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

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

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

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

PRELIMINARY SHORT FORM PROSPECTUS

New Issue — May 15, 2006

DUNDEE R·E·I·T™

DUNDEE REAL ESTATE INVESTMENT TRUST

$100,036,000

3,560,000 REIT Units, Series A

This short form prospectus qualifies the distribution of 3,560,000 REIT Units, Series A (''Units'') of Dundee Real Estate Investment Trust (''Dundee REIT'') at a price of $28.10 per Unit.

Dundee REIT is an unincorporated, open-ended real estate investment trust governed by the laws of Ontario. Our head office is located at 30 Adelaide Street East, Suite 1600, Toronto, Ontario, M5C 3H1.

Our outstanding Units are listed on the Toronto Stock Exchange (the ''TSX'') under the symbol ''D.UN''. The closing price of the Units on the TSX on May 9, 2006, the trading day before announcement of this offering, was $28.85. We have applied to list the Units distributed under this short form prospectus on the TSX. Listing will be subject to Dundee REIT fulfilling all of the listing requirements of the TSX.

Price: $28.10 per Unit

	Price to the Public	Underwriters' Fee	Net Proceeds to Dundee REIT (1)
Per Unit	$28.10	$1.124	$26.976
Total offering	$100,036,000	$4,001,440	$96,034,560

(1) After deducting the Underwriters' fee but before deducting expenses of this offering, estimated to be $425,000, which will be paid from the proceeds of this offering. Dundee Properties Limited Partnership will reimburse Dundee REIT for the underwriters' fee and for the expenses of this offering.

The price of the Units offered under this prospectus was established by negotiation between us and TD Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., National Bank Financial Inc., Genuity Capital Markets G.P., Canaccord Capital Corporation, Desjardins Securities Inc., HSBC Securities (Canada) Inc. and Trilon Securities Corporation (collectively, the ''Underwriters'').

In connection with this offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. **The Underwriters may offer the Units at a price lower than that stated above.** See ''Plan of Distribution''.

There are certain risks inherent in an investment in our Units and in our activities. Prospective investors should carefully consider these risk factors before purchasing Units. See ''Risk Factors''. In the opinion of counsel, the Units will, on closing of this offering, be qualified investments under the Tax Act for Plans and RESPs as set out under, and based upon the assumptions set out under, ''Eligibility for Investment''.

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

(Continued on next page)

(Continued from front cover)

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

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

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

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

Subscriptions will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. It is anticipated that definitive certificates representing the Units will be available for delivery at closing, which is anticipated to be June 8, 2006 but in any event no later than June 15, 2006.

One of the Underwriters, Dundee Securities Corporation, is an indirect subsidiary of Dundee Corporation. Dundee Realty, an indirect subsidiary of Dundee Corporation, together with its affiliates hold an approximate 29% voting interest in Dundee REIT by virtue of their holding of Special Trust Units and Units. **Accordingly, we are a related issuer of Dundee Securities Corporation for the purposes of applicable Canadian securities legislation.** See ''Plan of Distribution''.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the annual information form of Dundee REIT dated March 27, 2006;

(b) the management information circular of Dundee REIT dated April 5, 2006 prepared in connection with the annual meeting of unitholders held on May 4, 2006;

(c) the audited consolidated financial statements of Dundee REIT as at December 31, 2005 and December 31, 2004 and for the years ended December 31, 2005 and December 31, 2004, together with the notes thereto and the auditors' report thereon;

(d) management's discussion and analysis of the financial condition and results of operations of Dundee REIT for the year ended December 31, 2005;

(e) the unaudited consolidated financial statements of Dundee REIT as at March 31, 2006 and for the three months ended March 31, 2006, together with the notes thereto; and

(f) management's discussion and analysis of the financial condition and results of operations of Dundee REIT for the three months ended March 31, 2006.

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

FORWARD-LOOKING STATEMENTS

This prospectus includes or incorporates by reference certain statements that are ''forward-looking statements''. All statements, other than statements of historical fact, in this prospectus that address activities, events or developments that we or a third party expect or anticipate will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate functions.

