claims are not satisfied by us) in respect of contracts which we enter into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. Our trustees intend to cause our activities to be conducted in such a way as to minimize any such risk, including by obtaining appropriate insurance and, where feasible, attempting to have every of our material written contracts or commitments contain an express disavowal of liability against the Unitholders.

However, in conducting its affairs, Dundee REIT has and will be acquiring real property investments through Dundee Properties LP, including its interest in the Properties, subject to existing contractual obligations, including obligations under mortgages and leases. Our trustees will use all reasonable efforts to have any such obligations under mortgages on the Properties and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, Dundee REIT may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by Dundee REIT, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of Dundee REIT where the liability is not disavowed as described above. The likelihood of any personal liability attaching to Unitholders or annuitants under the laws of the Ontario for contract claims where the liability is not so disavowed is considered remote.

PRIOR SALES

As at December 31, 2003, we have not issued any Units, except for (i) 9,370,192 Units issued pursuant to the Reorganization completed on June 30, 2003, which number includes 15,000 Units that were issued to certain employees of Dundee Realty for the purposes of establishing Dundee REIT as a ''mutual fund trust'' for the purposes of the Tax Act, (ii) 53,660 Units issued pursuant to the distribution reinvestment feature of our DRIP plan, (iii) 70,363 Units issued pursuant to the unit purchase feature of our DRIP plan, and (iv) 2,600,000 Units issued at $21.70 per unit pursuant to the offering completed on November 5, 2003.

PRICE RANGE AND TRADING VOLUME OF UNITS

The Units were listed and posted for trading on the TSX on July 2, 2003 under the symbol ''D.UN''. The following table sets forth the high and low reported trading prices and the trading volume of the Units on the TSX during the periods indicated:

Period	High	Low	Volume
July 2003	$21.00	$20.25	1,563,393
August 2003	21.95	20.75	376,781
September 2003	22.80	20.20	283,621
October 2003	22.24	20.26	975,646
November 2003	23.20	22.00	896,417
December 2003	24.00	23.00	564,771
January 2004 (to January 19)	25.20	23.40	308,343

PROMOTER AND PRINCIPAL UNITHOLDERS

Dundee Realty has taken the initiative in our founding and organization in connection with the Reorganization and may therefore be considered our promoter for the purposes of applicable securities legislation. We acquired the Properties and a joint interest in the property management business of Dundee Realty from Dundee Realty and a wholly-owned subsidiary of Dundee Realty on June 30, 2003. See ''Dundee REIT — Background'' and ''— The Reorganization''. The Properties and the property management business had formerly been held in the commercial real estate division of Dundee Realty. Dundee Realty had acquired the Properties through a series of acquisitions from 1996 to 2002.

As at December 31, 2003, Dundee Realty and one of its affiliates held 7,211,431 LP Class B Units, Series 1 of Dundee Properties LP and the same number of Special REIT Units issued on a one-for-one basis with the LP Class B Units, Series 1. 6,909,245 LP Class B Units, Series 1 of Dundee Properties LP and Special REIT Units were issued in connection with the Reorganization; 302,186 LP Class B Units, Series 1 of Dundee Properties LP and Special REIT Units have been issued pursuant to the reinvestment of distributions under the Properties Limited Partnership Agreement. See ''Declaration of Trust and Description of REIT Units — Issuance of Special REIT Units'' and ''Description of Dundee Properties LP — Partnership Units and — Distributions''. The Special REIT Units held by Dundee Realty and its affiliate constitute 100% of the outstanding Special REIT Units. As at December 31, 2003, the LP Class B Units, Series 1 of Dundee Properties LP and the Special REIT Units held by Dundee Realty and its affiliate effectively represented an equity interest in Dundee REIT of approximately 37%. Following completion of this offering, Dundee Realty's equity interest in Dundee REIT will be approximately 30%.

As at December 31, 2003, our trustees and executive officers beneficially own, directly or indirectly, as a group, 1,265,890 Units (excluding any Units acquired under the DRIP plan), which represent approximately 10% of the outstanding Units and which do not include the LP Class B Units, Series 1 beneficially owned by Dundee Bancorp, an associate of one of our trustees, nor any Units issued pursuant to our DRIP plan.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of our trustees or officers, principal unitholders (including Dundee Realty), or any associate or affiliate of any of the foregoing persons has had or has any material interest in any transaction since the date of our formation or any proposed transaction that has materially affected, or will materially affect, us or any of our affiliates except as described in this prospectus. See ''Management of Dundee REIT — Appointment of Trustees, — Master Property Management Agreement, and — Dundee REIT Administrative Services Agreement'' and ''Declaration of Trust and Description of REIT Units — Issuance of REIT Units''.

LEGAL PROCEEDINGS

We are not involved in any litigation or proceedings which, if determined adversely, would be material to us, and no such proceedings are known to us to be contemplated.

MATERIAL CONTRACTS

The only material contracts, other than contracts entered into in the ordinary course of business, we have entered into or propose to enter into are:

(a) the Declaration of Trust;

(b) the Declaration of Trust of Trust A and Trust B;

(c) the Master Asset Transfer Agreements;

(d) the Property Management Business Transfer Agreement;

(e) the Master Property Management Agreement;

(f) the Dundee REIT Administrative Services Agreement;

(g) the Exchange and Support Agreement;

(h) the Properties Limited Partnership Agreement;

(i) the Dundee Realty Non-Competition Agreement;

(j) the Individual Non-Competition Agreements;

(k) the employment agreement dated December 23, 1998 between Michael Cooper and Dundee Realty assumed by Dundee Properties LP effective June 30, 2003;

(l) the employment agreement dated April 28, 1998 between Jane Gavan and Dundee Realty assumed by Dundee Properties LP effective June 30, 2003; and

(m) the Underwriting Agreement.

Copies of the contracts set out above may be inspected following their execution during ordinary business hours at our offices by contacting our investor relations department during the period of distribution of the securities offered hereunder and for a period of 30 days thereafter. Electronic copies of the contracts set out above may also be accessed at the website www.sedar.com.

LEGAL MATTERS

Certain legal matters in connection with the securities 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 Units.

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 is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

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 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 where the prospectus or 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 his or her province. A purchaser should refer to any applicable provisions of the securities legislation of his or her province for particulars of these rights or consult with a legal advisor.

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COMPILATION REPORT ON PRO FORMA FINANCIAL STATEMENTS

TO THE TRUSTEES OF
DUNDEE REAL ESTATE INVESTMENT TRUST

We have read the accompanying unaudited pro forma condensed consolidated statements of net income for Dundee Real Estate Investment Trust (''Dundee REIT'') for the nine months ended September 30, 2003 and for the year ended December 31, 2002 (the ''pro forma financial statements''), and have performed the following procedures.

1. Compared the figures in the columns captioned ''Dundee REIT'' to the unaudited financial statements of Dundee REIT for the three months ended September 30, 2003, and found them to be in agreement.

2. Compared the figures in the columns captioned ''Commercial Real Estate Division of DRC'' to the audited financial statements of the Commercial Real Estate Division of Dundee Realty Corporation for the six months ended June 30, 2003 and for the year ended December 31, 2002, respectively, and found them to be in agreement.

3. Made enquiries of certain officials of Dundee REIT who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the pro forma adjustments; and

   (b) whether the pro forma financial statements comply as to form in all material respects with the Consolidated Ontario Securities Act, Regulations and Rules, National Instrument 41-501.

   The officials:

   (a) described to us the basis for determination of the pro forma adjustments, and

   (b) stated that the pro forma financial statements comply as to form in all material respects with the Consolidated Ontario Securities Act, Regulations and Rules, National Instrument 41-501.

4. Read the notes to the pro forma financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned ''Dundee REIT'' for the three months ended September 30, 2003 and the ''Commercial Real Estate Division of DRC'' for the six months ended June 30, 2003, and the column captioned ''Commercial Real Estate Division of DRC'' for the year ended December 31, 2002, respectively, and found the amounts in the column captioned ''Pro Forma Dundee REIT Total'' to be arithmetically correct.

A pro forma financial statement is based on management's assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

CHARTERED ACCOUNTANTS

Toronto, Ontario
● , 2004

DUNDEE REAL ESTATE INVESTMENT TRUST

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF NET INCOME
(Unaudited)
For the nine months ended September 30, 2003

	Dundee REIT	Commercial Real Estate Division of DRC	Pro Forma Adjustments (Note 3)				Pro Forma Dundee REIT
	Three Months Ended September 30	Six Months Ended June 30	(a)	(b)	(c)	(d)	Total
	(Note 1)	(Note 1)					
	(in thousands of dollars, except unit and per unit amounts)						
RENTAL PROPERTIES							
Revenues	$37,166	$74,540	$2,663	$(1,075)	$ —	$ —	$ 113,294
Operating expenses	17,213	38,493	—	(1,200)	(246)	—	54,260
NET OPERATING INCOME	19,953	36,047	2,663	125	246	—	59,034
OTHER EXPENSES							
Interest	9,227	18,275	—	—	12	—	27,514
Depreciation of rental properties	2,266	4,439	—	—	—	—	6,705
Amortization of deferred leasing costs	1,392	2,897	—	—	198	—	4,487
General and administrative	994	3,339	—	—	293	(1,752)	2,874
	13,879	28,950	—	—	503	(1,752)	41,580
OTHER INCOME							
Interest and fee income, net	190	656	—	—	225	—	1,071
INCOME BEFORE INCOME AND LARGE CORPORATIONS TAXES	6,264	7,753	2,663	125	(32)	1,752	18,525
INCOME TAXES							
Current income and large corporations taxes	15	1,965	—	(1,865)	—	—	115
Future income taxes	(33)	1,675	—	(1,720)	—	—	(78)
	(18)	3,640	—	(3,585)	—	—	37
NET INCOME	$ 6,282	$ 4,113	$2,663	$ 3,710	$ (32)	$ 1,752	$ 18,488
Pro forma basic and diluted net income per unit							$ 1.13
Pro forma weighted average number of units outstanding							16,296,938

DUNDEE REAL ESTATE INVESTMENT TRUST

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF NET INCOME
(Unaudited)
For the year ended December 31, 2002

	Commercial Real Estate Division of DRC	Pro Forma Adjustments (Note 3)				Pro Forma Dundee REIT Total
		(a)	(b)	(c)	(d)	
	(Note 1)	(in thousands of dollars, except unit and per unit amounts)				
RENTAL PROPERTIES						
Revenues	$146,682	$3,893	$(2,140)	$ —	$ —	$ 148,435
Operating expenses	73,608	—	(2,980)	(580)	—	70,048
NET OPERATING INCOME	73,074	3,893	840	580	—	78,387
OTHER EXPENSES						
Interest	35,602	—	—	36	—	35,638
Depreciation of rental properties	8,311	—	—	—	—	8,311
Amortization of deferred leasing costs	4,701	—	—	358	—	5,059
General and administrative	5,613	—	—	732	(2,700)	3,645
	54,227	—	—	1,126	(2,700)	52,653
OTHER INCOME						
Interest and fee income, net	1,424	—	—	463	—	1,887
INCOME BEFORE INCOME AND LARGE CORPORATIONS TAXES	20,271	3,893	840	(83)	2,700	27,621
INCOME TAXES						
Current income and large corporations taxes	3,312	—	(3,289)	—	—	23
Future income taxes	4,076	—	(3,276)	—	—	800
	7,388	—	(6,565)	—	—	823
NET INCOME	$ 12,883	$3,893	$ 7,405	$ (83)	$ 2,700	$ 26,798
Pro forma basic and diluted net income per unit						$ 1.65
Pro forma weighted average number of units outstanding						16,279,437

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME OF DUNDEE REAL ESTATE INVESTMENT TRUST
(Unaudited)

(All dollar amounts in thousands, except unit and per unit amounts)

1. Basis of Pro Forma Condensed Consolidated Statement of Net Income Presentation

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

On June, 30, 2003, Dundee Properties Limited Partnership (''DPLP'') acquired assets and liabilities from Dundee Realty Corporation (''DRC'') (the ''Transfer'') comprised of:

- An 11.1 million square foot portfolio of office, industrial and retail rental properties together with their related assets and liabilities, and
- A 50% interest in a joint venture comprised of the property management operations of DRC relating to rental properties (Dundee Management Limited Partnership, or ''DMLP'').

The assets and liabilities acquired in the Transfer comprise the Commercial Real Estate Division of DRC (''Division'') and have been measured under the continuity of interests accounting method at DRC's historical carrying amounts as at June 30, 2003 because there has been no substantive change in the ultimate ownership interests in the Division.

As a result of completion of the Arrangement noted below, DPLP is an indirect subsidiary of Dundee REIT.

As consideration for the Transfer of the Division, and pursuant to completion of the Plan of Arrangement of Dundee Realty Corporation dated June 30, 2003 (the ''Arrangement''), a series of transactions ultimately resulted in Dundee REIT issuing REIT Units, Series A held by certain former public shareholders of DRC, and DPLP issuing LP Class B Units, Series 1 that are held directly and indirectly by DRC. The LP Class B Units, Series 1 are generally exchangeable on a one-for-one basis for REIT Units, Series B at the option of the holder. The LP Class B Units, Series 1 generally have economic and voting rights equivalent in all material respects to REIT Units, Series A. The REIT Units, Series A and REIT Units, Series B generally have economic and voting rights equivalent in all material respects to each other.

The unaudited pro forma condensed consolidated statements of net income have been prepared reflecting the accounting policies and assumptions described below. The accounting policies are in accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants (''CICA'') and are substantially in accordance with the practices recommended by the Canadian Institute of Public and Private Real Estate Companies (''CIPPREC'').

The unaudited pro forma condensed consolidated statements of net income have been prepared from information derived from the audited combined statements of net income of the Division for the six months ended June 30, 2003 and the year-ended December 31, 2002, and the unaudited statement of net income of Dundee REIT for the three months ended September 30, 2003. Dundee REIT had no operations prior to June 30, 2003.

The unaudited pro forma condensed consolidated statement of net income for the nine months ended September 30, 2003 gives effect to the Arrangement as if it had occurred on January 1, 2003. The unaudited pro forma condensed consolidated statement of net income for the year-ended December 31, 2002 gives effect to the Arrangement as if it had occurred on January 1, 2002. A pro forma balance sheet has not been presented at September 30, 2003 as there are no pro forma adjustments that affect the balance sheet of Dundee REIT at that date.

The unaudited pro forma condensed consolidated statements of net income are based on available financial information and certain estimates and assumptions.

The pro forma weighted average number of units outstanding for purposes of the pro forma basic and diluted net income per unit calculation for the nine months ended September 30, 2003 has been determined using the units of Dundee REIT outstanding for periods from July 1, 2003 to September 30, 2003 and prior to July 1, 2003, the number of units outstanding has been assumed to be 16,279,437, which was the number of units outstanding at June 30, 2003. The number of units outstanding at June 30, 2003 has also been used for the per unit calculation for the year ended December 31, 2002.

These unaudited pro forma condensed consolidated statements of net income are not necessarily indicative of the results that would have been attained if Dundee REIT had been operated as a separate legal entity during the periods presented and therefore are not necessarily indicative of future operating results. They should be read in conjunction with the combined financial statements of the Commercial Real Estate Division of DRC and consolidated financial statements of Dundee REIT presented on pages F-11 to F-36 of the prospectus.

2. Summary of Significant Accounting Policies

These pro forma condensed consolidated statements of net income follow the same accounting policies and methods of their application as the consolidated financial statements of Dundee REIT for the three months ended September 30, 2003 and the combined financial statements of the Commercial Real Estate Division of DRC for the six months ended June 30, 2003 and the years ended December 31, 2002, 2001 and 2000 presented on pages F-11 to F-36 of the prospectus.

3. Pro Forma Condensed Consolidated Statement of Net Income Adjustments

All pro forma adjustments take into consideration activity up to and including June 30, 2003, which is the date prior to the Transfer. For the period from July 1, 2003 to September 30, 2003 no pro forma adjustments are necessary, other than amortization of items capitalized on a pro forma basis during the period from January 1, 2003 to June 30, 2003, as the impact of the Transfer and the agreements therein are already included in the actual results of Dundee REIT for that period.

a) Pursuant to the property management agreement between DPLP, DMLP, DRC and Dundee REIT (the ''Master Property Management Agreement''), DRC provides a rent supplement (the ''Supplement'') on account of vacancies as consideration for the engagement of DMLP by Dundee REIT. The amount of the Supplement is computed using a formula that is based on specified vacant space of certain of Dundee REIT's rental properties. The term of the Supplement is five years for office and retail space and three years for industrial space. Schedule B of the Master Property Management Agreement identifies vacant space subject to the Supplement.

For purposes of determining the unaudited pro forma net revenue from the Supplement, management applied the properties and space listed in Schedule B of the Master Property Management Agreement to the conditions that existed throughout the periods from January 1, 2002 to June 30, 2003, the date of the Transfer. As certain space subject to the Supplement was leased for some or all of the year-ended December 31, 2002 and the six months ended June 30, 2003, no pro forma effect was given, as appropriate, with respect to the Supplement for this occupied space.

Net revenue from the Supplement has been reflected on a pro forma basis as an increase to revenue from rental properties. The additional net revenue from the Supplement is calculated as follows:

	Pro Forma Nine Months Ended September 30, 2003	Pro Forma Year ended December 31, 2002
	(in thousands of dollars)	
Gross revenue from the Supplement	$3,231	$4,810
Imputed amortization of leasing costs	(568)	(917)
Net revenue from the Supplement	$2,663	$3,893

This pro forma Supplement is not necessarily indicative of the future Supplement that will be determined under the Master Property Management Agreement as this will be dependent on future market conditions and vacancies.

b) All capital tax expense, and a majority of current income taxes including large corporations tax and future income tax expenses of the Commercial Real Estate Division of DRC, have been eliminated to reflect the assumed distribution in the future of all taxable income of Dundee REIT to its Unitholders and that all entities other than Dundee REIT's corporate subsidiaries are not subject to capital and large corporations taxes. The current income taxes including large corporations tax and future income tax expenses that are not eliminated relate to Dundee REIT's corporate subsidiaries that remain taxable. In addition, the amount of recoveries relating to capital tax and large corporations tax that were included in rental properties revenues have been eliminated on the assumption that it would not have been billed to Dundee REIT's tenants. As a result:

- Current income and large corporations taxes have been reduced by $1,865 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $3,289);
- Future income taxes have been reduced by $1,720 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $3,276);
- Rental properties revenue has been reduced by $1,075 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $2,140); and
- Rental properties operating expense has been reduced by $1,200 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $2,980).

c) DMLP administers the day-to-day operations and leasing of Dundee REIT's rental properties pursuant to the Master Property Management Agreement and charges management, lease administration, document processing and construction fees for such services. Dundee REIT capitalizes 50% of the lease administration, document processing and construction fees (which represent the 50% portion of DMLP not owned by Dundee REIT) and an applicable portion of 50% of the related direct costs (which represent Dundee REIT's 50% share of DMLP's costs). In addition, DMLP provides certain administrative services to be reimbursed by Dundee REIT, as well as services relating to property acquisitions, property financing or refinancing and equity financing, pursuant to the Administrative Services Agreement between DMLP, Dundee REIT, DPLP, OTA and OTB (the ''Services Agreement''). Dundee REIT capitalizes 50% of the property acquisition, property financing or refinancing and equity financing fees (which represent the 50% portion of DMLP not owned by Dundee REIT). The initial term for both of these agreements is five years. DMLP also provides similar services to DRC and others for a fee. The pro forma adjustments presented below are not necessarily indicative of the future effect of these agreements as they will be dependent on future operating conditions.

   The pro forma effects of these agreements which were entered into on the date of the Transfer are as follows:

   i) an increase in interest and fee income representing property management revenues of $225 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $463) representing additional fees in respect of the Services Agreement;

   ii) a reduction of $444 in rental properties operating expenses for the nine months ended September 30, 2003 (year ended December 31, 2002 — $1,363) reflecting the effect of capitalizing $340 of costs for the nine months ended September 30, 2003 (year ended December 31, 2002 — $1,095) and a decrease in management fees of $104 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $268) as a result of lower rates, on a pro forma basis. The costs being capitalized on a pro forma basis consist of the following:

      - Lease administration costs of $247 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $615);
      - Document processing costs of $111 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $200) in respect of new leases, renewals and amendments; and
      - An $18 reduction in construction costs for the nine months ended September 30, 2003 (year ended December 31, 2002 — increase of $280) for approved construction and capital expenditures in respect of which DMLP performs the function of construction or project manager.

   iii) a $198 increase in rental properties operating expenses for the nine months ended September 30, 2003 (year ended December 31, 2002 — $783) due to a reclassification of property financing or refinancing and property acquisition costs from general and administration expenses;

The combined effect of entries ii) and iii) above is a net reduction in rental properties operating expenses of $246 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $580);

iv) a $12 increase in interest expense for the nine months ended September 30, 2003 (year ended December 31, 2002 — $36) arising from amortization of pro forma property financing or refinancing fees, capitalized over the term of the related debt;

v) a $198 increase in amortization of deferred leasing costs for the nine months ended September 30, 2003 (year ended December 31, 2002 — $358) arising from pro forma costs and fees capitalized including depreciation and amortization of pro forma capitalized lease administration and document processing fees and costs amortized over the life of the lease, pro forma capitalized construction fees and costs over the life of the related asset, and pro forma capitalized property acquisition fees depreciated over the life of the related asset; and

vi) a $293 increase in general and administrative expenses for the nine months ended September 30, 2003 (year ended December 31, 2002 — $732) representing reimbursable direct costs pursuant to the Services Agreement, based on a pro forma basis on DRC's historical costs.

d) The Division's general and administrative expenses for the six months ended June 30, 2003 of $3,339 (year ended December 31, 2002 — $5,613) represent an allocation of the total general and administrative expenses of DRC using the net book value of the assets of the Division relative to DRC. This allocation did not represent the direct costs of DRC that would have been incurred by Dundee REIT and now covered under the Services Agreement. Accordingly, these allocated costs have been reduced by $1,752 for the nine months ended September 30, 2003 (year ended December 31, 2002 — $2,700), resulting in $1,587 of general and administrative costs for the nine months ended September 30, 2003 (year ended December 31, 2002 — $2,913), on a pro forma basis, not covered under the Services Agreement that would have been incurred directly by Dundee REIT. These pro forma costs are not necessarily indicative of the future costs that will be incurred, as they will be dependent on future operating conditions.