Although the forward-looking statements contained in this prospectus are based upon what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain assumptions made in preparing forward looking information and our objectives include the assumption that the Canadian economy will remain stable in 2006 and that inflation will remain relatively low. We have also assumed that interest rates will remain stable in 2006, that conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate and that the Canadian capital markets will continue to provide us with access to equity and/or debt at reasonable rates.

All forward-looking statements in this prospectus speak as of May 15, 2006. We do not undertake to update any such forward-looking statements whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including our latest annual information form. These filings are also available on our website at www.dundeereit.com.

TERMS USED TO DESCRIBE DUNDEE REIT AND ITS BUSINESS

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

DUNDEE REIT

We are a provider of high quality, affordable office and industrial premises. We focus on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties in Canada. Our diversified portfolio consists of approximately 16.8 million square feet of gross leasable area, located primarily in our target markets of Montréal, Ottawa, Toronto, Calgary and Edmonton. Our portfolio is well diversified by geographic location and tenant mix. Through Dundee Management LP, we currently provide property management services to our tenants and other businesses.

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

Overview of Our Properties

As of May 15, 2006, we own a diversified portfolio of 215 office and industrial properties and two retail properties offering approximately 16.8 million square feet of gross leasable area. Core office and industrial properties account for 15.9 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 or neighbourhood retail centres located in urban markets.

Our office portfolio is comprised of interests in 93 office properties (113 buildings) located in Canada, of which we wholly-own 89 properties. These office properties total approximately 8.7 million square feet of gross leasable area, of which our interest is approximately 7.9 million square feet. As at March 31, 2006, our office properties had an average occupancy rate of approximately 96.1%.

Our industrial portfolio is comprised of 122 industrial properties (139 buildings) located in Canada. These industrial properties consist of a total of approximately 8.0 million square feet of gross leasable area. We wholly-own all of our industrial properties. As at March 31, 2006, our industrial properties had an average occupancy rate of approximately 95.2%.

Objectives

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

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

Strategy

Effectively Managing our Business

We work to increase the value of our portfolio through continuous and active analysis of how our properties can achieve optimal performance. We identify strengths and weaknesses of individual properties and our portfolio as a whole, which allows us to quickly reposition assets when warranted. Through ongoing incremental improvements throughout our portfolio, we minimize the requirement for large capital expenditures.

We stagger our debt maturities in order to mitigate interest rate exposure and to ensure that there are no significant maturities in any given year. Lease maturities are similarly staggered to maintain continuity of income and to avoid significant lease turnovers and their associated leasing costs in any given year.

Building and Maintaining a Diversified Portfolio

Diversifying our real estate portfolio decreases the overall risk of our business. Our portfolio is well diversified by geographic location and tenant mix. With approximately 1,600 tenants, renewals are frequent and the exposure to the loss of any single large tenant is minimized.

Meeting the Needs of Tenants

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

Pursuing External Growth Strategy

We make acquisitions that represent an opportunity to improve the overall quality of our portfolio and enhance the sustainability of distributions. Our growth strategy is to acquire office and industrial properties mainly in five key markets — Montréal, Ottawa, Toronto, Calgary and Edmonton — and reposition existing properties where opportunities exist. This allows us to capitalize on operational efficiencies and further increase our presence and critical mass in these key markets. Due to an increasingly competitive acquisition market and changing economic conditions we have also started to look beyond these markets for accretive investments.

RECENT DEVELOPMENTS

Agreement to Acquire Calgary Portfolio

On May 10, 2006, we entered into an agreement to acquire a six-building portfolio of office properties in Calgary (the ''Calgary Portfolio'') totaling 822,040 square feet of space for a purchase price, including estimated closing costs and other adjustments, of approximately $218.1 million. The acquisition is subject to lenders' consent to our assumption of mortgage debt relating to the properties and limited title and regulatory conditions. The portfolio is also subject to a rent supplement from the vendors for a one-year term in the amount of $1.365 million. The Calgary Portfolio is being acquired at an average capitalization rate of 7.3%, including the rent supplement and management fees.