DUNDEE REAL ESTATE INVESTMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT

TO THE TRUSTEES OF
DUNDEE REAL ESTATE INVESTMENT TRUST

We have audited the consolidated balance sheet of Dundee Real Estate Investment Trust as at June 30, 2003. This financial statement is the responsibility of Dundee Real Estate Investment Trust's management. Our responsibility is to express an opinion on this consolidated balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this consolidated balance sheet presents fairly, in all material respects, the financial position of Dundee Real Estate Investment Trust as at June 30, 2003 in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

Toronto, Ontario
September 3, 2003
(except as to Note 18, which is as of ● , 2004)

**COMMERCIAL REAL ESTATE DIVISION
OF DUNDEE REALTY CORPORATION
COMBINED FINANCIAL STATEMENTS**

AUDITORS' REPORT

**TO THE DIRECTORS OF
DUNDEE REALTY CORPORATION**

We have audited the combined balance sheets of the Commercial Real Estate Division of Dundee Realty Corporation as at June 30, 2003, December 31, 2002 and December 31, 2001 and the combined statements of net income, divisional equity and of cash flows of the Commercial Real Estate Division of Dundee Realty Corporation for the six months ended June 30, 2003 and for each of the years ended December 31, 2002, 2001 and 2000. These financial statements are the responsibility of Dundee Realty Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Commercial Real Estate Division of Dundee Realty Corporation as at June 30, 2003, December 31, 2002 and December 31, 2001 and the results of its operations and its cash flows for the six months ended June 30, 2003 and for each of the years ended December 31, 2002, 2001 and 2000 in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

Toronto, Ontario
September 3, 2003
(except as to Note 18, which is as of ● , 2004)

DUNDEE REAL ESTATE INVESTMENT TRUST
AND COMMERCIAL REAL ESTATE DIVISION OF DUNDEE REALTY CORPORATION

BALANCE SHEETS

	Note	Dundee REIT Consolidated		Commercial Real Estate Division of Dundee Realty Corporation (''Division of DRC'') Combined		
		September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
		(Unaudited)				
		(in thousands of dollars)				
ASSETS						
Rental properties	3	$810,918	$811,339	$811,339	$822,415	$819,526
Deferred costs	4	36,120	34,802	34,802	31,725	25,181
Amounts receivable	5	6,459	6,172	5,866	5,582	6,513
Prepaid expenses		7,676	6,516	6,516	3,845	3,046
Cash and short-term deposits		8,459	4,681	4,681	5,644	4,599
		$869,632	$863,510	$863,204	$869,211	$858,865
LIABILITIES						
Debt	7	$505,743	$505,592	$505,592	$504,159	$484,404
Amounts payable and accrued liabilities	8	21,028	16,191	16,191	14,620	19,514
Future income tax liability	13	7,967	8,000	64,902	59,838	55,773
		534,738	529,783	586,685	578,617	559,691
EQUITY						
Unitholders' Equity	9	334,894	333,727	—	—	—
Divisional Equity	9	—	—	276,519	290,594	299,174
		$869,632	$863,510	$863,204	$869,211	$858,865

On behalf of the Board of Directors of Dundee Realty Corporation:

(Signed) Jeff B. Barnes
Director

(Signed) Michael J. Cooper
Director

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

(Signed) Robert G. Goodall
Trustee

(Signed) Michael J. Cooper
Trustee

See accompanying notes to the consolidated financial statements

DUNDEE REAL ESTATE INVESTMENT TRUST
AND COMMERCIAL REAL ESTATE DIVISION OF DUNDEE REALTY CORPORATION

STATEMENTS OF NET INCOME

		For the Nine Months Ended September 30			For the Years Ended December 31		
		2003		2002	2002	2001	2000
		Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined
	Note	July 1 to September 30	January 1 to June 30				
		(Unaudited)		(Unaudited)			
		(in thousands of dollars, except per unit amounts)					
RENTAL PROPERTIES							
Revenues		$37,166	$74,540	$108,664	$146,682	$135,654	$126,181
Operating expenses		17,213	38,493	53,685	73,608	65,799	61,179
NET OPERATING INCOME		19,953	36,047	54,979	73,074	69,855	65,002
OTHER EXPENSES							
Interest	11	9,227	18,275	26,288	35,602	32,682	31,209
Depreciation of rental properties		2,266	4,439	6,061	8,311	7,106	6,915
Amortization of deferred leasing costs		1,392	2,897	3,322	4,701	3,539	2,247
General and administrative		994	3,339	4,665	5,613	6,710	5,234
		13,879	28,950	40,336	54,227	50,037	45,605
OTHER INCOME							
Interest and fee income, net		190	656	711	1,424	2,100	2,269
INCOME BEFORE INCOME AND LARGE CORPORATIONS TAXES		6,264	7,753	15,354	20,271	21,918	21,666
INCOME TAXES	13						
Current income and large corporations taxes		15	1,965	2,226	3,312	3,617	764
Future income taxes		(33)	1,675	3,090	4,076	3,723	(2,844)
		(18)	3,640	5,316	7,388	7,340	(2,080)
NET INCOME		$ 6,282	$ 4,113	$ 10,038	$ 12,883	$ 14,578	$ 23,746
NET INCOME PER UNIT							
Basic and diluted	12	$ 0.38					

See accompanying notes to the consolidated financial statements

DUNDEE REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

	For the Three Months Ended September 30, 2003			
	REIT Units, Series A	LP Class B Units, Series 1	Cumulative Foreign Currency Translation Adjustment	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in thousands of dollars)			
UNITHOLDERS' EQUITY, JUNE 30, 2003	$193,081	$142,374	$(1,728)	$333,727
Net income	3,608	2,674	—	6,282
Distributions	(5,156)	(3,826)	—	(8,982)
Units issued under Unit Purchase Plans	1,251	—	—	1,251
Units issued under Distribution Reinvestment Plans	133	2,539	—	2,672
Deferred Unit Incentive Plan	9	—	—	9
Change in foreign currency translation adjustment	—	—	(65)	(65)
UNITHOLDERS' EQUITY, SEPTEMBER 30, 2003	$192,926	$143,761	$(1,793)	$334,894

COMMERCIAL REAL ESTATE DIVISION OF DUNDEE REALTY CORPORATION

COMBINED STATEMENT OF DIVISIONAL EQUITY

	For the period from		For the Years Ended December 31		
	January 1, 2003 to June 30, 2003	January 1, 2002 to September 30, 2002	2002	2001	2000
		(Unaudited)			
	(in thousands of dollars)				
DIVISIONAL EQUITY, BEGINNING OF PERIOD	$290,594	$299,174	$299,174	$285,678	$273,664
Net income	4,113	10,038	12,883	14,578	23,746
Change in foreign currency translation adjustment	(2,471)	(841)	(372)	1,581	243
Funds transferred to Dundee Realty Corporation	(15,717)	(28,877)	(21,091)	(2,663)	(11,975)
DIVISIONAL EQUITY, END OF PERIOD	$276,519	$279,494	$290,594	$299,174	$285,678

See accompanying notes to the consolidated financial statements

DUNDEE REAL ESTATE INVESTMENT TRUST
AND COMMERCIAL REAL ESTATE DIVISION OF DUNDEE REALTY CORPORATION

STATEMENTS OF CASH FLOWS

	Note	For the Nine Months Ended September 30			For the Years Ended December 31		
		2003		2002	2002	2001	2000
		Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined
		July 1 to September 30	January 1 to June 30				
		(Unaudited)		(Unaudited) (in thousands of dollars)			
GENERATED FROM (UTILIZED IN) OPERATING ACTIVITIES							
Net income		$6,282	$ 4,113	$10,038	$12,883	$14,578	$23,746
Non-cash items:							
Depreciation of rental properties		2,266	4,439	6,061	8,311	7,106	6,915
Amortization of deferred leasing costs		1,392	2,897	3,322	4,701	3,539	2,247
Future income taxes		(33)	1,675	3,090	4,076	3,723	(2,844)
		9,907	13,124	22,511	29,971	28,946	30,064
Deferred leasing costs		(1,551)	(2,921)	(3,981)	(10,361)	(6,373)	(6,188)
Change in non-cash working capital items		1,201	(621)	29	(2,098)	(10,285)	6,256
		9,557	9,582	18,559	17,512	12,288	30,132
GENERATED FROM (UTILIZED IN) INVESTING ACTIVITIES							
Investment in rental properties		(1,353)	(4,309)	(10,945)	(14,649)	(29,370)	(11,461)
Acquisition of rental properties		—	(861)	(903)	(915)	(26,246)	(1,607)
Change in restricted cash		424	(106)	(155)	(15)	93	(266)
		(929)	(5,276)	(12,003)	(15,579)	(55,523)	(13,334)
GENERATED FROM (UTILIZED IN) FINANCING ACTIVITIES							
Mortgage principal repayments		(2,150)	(7,094)	(7,812)	(11,045)	(8,573)	(14,241)
Mortgage debt placed		—	50,918	106,931	106,931	76,237	21,097
Mortgage lump sum repayments		—	(32,411)	(80,467)	(80,467)	(38,648)	(7,901)
Term debt principal repayments		(230)	(1,071)	(850)	(1,572)	(879)	(3,161)
New term debt placed		—	—	6,341	6,341	81,707	—
Term debt lump sum payments		—	—	—	—	(65,098)	—
Distributions paid	9	(3,297)	—	—	—	—	—
Units issued		1,251	—	—	—	—	—
Financing activities before net funds transferred from the Division		(4,426)	10,342	24,143	20,188	44,746	(4,206)
Net funds transferred from the Division		—	(15,717)	(28,877)	(21,091)	(2,663)	(11,975)
		(4,426)	(5,375)	(4,734)	(903)	42,083	(16,181)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,202	(1,069)	1,822	1,030	(1,152)	617
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		1,582	2,651	1,621	1,621	2,773	2,156
CASH AND CASH EQUIVALENTS, END OF PERIOD		5,784	1,582	3,443	2,651	1,621	2,773
Restricted cash	6	2,675	3,099	3,133	2,993	2,978	3,071
CASH AND SHORT-TERM DEPOSITS		$8,459	$ 4,681	$ 6,576	$ 5,644	$ 4,599	$ 5,844

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DUNDEE REAL ESTATE INVESTMENT TRUST AND THE COMBINED FINANCIAL STATEMENTS OF THE COMMERCIAL REAL ESTATE DIVISION OF DUNDEE REALTY CORPORATION

(All dollar amounts in thousands, except unit and per unit amounts)

1. Basis of Financial Statement Presentation

These financial statements present the financial position of Dundee Real Estate Investment Trust (''Dundee REIT'') at the commencement of its operations on June 30, 2003 and the financial position of the Commercial Real Estate Division of Dundee Realty Corporation (the ''Division'') at June 30, 2003 and the results of the Division's operations and its cash flows for periods up to and including June 30, 2003. They also present the unaudited financial position of Dundee REIT as at September 30, 2003 and the results of its operations and cash flows for the three months then ended.

References herein to the ''Trust'' refer collectively to Dundee REIT as at, and for any period, after June 30, 2003, and to the Division for periods prior to and including June 30, 2003. Except for the impact of the conversion of the Division to Dundee REIT (see below) and unless otherwise indicated, balances for Dundee REIT as at June 30, 2003 are the same as balances of the Division as at June 30, 2003.

These financial statements have been prepared in accordance with the accounting recommendations of The Canadian Institute of Chartered Accountants (''CICA'') and are substantially in accordance with the practices recommended by the Canadian Institute of Public and Private Real Estate Companies (''CIPPREC'').

Dundee REIT

Dundee REIT is an open-ended investment trust created pursuant to a Declaration of Trust under the laws of the Province of Ontario dated May 9, 2003 as amended and restated (the ''Declaration of Trust'').

The consolidated balance sheet of Dundee REIT includes assets and liabilities acquired by Dundee Properties Limited Partnership (''DPLP'') from Dundee Realty Corporation (''DRC'') on June 30, 2003 (the ''Transfer'') comprised of:

- an 11.1 million square foot portfolio of office, industrial and retail revenue properties together with their related assets and liabilities; and
- a 50% interest in a joint venture comprised of the property management operations of DRC relating to revenue properties (Dundee Management Limited Partnership, or ''DMLP'').

As a result of completion of the Arrangement noted below, DPLP is an indirect subsidiary of Dundee REIT. The consolidated balance sheet of Dundee REIT includes the accounts of Dundee REIT and its subsidiaries, together with Dundee REIT's proportionate share of the assets and liabilities of joint ventures in which it participates. Where required, lender approval for the transfer of assets and assumption of debts to Dundee REIT was obtained. Where lender approval was obtained subject to certain conditions, agreements were established to provide Dundee REIT with substantially all the economic benefits of the asset as of June 30, 2003. Subsequent to June 30, 2003 these conditions have been or are in the process of being satisfied. Accordingly, such assets and related debts have been included in the financial statements of Dundee REIT as of June 30, 2003.

As consideration for the Transfer of the Division, and pursuant to completion of the Plan of Arrangement of Dundee Realty Corporation dated June 30, 2003 (the ''Arrangement''), a series of transactions ultimately resulted in Dundee REIT issuing REIT Units, Series A that are held by certain public shareholders of DRC, and DPLP issuing LP Class B Units, Series 1 that are held directly and indirectly by DRC. As partial consideration for the Transfer, DPLP issued LP Notes, Series 1, LP Notes, Series 2, and LP Notes, Series 3 (collectively the ''LP Notes''). Pursuant to the completion of the Arrangement, the LP Notes were transferred to Dundee REIT in consideration for the issuance by Dundee REIT of REIT Units, Series A. These LP Notes were then transferred to Dundee Properties Operating Trust A (''OTA''), whose sole unitholder is Dundee REIT, in consideration for OTA notes and additional OTA units, and OTA then transferred the LP Notes to DPLP in consideration for LP Class A Units. These transactions, combined, had no net effect on the consolidated balance sheet of Dundee REIT. The LP Class B Units, Series 1 are generally exchangeable on a one-for-one basis for REIT Units, Series B at the option of the holder. The LP Class B Units, Series 1 generally have economic and voting rights equivalent in all material respects to REIT Units, Series A. The REIT Units, Series A and REIT Units, Series B generally have economic and voting rights equivalent in all material respects to each other. Accordingly, the LP Class B Units, Series 1 are classified as Unitholders' equity in the consolidated balance sheet of Dundee REIT.

The assets and liabilities of the Division acquired in the Transfer have been measured under the continuity of interests accounting method at DRC's historical carrying amounts at June 30, 2003 as there has been no substantive change in the ultimate ownership interests in the Division. As a result, the Divisional equity of the Division at June 30, 2003 became the opening Unitholders' equity of Dundee REIT subject to certain adjustments noted below. Because the continuity of interests method of accounting has been used, the financial position, results of operations and cash flows of the Division have been presented as comparative information for Dundee REIT.

The differences between the consolidated balance sheet of Dundee REIT at its commencement on June 30, 2003 and the combined balance sheet of the Division at June 30, 2003 are comprised of:

- The elimination of a majority of the future tax liability of the Division as at June 30, 2003. The future tax liability of Dundee REIT of $8,000 at June 30, 2003 is with respect to Dundee REIT's corporate subsidiaries that remain taxable; and
- The issuance pursuant to the Arrangement of 15,000 REIT Units, Series A to DRC, in exchange for a demand promissory note of $306 included in Amounts receivable at June 30, 2003.

The following table reconciles the Divisional equity of the Division at June 30, 2003 to the opening Unitholders' equity of Dundee REIT on June 30, 2003:

	Divisional equity	Unitholders' equity	Cumulative foreign currency translation adjustment	Total
Divisional equity — June 30, 2003	$ 277,084	$ —	$ (565)	$276,519
Elimination of majority of the future income tax liability of the Division	58,065	—	(1,163)	56,902
Reclassification of Divisional equity to Unitholders' equity	(335,149)	335,149	—	—
Issuance of 15,000 REIT Units, Series A	—	306	—	306
Unitholders' equity — June 30, 2003	$ —	$335,455	$(1,728)	$333,727

Commercial Real Estate Division

The Division is not a legal entity. It represents a combination of the 11.1 million square foot portfolio of office, industrial and retail revenue properties owned by DRC and 50% of the property management operations of DRC relating to revenue properties, together with their related assets and liabilities, prior to the Transfer to DPLP.

The combined financial statements of the Division present the financial position, results of operations and cash flows of the Division, had the Division been accounted for on a stand-alone basis, and include the Division's proportionate share of the assets, liabilities, revenues and expenses of joint ventures in which it participates.

The combined financial statements of the Division have been prepared in accordance with the accounting recommendations of the CICA. Management has extracted the information used to prepare these combined financial statements from the financial records of DRC and as such assets and liabilities have been measured using the historical carrying amounts of DRC. Divisional equity represents the excess of the Division's assets over the Division's liabilities.

All balances except for income tax, capital and large corporations taxes and general and administrative expenses have been derived from records specific to the properties and entities acquired by DPLP. Capital and large corporations taxes have been allocated to the Division based on the net book value of the properties acquired by DPLP that are subject to such taxes relative to the total net book value of the properties of DRC that are subject to such taxes. Other income taxes have been determined based on the operation of, and taxable temporary differences related to the net assets of the Division, as if it were a taxable entity. General and administrative expenses have been allocated to the Division based on the net book value of the assets acquired by DPLP relative to the total net book value of the assets of DRC.

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

2. Summary of Significant Accounting Policies

These financial statements follow the same accounting policies and the methods of their application as used in the annual audited financial statements of DRC for the year ended December 31, 2002.

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

Revenue Recognition

Rental properties are considered operational at the earlier of the achievement of a predetermined level of occupancy or at the expiry of a reasonable period following substantial completion. The Trust has retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases as operating leases.

Revenues from rental properties include base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease cancellation fees, parking income and incidental income. The total of the cash rents received for the initial term of the lease for free rent tenant inducements are recorded on a straight-line basis over this period. Leases, which include contractual increases in basic rents, are only accounted for on a straight-line basis when they exceed expected increases in the projected Consumer Price Index; otherwise basic rents are accounted for as they become due. Recoveries from tenants are recognized as revenues in the period in which the applicable costs are incurred. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. The Trust provides an allowance for doubtful accounts against that portion of amounts receivable which is estimated to be uncollectible. Such allowances are reviewed periodically based upon the recovery experience of the Trust.

Rental Properties

Rental properties are stated at the lower of historic cost less accumulated depreciation and the net recoverable amount. Rental properties under development include interest on project-specific and general debt, property taxes, carrying charges and applicable general and administrative expenses incurred in the pre-development and construction periods, and initial leasing costs, less revenue earned prior to the project being declared operational. The net recoverable amount represents the undiscounted estimated future cash flow expected to be received from the ongoing use of the property, combined with its estimated residual value, and is intended to determine recovery of an investment and is not an expression of a property's fair market value.

Buildings, initial leasing costs and major expansions and renovations, are depreciated using the sinking fund method. Under this method, an amount, which increases at 5% per annum, is charged to income so as to fully depreciate the buildings over their estimated useful lives of 30 to 40 years. Building improvements are depreciated on a straight-line basis over the life of the improvement. Pavement, vehicles, office premise improvements, furniture and computer equipment are depreciated on the declining balance basis over their estimated useful lives at 8% to 30% per annum.

Foreign Currency Translation

The Trust's foreign operations are considered financially self-sustaining and operationally independent. Accordingly, assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Translation gains and losses are deferred as a separate component of equity until there has been a realized reduction in the underlying investment.

Foreign Currency Transactions

Monetary assets and liabilities to be settled in foreign currencies, which are not held in foreign self-sustaining operations, are translated into Canadian dollars using the period-end rate of exchange. Non-monetary assets, liabilities, revenues and expenses are translated at the rate in effect on the date of the transaction. Gains and losses are included in the statements of net income. No such gains or losses were recorded in either the three months ended September 30, 2003 (Unaudited), the six months ended June 30, 2003 or the years ended December 31, 2002, 2001 or 2000.

Deferred Costs

Deferred costs may include:

- Deferred leasing costs, which include leasing fees and costs, leasehold improvements and tenant inducements, other than initial leasing costs, and which are depreciated on a straight-line basis over the term of the applicable lease;
- Recoverable operating expenses, which are amortized over the period during which they are recoverable from tenants;
- Deferred financing costs which include debt issue fees and expenses that are amortized on a straight-line basis over the term of the debt;
- Direct acquisition fees and costs, which exclude general and administrative costs, and which are deferred until the acquisition is completed and the costs are capitalized to the acquisition, or the acquisition is abandoned and the costs are written off;
- Non-recoverable major improvement expenditures, which are amortized over their expected useful lives; and
- Investigative and pre-development expenditures, which can include an allocation of general and administrative expenses incurred on specific potential projects. These costs are deferred until the project is either abandoned, at which time the costs are written off, or until the project proceeds to the construction stage, at which time the costs are capitalized to the project.

Income Taxes

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

The Division uses the liability method of accounting for future income taxes. The net future income tax liability represents the cumulative amount of taxes applicable to temporary differences between the carrying amount of the Division's assets and liabilities and their carrying amounts for tax purposes. The provision for current income and large corporations taxes does not result in current taxes payable or receivable in the combined financial statements of the Division as such items are the obligation of, or the right of, legal entities not included in the Division. The benefits of tax losses are not reflected as a reduction of the future income tax liability recognized in the combined financial statements of the Division because they are the right of those legal entities not included in the Division. As such, current taxes payable or receivable and the benefit of losses, are included in Divisional equity as a component of the amount of funds transferred to or from DRC. Future income taxes are measured at the tax rates expected to apply in the future as temporary differences reverse. Changes to future income taxes related to changes in tax rates are recognized in income in the period when the tax rate change is substantively enacted.

Unit-based Compensation Plan

Dundee REIT has a Deferred Unit Incentive Plan as described in Note 9. The Trust recognizes compensation expense on a straight-line basis over the period that deferred units vest, based on the market price of REIT units on the date of grant.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Trust considers all short-term investments with an original maturity of three months or less to be cash equivalents, and excludes cash subject to restrictions that prevent its use for current purposes.

3. Rental Properties

	Dundee REIT Consolidated		Division of DRC Combined		
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
	(Unaudited)				
Land	$139,508	$139,548	$139,548	$143,198	143,108
Equipment	5,654	5,658	5,658	5,498	6,115
Buildings and building improvements	702,647	700,778	700,778	704,363	693,493
	847,809	845,984	845,984	853,059	842,716
Accumulated depreciation	(36,891)	(34,645)	(34,645)	(30,644)	(23,190)
TOTAL	$810,918	$811,339	$811,339	$822,415	$819,526

During the three months ended September 30, 2003, non-cash changes in working capital items related to investment in rental properties amounted to $344 (Unaudited) (six months ended June 30, 2003 — $1,587; December 31, 2002 — $4,343; December 31, 2001 — $4,038; December 31, 2000 — $1,400).

4. Deferred Costs

	Dundee REIT Consolidated		Division of DRC Combined		
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
	(Unaudited)				
Deferred leasing costs	$23,519	$21,817	$21,817	$20,657	$15,378
Deferred recoverable costs	8,971	9,061	9,061	7,250	6,926
Deferred financing costs	2,307	2,358	2,358	2,219	1,620
Other deferred costs	1,323	1,566	1,566	1,599	1,257
TOTAL	$36,120	$34,802	$34,802	$31,725	$25,181

Deferred leasing costs are net of accumulated amortization of $12,597 at September 31, 2003 (Unaudited) (June 30, 2003 — $11,207; December 31, 2002 — $13,220; December 31, 2001 — $8,521).

5. Amounts Receivable

Amounts receivable and deposits are net of credit adjustments of $1,207 at September 30, 2003 (Unaudited) ($1,801 at June 30, 2003; December 31, 2002 — $1,251; December 31, 2001 — $1,890) and unbilled credit adjustments of $1,482 at September 30, 2003 (Unaudited) ($1,153 at June 30, 2003; December 31, 2002 — $1,529; December 31, 2001 — $1,173). Total U.S. dollar denominated amounts receivable and other assets relating to self-sustaining foreign operations are US$1,118 as at September 30, 2003 (Unaudited) (US$593 at June 30, 2003; December 31, 2002 — US$1,001; December 31, 2001 — US$558).

6. Restricted Cash

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

7. Debt

	Dundee REIT Consolidated		Division of DRC Combined		
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
	(Unaudited)				
Mortgages	$420,349	$420,468	$420,468	$417,437	$402,509
Term debt	85,394	85,124	85,124	86,722	81,895
TOTAL	$505,743	$505,592	$505,592	$504,159	$484,404

Mortgages include US$25,521 at September 30, 2003 (Unaudited) (US$25,617 at June 30, 2003; December 31, 2002 — US$26,135; December 31, 2001 — US$26,687) of debt securing assets located in the United States relating to self-sustaining foreign operations.

Dundee REIT, through DPLP, has a demand revolving credit facility available up to a formula-based maximum amount that can be borrowed at any time up to but not to exceed $20 million, bearing interest generally at the bank prime rate plus 1% or bankers' acceptance rates. The facility is secured by a first ranking collateral mortgage for $22 million on two of the Trust's properties and a second ranking collateral mortgage for $7 million on a third property. Dundee REIT is required to maintain certain financial and other covenants. At September 30, 2003, $2,925 (Unaudited) (June 30, 2003 — $2,925) was utilized under the facility in the form of letters of guarantee.

Mortgages and term debt are secured by charges on specific revenue properties. DRC continues to be contingently liable for certain debt obligations of Dundee REIT.

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

	Weighted Average Interest Rates					Debt Amount			
	September 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001	Maturity Dates	September 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
	(Unaudited)					(Unaudited)			
FIXED RATE									
Mortgages	7.12%	7.16%	7.28%	7.28%	2003 to 2013	$420,349	$420,468	$417,437	$371,789
Term debt	7.70%	7.70%	7.71%	7.72%	2003 to 2006	65,926	65,570	62,357	56,513
TOTAL FIXED RATE	7.20%	7.23%	7.33%	7.34%		486,275	486,038	479,794	428,302
VARIABLE RATE									
Mortgages	—	—	—	6.38%		—	—	—	30,720
Term debt	5.55%	6.04%	5.53%	5.02%	2004	19,468	19,554	24,365	25,382
TOTAL VARIABLE RATE	5.55%	6.04%	5.53%	5.76%		19,468	19,554	24,365	56,102
TOTAL DEBT	7.14%	7.19%	7.24%	7.16%		$505,743	$505,592	$504,159	$484,404

Variable rate debt outstanding at September 30, 2003 bears interest generally at the rate of bankers' acceptance plus 2.75% (Unaudited) (June 30, 2003 — plus 2.75%; December 31, 2002 — plus 2.75%; December 31, 2001 — plus 3.49%).

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term Debt	Total
Six months to December 31, 2003	$ 21,833	$ 551	$ 22,384
Year to December 31, 2004	54,600	84,293	138,893
2005	20,939	178	21,117
2006	49,020	102	49,122
2007	46,950	—	46,950
2008 and thereafter	227,126	—	227,126
TOTAL	$420,468	$85,124	$505,592

The estimated fair value of debt is as follows:

	September 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
	(Unaudited)			
Mortgages	$439,413	$440,412	$433,521	$411,509
Term debt	86,394	86,313	88,816	84,004
TOTAL	$525,807	$526,725	$522,337	$495,513

8. Amounts payable and accrued liabilities

	Dundee REIT Consolidated		Division of DRC Combined		
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
	(Unaudited)				
Trade payables	$ 3,098	$ 1,681	$ 1,681	$ 2,959	$ 4,812
Accrued liabilities and other payables	13,369	9,802	9,802	6,605	10,132
Deposits	3,534	3,526	3,526	3,396	3,330
Deferred revenue	1,027	1,182	1,182	1,660	1,240
TOTAL	$21,028	$16,191	$16,191	$14,620	$19,514

Total U.S. dollar denominated amounts payable and accrued liabilities relating to self-sustaining foreign operations are US$1,024 at September 30, 2003 (Unaudited) (US$556 at June 30, 2003; December 31, 2002 — US$606; December 31, 2001 — US$337).

9. Unitholders' equity and divisional equity

Unitholders' equity of Dundee REIT is as follows:

	September 30, 2003		June 30, 2003	
	Units	Amount	Units	Amount
	(Unaudited)	(Unaudited)		
Dundee REIT — REIT Units, Series A	9,433,671	$192,926	9,370,192	$193,081
DPLP — LP Class B Units, Series 1	7,029,252	143,761	6,909,245	142,374
Cumulative foreign currency translation adjustment	—	(1,793)	—	(1,728)
TOTAL	16,462,923	$334,894	16,279,437	$333,727

Immediately prior to completion of the Arrangement, there were 16,264,437 common shares of DRC issued and outstanding. As a result of the Transfer and completion of the Arrangement as described in note 1, certain public shareholders of DRC who formerly held 9,355,192 common shares of DRC received 9,355,192 REIT Units, Series A and DRC received, directly and indirectly, 6,909,245 LP Class B Units, Series 1. Divisional equity at June 30, 2003, excluding the cumulative foreign currency translation adjustment of $(1,728), has been allocated between these REIT Units, Series A and LP Class B Units, Series 1 on a pro rata basis with resulting book values of $192,775 and $142,374, respectively.

In addition, 15,000 REIT Units, Series A were issued to DRC in exchange for a demand promissory note of $306.

Dundee REIT was originally established on May 9, 2003 when one initial REIT unit was issued for ten dollars. As part of completion of the Arrangement, this unit was redeemed.

Included in Divisional equity at June 30, 2003 is a cumulative foreign currency translation adjustment of $(565) (December 31, 2002 — $1,906; December 31, 2001 — $2,278).

Distributions

The following table sets out Dundee REIT's distributions for the three months ended September 30, 2003:

	Total
	(Unaudited)
Distributions declared	$8,982
Less: Distributions payable	(3,013)
Less: Distributions to participants in the Distribution Reinvestment Plans	(2,672)
Net cash distributions paid	$3,297

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of Deferred Trust Units and Income Deferred Trust Units to trustees, officers and employees, and affiliates and their service providers. Deferred Trust Units are granted at the discretion of the trustees while Income Deferred Trust Units are granted to Deferred Trust Unit holders based on distributions paid on the REIT Units, Series A. Once vested, each Deferred Trust Unit and Income Deferred Trust Unit will entitle the holder to receive a REIT Unit, Series A at no cost. Deferred Trust Units vest evenly over three to five years on the anniversary date of the grant while Income Deferred Trust Units vest on the same date as the associated Deferred Trust Unit. Subject to an election for certain participants to postpone receipt of REIT Units, Series A, such units will be issued immediately after vesting. Up to a maximum of 500,000 Deferred Trust Units and Income Deferred Trust Units are issuable under the Deferred Unit Incentive Plan. At September 30, 2003, 88,200 Deferred Trust Units (Unaudited) (June 30, 2003 — nil) had been granted. Compensation expense will be recorded based on the fair market value at the date of grant amortized as earned over the vesting period. During the three months ended September 30, 2003, $9 (Unaudited) of compensation expense was recorded and is included in General and administrative expenses. As no Deferred Trust Units have vested, no REIT Units, Series A have been issued to date under the plan.

Distribution Reinvestment and Unit Purchase Plan

In August 2003, Dundee REIT established a Distribution Reinvestment and Unit Purchase Plan for holders of REIT Units, Series A and REIT Units, Series B.

The Distribution Reinvestment Plan allows unitholders, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee REIT reinvested in additional REIT Units, Series A. Unitholders, who so elect, receive an additional distribution of REIT Units, Series A equal to 4% of each cash distribution that was reinvested. A similar distribution reinvestment arrangement exists for holders of LP Class B Units, Series 1.

The Unit Purchase Plan allows existing unitholders to purchase additional REIT Units, Series A of Dundee REIT. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT Units, Series A that may be acquired.

No commissions, service charges or brokerage fees are payable by participants in connection with these plans.

As at and for the three months ended September 30, 2003, 57,159 REIT Units Series A were issued under the Unit Purchase Plan for $1,251 (Unaudited) and 6,320 REIT Units Series A and 120,007 LP Class B Units, Series 1 were issued under the Distribution Reinvestment Plan for $133 and $2,539, respectively (Unaudited). As at June 30, 2003, no Units have been issued under these plans.

Dundee REIT Units

Dundee REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special REIT Units. The REIT Units have initially been divided into and issued in two series: REIT Units, Series A and REIT Units, Series B. REIT Units are redeemable at the option of the holder, generally at any time subject to certain restrictions, at a redemption price per REIT Unit equal to the lesser of 90% of a 20-day weighted average market price prior to the redemption date and 100% of the market price on the redemption date. The total amount payable by Dundee REIT in any calendar month shall not exceed $50 unless waived by Dundee REIT's trustees at their sole discretion. Any dollar amount in excess of this monthly dollar maximum, unless waived, will be paid by notes of OTA or OTB.

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

Special REIT Units are issued in conjunction with LP Class B Units, Series 1 of DPLP. The Special REIT Units are not transferable separately from the LP Class B Units, Series 1 to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP Class B Units, Series 1. Each Special REIT Unit entitles the holder 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 or exchange of the LP Class B Units, Series 1 to which they relate. At September 30, 2003, 7,029,252 Special REIT Units are issued and outstanding (Unaudited) (June 30, 2003 — 6,909,245 outstanding). These Special REIT Units are recorded at nominal value.

Dundee REIT's Declaration of Trust provides Dundee Bancorp Inc. (''DBI'') with a pre-emptive right pursuant to which Dundee REIT will not issue any REIT Units, or any securities convertible into REIT Units, to any person without first making an offer to DBI to issue that number of REIT Units or securities or a comparable number of LP Class B Units, Series 1 necessary to maintain the percentage of the outstanding voting interest in Dundee REIT held by DBI and its affiliates at the date of offer. After completion of the Plan of Arrangement, DBI indirectly controls DRC.

DPLP Units

DPLP is authorized to issue two initial units, an unlimited number of LP Class A and an unlimited number of LP Class B limited partnership units and such other classes as the general partner of DPLP, a wholly owned subsidiary of Dundee REIT, may decide. The LP Class B Units have been issued in two series: LP Class B Units, Series 1 and LP Class B Units, Series 2.

The LP Class B Units, Series 1, together with the accompanying Special REIT Units, have economic and voting rights equivalent in all material respects to the REIT Units, Series A and REIT Units, Series B. Generally, each LP Class B Unit, Series 1 entitles the holder to a distribution equal to distributions declared on REIT Units, Series B or, if no such distribution is declared, on REIT Units, Series A. LP Class B Units, Series 1 may be surrendered or indirectly exchanged on a one-for-one basis at the option of the holder, generally at any time subject to certain restrictions, for REIT Units, Series B. The LP Class B Units, Series 1 are not entitled to vote at any meeting of the limited partners of DPLP.

The LP Class A Units and LP Class B Units, Series 2 are entitled to vote at meetings of the limited partners of DPLP and each unit entitles the holder to a distribution equal to distributions on the LP Class B Units, Series 1.

At September 30, 2003, 9,433,671 LP Class A Units (Unaudited) (June 30, 2003 — 9,370,192), 7,029,252 LP Class B Units, Series 1 (Unaudited) (June 30, 2003 — 6,909,245) and one LP Class B Unit, Series 2 (Unaudited) (June 30, 2003 — one) are issued and outstanding. As at September 30, 2003 and June 30, 2003, all issued and outstanding LP Class A Units and the outstanding LP Class B Unit, Series 2 of DPLP were owned indirectly by Dundee REIT and have been eliminated in the consolidated balance sheet.

10. Joint Ventures and Co-ownerships

The Trust participates in incorporated and unincorporated joint ventures, partnerships and co-ownerships (the ''joint ventures'') with other parties and accounts for its interests using the proportionate consolidation method.

The following amounts represent the total assets and liabilities of revenue property joint ventures in which the Trust participates and its proportionate share of the assets, liabilities, revenues, expenses and cash flows therein.

	Total				
	Dundee REIT Consolidated		Division of DRC Combined		
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
	(Unaudited)				
Assets	$209,772	$203,145	$203,145	$206,733	$217,441
Liabilities	105,716	103,011	103,011	106,447	97,989

	Proportionate Share				
	Dundee REIT Consolidated		Division of DRC Combined		
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
	(Unaudited)				
Assets	$115,412	$112,956	$112,956	$114,771	$125,820
Liabilities	57,298	55,865	55,865	57,750	53,842

	For the Nine Months Ended September 30			For the Years Ended December 31		
	2003		2002	2002	2001	2000
	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined
	July 1 to September 30	January 1 to June 30				
	(Unaudited)		(Unaudited)			
Revenues	$ 5,598	$12,247	$ 16,717	$ 23,126	$ 17,686	$ 17,353
Expenses	3,954	9,465	15,546	17,499	12,197	11,629
	$ 1,644	$ 2,782	$ 1,171	$ 5,627	$ 5,489	$ 5,724
Cash flow generated from (utilized in):						
Operating activities	$ 1,779	$ 2,806	$ 5,763	$ 8,449	$ 3,012	$ 5,589
Financing activities	(853)	(3,491)	(2,718)	(5,972)	1,517	3,883
Investing activities	(24)	(884)	(1,209)	(1,301)	(5,323)	(8,704)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 902	$ (1,569)	$ 1,836	$ 1,176	$ (794)	$ 768

The Trust is contingently liable for the obligations of the other owners of the unincorporated joint ventures in the aggregate amount of $41,402 at September 30, 2003 (Unaudited) (June 30, 2003 — $41,340). In each case, however, the co-owner's share of assets is available to satisfy these obligations.

At September 30, 2003, Dundee REIT's proportionate share of the assets and liabilities of DMLP are as follows:

	September 30, 2003	June 30, 2003
	(Unaudited)	
ASSETS		
Amounts receivable and other assets	$2,930	$2,210
LIABILITIES		
Debt	$ 515	$ 570
Amounts payable and accrued liabilities	1,168	500
	$1,683	$1,070

11. Interest

Interest incurred, capitalized and charged to earnings is recorded as follows:

	For the Nine Months Ended September 30			For the Years Ended December 31		
	2003		2002	2002	2001	2000
	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined
	July 1 to September 30	January 1 to June 30				
	(Unaudited)		(Unaudited)			
Interest expense incurred, at stated rate of debt	$9,017	$17,965	$26,192	$35,339	$34,632	$33,970
Amortization of deferred financing costs	285	465	523	772	496	267
Marked-to-market adjustment to rate	(75)	(155)	(251)	(333)	(1,163)	(2,386)
Interest capitalized	—	—	(176)	(176)	(1,283)	(642)
INTEREST EXPENSE	$9,227	$18,275	$26,288	$35,602	$32,682	$31,209

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

Interest capitalized includes interest on general and specific debt on revenue properties under development.

Cash interest paid in the three months ended September 30, 2003 is $6,290 (Unaudited) (six months ended June 30, 2003 — $20,929; year ended December 31, 2002 — $35,080; year ended December 31, 2001 — $34,539; year ended December 31, 2000 — $34,296).

12. Net Income per Unit (Unaudited)

For the three months ended September 30, 2003, the weighted average number of units outstanding was as follows:

	Units outstanding
REIT Units, Series A	9,381,232
LP Class B Units, Series 1	6,950,137
Total weighted average number of units outstanding	16,331,369

For the three months ended September 30, 2003, all 88,200 Deferred Trust Units were excluded from the computation of diluted per unit amounts because they would not have a dilutive effect.

13. Income and Large Corporations Taxes

Dundee REIT is taxed as a mutual fund trust for income tax purposes. Pursuant to the Declaration of Trust, the Trustees of Dundee REIT will make distributions of, or will designate, all taxable income earned by Dundee REIT, including the taxable portion of net realized capital gains, to Unitholders and will deduct such distributions and designations for income tax purposes. As the income tax obligations relating to the distribution are those of the unitholders, no provision for income taxes is required on such amounts.

Canadian and United States based corporate subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. A future income tax liability of $7,967 as at September 30, 2003 (Unaudited) (June 30, 2003 — $8,000) has been recorded to reflect the future tax obligations of these subsidiaries and is comprised of amounts resulting from the differences in tax and book values relating to the revenue property assets.

The reported carrying amount of Dundee REIT's net assets, excluding those in corporate subsidiaries, exceed the corresponding tax cost by approximately $200,000 at September 30, 2003 (Unaudited) (June 30, 2003 — $200,000).

	For the Nine Months Ended September 30			For the Years Ended December 31		
	2003		2002	2002	2001	2000
	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined
	July 1 to September 30	January 1 to June 30				
	(Unaudited)		(Unaudited)			
Income tax provision based on Canadian statutory tax rate of 35.5% for the three months ended September 30, 2003 (for the six months ended June 30, 2003 — 35.5%, for the nine months ended September 30, 2002 (Unaudited) — 38.3%, for the year ended December 31, 2002 — 38.3%, 2001 — 41.1%, 2000 — 42.9%)	$ 2,224	$2,752	$ 5,881	$7,764	$9,008	$ 9,295
Increase (decrease) in provision resulting from:						
Taxes on income attributable to Dundee REIT Unitholders	(2,257)	—	—	—	—	—
Large corporations and corporate minimum taxes	15	1,134	1,320	2,104	1,802	1,854
Benefit from decrease in expected future income tax rates	—	(275)	(1,925)	(2,567)	(3,766)	(13,282)
Other items	—	29	40	87	296	53
TOTAL INCOME TAX PROVISION (RECOVERY)	$ (18)	$3,640	$ 5,316	$7,388	$7,340	$ (2,080)

The provision for current income and large corporations taxes is comprised of the following:

	For the Nine Months Ended September 30			For the Years Ended December 31		
	2003		2002	2002	2001	2000
	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined
	July 1 to September 30	January 1 to June 30				
	(Unaudited)		(Unaudited)			
Current income taxes (recovery) related to operations	$ 15	$ 831	$ 906	$1,208	$1,815	$(1,090)
Large corporations and corporate minimum taxes	—	1,134	1,320	2,104	1,802	1,854
	$ 15	$1,965	$2,226	$3,312	$3,617	$ 764

No cash taxes were paid or received by the Division because the payment is the obligation of, and the receipt is the right of, legal entities not included in the Division. During the periods presented, DRC did not pay any current income taxes because of the availability of tax losses and deductions not related to, and therefore not allocated to, the Division, nor were any current income taxes received as a result of the utilization of losses generated by the Division against taxable income not attributable to the Division.

With respect to the Division, the future income tax liability of $64,902 at June 30, 2003 (December 31, 2002 — $59,838; 2001 — $55,773) is comprised of amounts resulting entirely from the differences in tax and book values relating to the revenue property assets. For the period ended June 30, 2003, the future income tax liability was increased by $4,500 due to differences between the provision for current taxes and the actual tax filings, with a corresponding amount included in funds transferred to DRC.

14. Segmented Information

The Trust's rental properties have been segmented into office, industrial and retail components because of the marketing, leasing and operating strategies unique to each. Previously, the Trust presented property management as a separate segment. As the third party property management operations are no longer a primary business of the Trust, it is no longer presented as a separate segment. The comparative figures have been reclassified to conform to this presentation.

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

A. By Activity

	Dundee REIT For the Three Months Ended September 30, 2003			
	Office	Industrial	Retail	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATIONS				
Revenues	$ 21,769	$ 9,861	$ 5,536	$ 37,166
Operating expenses	(10,927)	(3,518)	(2,768)	(17,213)
Depreciation of rental properties	(1,234)	(646)	(386)	(2,266)
Amortization of deferred leasing costs	(767)	(378)	(247)	(1,392)
SEGMENT INCOME	$ 8,841	$ 5,319	$ 2,135	$ 16,295
SEGMENT ASSETS	$417,228	$253,011	$140,679	$810,918
CAPITAL EXPENDITURES				
Investment in rental properties	$ (745)	$ (303)	$ (305)	$ (1,353)
Deferred leasing costs	(1,306)	(156)	(89)	(1,551)
TOTAL CAPITAL EXPENDITURES	$ (2,051)	$ (459)	$ (394)	$ (2,904)

	Division of DRC For the Six Months Ended June 30, 2003			
	Office	Industrial	Retail	Total
OPERATIONS				
Revenues	$ 42,965	$ 19,760	$ 11,815	$ 74,540
Operating expenses	(23,874)	(8,260)	(6,359)	(38,493)
Depreciation of rental properties	(2,433)	(1,262)	(744)	(4,439)
Amortization of deferred leasing costs	(1,533)	(777)	(587)	(2,897)
SEGMENT INCOME	$ 15,125	$ 9,461	$ 4,125	$ 28,711
SEGMENT ASSETS	$417,222	$253,456	$140,661	$811,339
CAPITAL EXPENDITURES				
Investment in rental properties	$ (2,086)	$ (1,688)	$ (535)	$ (4,309)
Acquisition of rental properties	—	(3)	(858)	(861)
Deferred leasing costs	(1,314)	(946)	(661)	(2,921)
TOTAL CAPITAL EXPENDITURES	$ (3,400)	$ (2,637)	$ (2,054)	$ (8,091)

	Division of DRC For the Nine Months Ended September 30, 2002			
	Office	Industrial	Retail	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATIONS				
Revenues	$ 62,540	$ 28,766	$ 17,358	$108,664
Operating expenses	(33,018)	(11,178)	(9,489)	(53,685)
Depreciation of rental properties	(3,313)	(1,693)	(1,055)	(6,061)
Amortization of deferred leasing costs	(1,937)	(918)	(467)	(3,322)
SEGMENT INCOME	$ 24,272	$ 14,977	$ 6,347	$ 45,596
CAPITAL EXPENDITURES				
Investment in rental properties	$ (9,375)	$ (105)	$ (1,465)	$ (10,945)
Acquisition of rental properties	(24)	(679)	(200)	(903)
Deferred leasing costs	(2,162)	(870)	(949)	(3,981)
TOTAL CAPITAL EXPENDITURES	$ (11,561)	$ (1,654)	$ (2,614)	$ (15,829)

	Division of DRC For the Year Ended December 31, 2002			
	Office	Industrial	Retail	Total
OPERATIONS				
Revenues	$ 83,878	$ 38,566	$ 24,238	$146,682
Operating expenses	(45,168)	(15,337)	(13,103)	(73,608)
Depreciation of rental properties	(4,098)	(2,606)	(1,607)	(8,311)
Amortization of deferred leasing costs	(2,633)	(1,275)	(793)	(4,701)
SEGMENT INCOME	$ 31,979	$ 19,348	$ 8,735	$ 60,062
SEGMENT ASSETS	$417,829	$254,504	$150,082	$822,415
CAPITAL EXPENDITURES				
Investment in rental properties	$ (10,888)	$ (1,918)	$ (1,843)	$ (14,649)
Acquisition of rental properties	(24)	(686)	(205)	(915)
Deferred leasing costs	(3,326)	(1,814)	(5,221)	(10,361)
TOTAL CAPITAL EXPENDITURES	$ (14,238)	$ (4,418)	$ (7,269)	$ (25,925)

	Division of DRC For the Year Ended December 31, 2001			
	Office	Industrial	Retail	Total
OPERATIONS				
Revenues	$ 72,250	$ 37,705	$ 25,699	$135,654
Operating expenses	(39,074)	(14,841)	(11,884)	(65,799)
Depreciation of rental properties	(3,396)	(2,310)	(1,400)	(7,106)
Amortization of deferred leasing costs	(2,100)	(948)	(491)	(3,539)
SEGMENT INCOME	$ 27,680	$ 19,606	$ 11,924	$ 59,210
SEGMENT ASSETS	$416,720	$252,843	$149,963	$819,526
CAPITAL EXPENDITURES				
Investment in rental properties	$ (24,472)	$ (2,937)	$ (1,961)	$ (29,370)
Acquisition of rental properties	(26,242)	(4)	—	(26,246)
Deferred leasing costs	(3,878)	(1,852)	(643)	(6,373)
TOTAL CAPITAL EXPENDITURES	$ (54,592)	$ (4,793)	$ (2,604)	$ (61,989)

	Division of DRC For the Year Ended December 31, 2000			
	Office	Industrial	Retail	Total
OPERATIONS				
Revenues	$ 65,217	$ 36,730	$ 24,234	$126,181
Operating expenses	(35,657)	(14,431)	(11,091)	(61,179)
Depreciation of rental properties	(3,354)	(2,276)	(1,285)	(6,915)
Amortization of deferred leasing costs	(1,337)	(492)	(418)	(2,247)
SEGMENT INCOME	$ 24,869	$ 19,531	$ 11,440	$ 55,840
CAPITAL EXPENDITURES				
Investment in rental properties	$ (10,695)	$ (192)	$ (574)	$ (11,461)
Acquisition of rental properties	(43)	(1,562)	(2)	(1,607)
Deferred leasing costs	(3,859)	(1,727)	(602)	(6,188)
TOTAL CAPITAL EXPENDITURES	$ (14,597)	$ (3,481)	$ (1,178)	$ (19,256)

B. By Country

	Dundee REIT For the Three Months Ended September 30, 2003		
	Canada	U.S.	Total
	(Unaudited)	(Unaudited)	(Unaudited)
OPERATIONS			
Revenues	$ 34,686	$ 2,480	$ 37,166
Operating expenses	(15,866)	(1,347)	(17,213)
Depreciation of rental properties	(2,079)	(187)	(2,266)
Amortization of deferred leasing costs	(1,337)	(55)	(1,392)
SEGMENT INCOME	$ 15,404	$ 891	$ 16,295
SEGMENT ASSETS	$750,799	$60,119	$810,918
CAPITAL EXPENDITURES			
Investment in rental properties	$ (1,063)	$ (290)	$ (1,353)
Deferred leasing costs	(1,551)	—	(1,551)
TOTAL CAPITAL EXPENDITURES	$ (2,614)	$ (290)	$ (2,904)

	Division of DRC For the Six Months Ended June 30, 2003		
	Canada	U.S.	Total
OPERATIONS			
Revenues	$ 69,115	$ 5,425	$ 74,540
Operating expenses	(35,481)	(3,012)	(38,493)
Depreciation of rental properties	(4,055)	(384)	(4,439)
Amortization of deferred leasing costs	(2,792)	(105)	(2,897)
SEGMENT INCOME	$ 26,787	$ 1,924	$ 28,711
SEGMENT ASSETS	$751,221	$60,118	$811,339
CAPITAL EXPENDITURES			
Investment in rental properties	$ (3,987)	$ (322)	$ (4,309)
Acquisition of rental property	(861)	—	(861)
Deferred leasing costs	(2,751)	(170)	(2,921)
TOTAL CAPITAL EXPENDITURES	$ (7,599)	$ (492)	$ (8,091)

	Division of DRC For the Nine Months Ended September 30, 2002		
	Canada	U.S.	Total
	(Unaudited)	(Unaudited)	(Unaudited)
OPERATIONS			
Revenues	$100,219	$8,445	$108,664
Operating expenses	(49,156)	(4,529)	(53,685)
Depreciation of rental properties	(5,519)	(542)	(6,061)
Amortization of deferred leasing costs	(3,256)	(66)	(3,322)
SEGMENT INCOME	$ 42,288	$3,308	$ 45,596
CAPITAL EXPENDITURES			
Investment in rental properties	$ (10,474)	$ (471)	$ (10,945)
Acquisition of rental property	(903)	—	(903)
Deferred leasing costs	(3,463)	(518)	(3,981)
TOTAL CAPITAL EXPENDITURES	$ (14,840)	$ (989)	$ (15,829)

	Division of DRC For the Year Ended December 31, 2002		
	Canada	U.S.	Total
OPERATIONS			
Revenues	$134,511	$12,171	$146,682
Operating expenses	(67,385)	(6,223)	(73,608)
Depreciation of rental properties	(7,471)	(840)	(8,311)
Amortization of deferred leasing costs	(4,491)	(210)	(4,701)
SEGMENT INCOME	$ 55,164	$ 4,898	$ 60,062
SEGMENT ASSETS	$752,311	$70,104	$822,415
CAPITAL EXPENDITURES			
Investment in rental properties	$ (14,172)	$ (477)	$ (14,649)
Acquisition of rental properties	(915)	—	(915)
Deferred leasing costs	(9,827)	(534)	(10,361)
TOTAL CAPITAL EXPENDITURES	$ (24,914)	$ (1,011)	$ (25,925)

	Division of DRC For the Year Ended December 31, 2001		
	Canada	U.S.	Total
OPERATIONS			
Revenues	$124,212	$11,442	$135,654
Operating expenses	(60,216)	(5,583)	(65,799)
Depreciation of rental properties	(6,437)	(669)	(7,106)
Amortization of deferred leasing costs	(3,399)	(140)	(3,539)
SEGMENT INCOME	$ 54,160	$ 5,050	$ 59,210
SEGMENT ASSETS	$748,579	$70,947	$819,526
CAPITAL EXPENDITURES			
Investment in rental properties	$ (27,899)	$ (1,471)	$ (29,370)
Acquisition of rental properties	(26,246)	—	(26,246)
Deferred leasing costs	(6,295)	(78)	(6,373)
TOTAL CAPITAL EXPENDITURES	$ (60,440)	$ (1,549)	$ (61,989)

	Division of DRC For the Year Ended December 31, 2000		
	Canada	U.S.	Total
OPERATIONS			
Revenues	$115,444	$10,737	$126,181
Operating expenses	(56,506)	(4,673)	(61,179)
Depreciation of rental properties	(6,235)	(680)	(6,915)
Amortization of deferred leasing costs	(2,136)	(111)	(2,247)
SEGMENT INCOME	$ 50,567	$ 5,273	$ 55,840
CAPITAL EXPENDITURES			
Investment in rental properties	$(10,993)	$ (468)	$(11,461)
Acquisition of rental properties	(1,607)	—	(1,607)
Deferred leasing costs	(6,061)	(127)	(6,188)
TOTAL CAPITAL EXPENDITURES	$(18,661)	$ (595)	$(19,256)

Reconciliations of segmented operating results and assets to net income and total assets are as follows:

	For the Nine Months Ended September 30			For the Years Ended December 31		
	2003		2002	2002	2001	2000
	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined	Division of DRC Combined
	July 1 to September 30	January 1 to June 30				
	(Unaudited)		(Unaudited)			
NET INCOME						
Segment income	$16,295	$ 28,711	$ 45,596	$ 60,062	$ 59,210	$ 55,840
Interest expense	(9,227)	(18,275)	(26,288)	(35,602)	(32,682)	(31,209)
General and administrative expenses	(994)	(3,339)	(4,665)	(5,613)	(6,710)	(5,234)
Interest and fee income, net	190	656	711	1,424	2,100	2,269
Income taxes	18	(3,640)	(5,316)	(7,388)	(7,340)	2,080
NET INCOME	$ 6,282	$ 4,113	$ 10,038	$ 12,883	$ 14,578	$ 23,746

	Dundee REIT Consolidated		Division of DRC Combined		
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001
	(Unaudited)				
ASSETS					
Segment assets	$810,918	$811,339	$811,339	$822,415	$819,526
Deferred costs	36,120	34,802	34,802	31,725	25,181
Amounts receivable	6,459	6,172	5,866	5,582	6,513
Prepaid expenses	7,676	6,516	6,516	3,845	3,046
Cash and short-term deposits	8,459	4,681	4,681	5,644	4,599
TOTAL ASSETS	$869,632	$863,510	$863,204	$869,211	$858,865

15. Other Related Party Transactions and Arrangements

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

At September 30, 2003 and June 30, 2003, Dundee REIT, DPLP and DMLP were parties to the following arrangements:

Master Property Management Agreement

DPLP has entered into a property management agreement (''Management Agreement'') with DMLP to provide customary property management services to DPLP. The Management Agreement also authorizes DMLP, subject to certain restrictions, to contract on behalf of DPLP with third parties for the provision of certain services as provided for in DMLP's annual operating plan. DMLP is entitled to be reimbursed by DPLP for its reasonable costs for such services. The initial term of the Management Agreement is five years with the consent of DMLP, the Management Agreement will be automatically extended for a further five-year period. Upon expiry of the first extension term and with the mutual consent of DMLP and DPLP, the Management Agreement will be automatically extended for further five-year periods until terminated by the parties. The Management Agreement provides for a base management fee of 3.5% of gross revenues generated from the managed properties, as well as construction fees, and leasing administration fees for services provided. The construction fee will be based on a specified percentage of the costs for approved construction and capital expenditures. The leasing administration fee will constitute 50% of the customary market leasing brokerage fee (25% if a third party listing leasing broker is involved in the transaction or in the case of a lease renewal), calculated without deduction for any rent free period.

This Management Agreement also provides that DRC will pay a rent supplement to DPLP for a five-year period in the case of certain specified office and retail premises and a three-year period in the case of certain specified industrial premises. DRC will pay an amount equal to the difference between (i) the amount that is the ''total net rent'' less amortized leasing costs with respect to the specified premises plus the additional rents that would be payable with respect to such premises if such premises were leased pursuant to the applicable standard lease for each premises and (ii) the amount that is the actual base rent and additional rent received by DPLP for such premises, after deduction for amortization of leasing costs including, but not limited to, tenant inducements, landlords work, free rent and leasing commissions paid by DPLP to lease any such premises. If at any time any of the premises to which the rent supplement applies is either sold by DPLP or ceases to be managed by DMLP, the amount of the rent supplement will be reduced by the amount attributed to such premises. If DPLP enters into a lease with a tenant for any of the premises to which the rent supplement applies which extends beyond the terms of the supplement for such premises and the tenant meets credit quality thresholds, has occupied the premises and has commenced full rental payment under the lease, the amount of the supplement will be permanently reduced by the actual base rent and additional rent received by DPLP for such premises after deduction for amortization of leasing costs.

Administrative Services Agreement

Dundee REIT and certain subsidiaries have entered into an administrative services agreement (''Services Agreement'') with DMLP whereby DMLP will provide certain administrative services to Dundee REIT and its subsidiaries. The Services Agreement provides for a broad range of management and general administrative services, certain asset management services and certain administrative and support services. The agreement provides for a fee sufficient to reimburse DMLP for the actual costs incurred and is not intended to have a profit component. In addition, DMLP will provide, for a fee, services related to property acquisition, property financing or refinancing and equity financing. This agreement is for an initial five-year period commencing July 1, 2003 and will terminate upon termination of the Management Agreement. DMLP has also entered into a similar administration and support services agreement with DRC to provide certain administration services to DRC and its subsidiaries (''DRC Services Agreement'').

For the three months ended September 30, 2003, the portion of fees received from or paid to related parties under the above arrangements were as follows:

Fees Received	(Unaudited)
Rent supplement, included in rental properties revenue	$1,098
Fees received by Dundee REIT under the DRC Services Agreement	
Services fees, netted against rental property operating expenses	$ 113

Fees Paid

Fees paid by Dundee REIT under the Management Agreement	
Management fees, included in rental property operating expenses	$ 664
Construction fees, capitalized to the related assets	$ 158
Lease administration fees, included in deferred leasing costs	$ 97
Fees paid by Dundee REIT under the Services Agreement	
Acquisition and financing fees, capitalized to the related assets	$ 107

Included in Amounts receivable at September 30, 2003 is $950 (Unaudited) relating to the above agreements. At June 30, 2003, Amounts receivable included a demand promissory note from DRC for $306 issued in exchange for 15,000 REIT Units, Series A. The demand promissory note was interest bearing at 5.05% and was repaid on August 29, 2003.

Included in Accrued liabilities and other payables at September 30, 2003 is $545 (Unaudited) relating to the above agreements. In addition, there is a non-interest bearing note to DRC in the amount of $1,760 as at September 30, 2003 and June 30, 2003. This obligation was the result of certain cash balances included as part of the Transfer on June 30, 2003 and was repaid on November 6, 2003.

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

16. Financial Instruments and Risk Management

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

The fair value of debt is determined by discounting the future contractual cash flows under current financing arrangements at discount rates that represent management's best estimate of borrowing rates presently available to the Trust for loans with similar terms and maturities. Specific fair values are disclosed in the related notes.

The Trust has exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt amounts to 3.85% (Unaudited) at September 30, 2003 (3.87% at June 30, 2003; December 31, 2002 — 4.83%; 2001 — 11.58%; 2000 — 6.96%) of the Trust's total debt. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, stagger maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset.

The Trust is exposed to foreign exchange risk as it relates to its self-sustaining U.S. operations due to fluctuations in the exchange rate between the Canadian and U.S. dollars. Changes in the exchange rate may result in a reduction or an increase in net income. The impact of foreign exchange fluctuations is deferred as a separate component of equity until an investment has been liquidated. The Trust mitigates this risk by matching foreign denominated debt with foreign assets.

The Trust's assets consist of office, industrial and retail rental properties. Credit risk arises from the possibility that tenants in rental properties may not fulfill their lease or contractual obligations. Further risks arise in the event that borrowers default on the repayment of their loans to the Trust. The Trust mitigates its credit risks by attracting tenants of sound financial standing, diversifying its mix of tenants and ensuring that adequate security has been provided in support of loans.

17. Commitments and Contingencies

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

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

	Operating Lease Payments	Capital Lease Payments
Six months ended June 30, 2003	$ 390	$126
Year ended December 31, 2004	764	209
2005	725	196
2006	656	105
2007	653	—
2008 and thereafter	2,544	—
TOTAL	$5,732	$636

Dundee REIT's future minimum commitments under ground leases are as follows:

	Ground Lease Payments
Six months ended June 30, 2003	$ 506
Year ended December 31, 2004	1,011
2005	1,081
2006	1,142
2007	1,112
2008 and thereafter	4,417
TOTAL	$9,269

Dundee REIT has four ground leases on three properties. The terms of the first two leases extend to 2083 and 2076; the last two extend to 2060 including renewals. They are at fixed rates for the entire term of the first and the third lease, until September 30, 2006 for the second lease and until June 30, 2010 for the fourth. The renewal terms for the second and fourth leases beyond these dates are defined as variable percentages of the market value of these properties at the date of the renewal.

18. Subsequent Events

During the period October 1, 2003 to December 31, 2003:

- 47,340 REIT Units, Series A and 63,765 LP Class B Units, Series 1 were issued under the Distribution Reinvestment Plan; and
- 13,204 REIT Units, Series A were issued under the Unit Purchase Plan.

On October 29, 2003, Dundee REIT entered into an underwriting agreement whereby Dundee REIT raised gross proceeds of $56,420 on November 5, 2003 pursuant to a public offering (the ''Offering'') through the issuance of 2,600,000 REIT Units, Series A at a price of $21.70 per unit. Costs related to the Offering, including underwriters' fees, are estimated to be $4,821 and will be charged directly to Unitholders' equity. The net proceeds were used to repay certain indebtedness related to Dundee REIT's properties and for general purposes, including funding possible future acquisitions, including the acquisition of the Palladium Campus in Ottawa and Telus Tower in Calgary.

On November 27, 2003, Dundee REIT acquired the Palladium Campus, an office complex located in Ottawa, Ontario, for a purchase price of approximately $37,200, subject to final adjustments and closing costs. In connection with the acquisition, Dundee REIT assumed an existing first mortgage having an aggregate principal amount of approximately $31.2 million and an interest rate of approximately 7.3%.

On December 3, 2003, Dundee REIT acquired a 50% interest in the Telus Tower in Calgary, Alberta. The purchase price was approximately $68,000 and was financed through the assumption of an existing mortgage of approximately $44,000 and approximately $24,000 in cash.

On December 19, 2003 Dundee REIT entered into an agreement to acquire 1.6 million square feet of newly constructed office, industrial and flex space in the Calgary and Toronto markets (collectively, the ''Pauls Portfolio'') for a purchase price of $155,000 and a $12,500 mezzanine loan, net of the assumption of debt of approximately $65.7 million at an average interest rate of 6.2%. The transaction is scheduled to close in February 2004.

On January 19, 2004, Dundee REIT entered into an underwriting agreement whereby Dundee REIT will raise gross proceeds of $100,031 (net proceeds of $94,730 after deduction of the underwriters' fee and the estimated expenses of the Offering) pursuant to a public offering (the ''Offering'') through the issuance of 4,125,000 REIT Units, Series A at a price of $24.25 per unit. Dundee REIT has granted the underwriters an option to purchase an additional 412,000 REIT Units, Series A which if exercised would result in the issuance of a total of 4,537,000 units for total gross proceeds of $110,022 (net proceeds of $104,321 after deduction of the underwriters' fee and the estimated expenses of the Offering).

19. Comparative Figures

The comparative figures for the Division for periods prior to and including June 30, 2003 have been reclassified to conform to the financial statement presentation adopted by Dundee REIT in its financial statements for the three month interim period ended September 30, 2003.

AUDITORS' CONSENT

We have read the prospectus of Dundee Real Estate Investment Trust (''Dundee REIT'') dated ● , 2004 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 use in the above-mentioned prospectus of our report to the Trustees of Dundee REIT on the consolidated balance sheet of Dundee REIT as at June 30, 2003 and our report to the Directors of Dundee Realty Corporation on the combined balance sheets of the Commercial Real Estate Division of Dundee Realty Corporation (the ''Division'') as at June 30, 2003, December 31, 2002 and December 31, 2001 and the combined statements of net income, divisional equity and cash flows of the Division for the six months ended June 30, 2003 and for each of the years ended December 31, 2002, 2001 and 2000. Our reports are dated September 3, 2003 (except as to note 18 which is as of ● , 2004).

In addition, we consent to the use in the above-mentioned prospectus of our compilation report on pro forma financial statements to the Trustees of Dundee REIT on the pro forma condensed consolidated statements of net income of Dundee REIT for the nine months ended September 30, 2003 and the year ended December 31, 2002. Our report is dated ● , 2004.

Chartered Accountants

Toronto, Ontario
● , 2004

CERTIFICATE OF DUNDEE REIT AND THE PROMOTER

Dated: January 20, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part II of the *Securities Act* (Prince Edward Island), by Section 63 of the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick) and by Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus, as required by the *Securities Act* (Québec) and the regulations thereunder, does not contain any 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) JEFF B. BARNES
Executive Vice-President and Chief Financial Officer

On Behalf of the Board of Trustees

(Signed) NED GOODMAN
Trustee

(Signed) ROBERT G. GOODALL
Trustee

DUNDEE REALTY CORPORATION
(as Promoter)

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

(Signed) JEFF B. BARNES
Executive Vice-President and Chief Financial Officer

CERTIFICATE OF UNDERWRITERS

Dated: January 20, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part II of the *Securities Act* (Prince Edward Island), by Section 64 of the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick) and by Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. To our knowledge, this prospectus, as required by the *Securities Act* (Québec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

TD SECURITIES INC.

By: (Signed) ANDREW G. PHILLIPS

SCOTIA CAPITAL INC.

By: (Signed) PETER L. SLAN

BMO NESBITT BURNS INC.

By: (Signed) JAMES P. BOWLAND

DUNDEE SECURITIES CORPORATION

By: (Signed) DAVID G. ANDERSON

NATIONAL BANK FINANCIAL INC.

By: (Signed) CRAIG J. SHANNON

CIBC WORLD MARKETS INC.

By: (Signed) MARK G. JOHNSON

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