The Calgary Portfolio consists of three buildings in downtown Calgary totaling 572,224 square feet of space, one building in the Beltline totaling 56,399 square feet and two buildings in suburban Calgary totaling 193,417 square feet. The portfolio houses 121 tenants, and includes Alberta Infrastructure, AltaLink, Hatch Acres, SNC Lavalin, Industrial Alliance, Telus and Calgary Health Region as major tenants. The portfolio currently has an occupancy rate of 98% with approximately one third of the leases expiring over the next four years. The buildings in the portfolio were constructed between 1979 and 1981, and five of the six were renovated between 2001 and 2004.

The acquisition of the Calgary Portfolio will be financed in part by the proceeds of this offering and by the assumption of approximately $22.0 million of debt at an interest rate of 6.6%. We anticipate incurring additional mortgage debt on the portfolio in the amount of approximately $108 million. The transaction is scheduled to close by the end of the second quarter of 2006.

Agreement to Acquire Princeton Portfolio

On February 13, 2006, we entered into an agreement to acquire a portfolio of primarily office properties totalling 530,157 square feet of space as well as 62 acres of development lands (the ''Princeton Portfolio'') for a purchase price, including estimated closing costs and other adjustments, of approximately $97.2 million. The Princeton Portfolio is being acquired at an average capitalization rate of 9.3%, including for the development lands.

The Princeton Portfolio consists of four office properties in Yellowknife totaling 325,832 square feet of space, a 131,707 square foot office building in downtown Saskatoon and a 72,618 square foot industrial property in northwest Edmonton. In addition, the portfolio includes 62 acres of development lands, of which 50 acres are located in Edmonton, as well as interests in third-party property management contracts with respect to approximately 253,000 square feet of space. The occupancy rate of the portfolio is approximately 94%, with government and national tenants comprising 85% of the tenancies by occupied area.

The acquisition of the Princeton Portfolio will be financed with cash from our secured revolving credit facility and by the assumption of approximately $44.5 million of mortgage debt at an average interest rate of 5.25%. The transaction is scheduled to close by the end of May, 2006.

Completed Acquisitions

The following table provides an overview of the properties we have acquired since March 27, 2006, the date of our most recent annual information form. Additional details regarding these properties are set out below:

Location of Property	Property Type	Interest to be Acquired	Occupancy	GLA (sq. ft.)
2440 Scanlan Street, London	industrial	100%	100%	84,633
Sherwood Place, Regina	office	100%	99%	181,559
1400 boul. de la Rive-Sud, Lévis	office	100%	100%	77,078
4255 14th Avenue, Markham	industrial	100%	100%	57,547
				400,817

Acquisition of 2440 Scanlan Street

On April 20, 2006, we completed the purchase of 2440 Scanlan Street, an 84,633 square foot single-tenant industrial building located in London, Ontario, for approximately $6.3 million. The property, built in 2002 and expanded in 2005, features 35-foot ceiling heights and is leased to Dofasco until 2012.

Acquisition of Sherwood Place

On April 21, 2006, we completed the acquisition of Sherwood Place, a 181,559 square foot, two building office complex located in Regina, Saskatchewan, for approximately $33.4 million. The first building was constructed in 1953 and renovated in 2003. The second and largest building was constructed in 1992. The complex is located in downtown Regina and is almost fully occupied with an average remaining lease term of over eight years.

Acquisition of 1400 boulevard de la Rive-Sud

On May 1, 2006, we completed the purchase of 1400 boulevard de la Rive-Sud, a 77,078 square foot office building located in Lévis, Québec, for approximately $12.1 million. The property, a newly constructed suburban office building, is fully leased to the Government of Québec until 2015 and is located adjacent to two other buildings we acquired earlier in 2006.

Acquisition of 4255 14th Avenue

On May 1, 2006, we completed the purchase of 4255 14th Avenue, a 57,547 square foot single-tenant industrial building in Markham, Ontario, for approximately $5.9 million. The property, built in 1999, is fully leased until 2016 and is situated on 2.9 acres in close proximity to Highway 407.

Current Discussions and Agreements Regarding Acquisitions and Dispositions

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

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

Location of Property	Property Type	Interest to be Acquired	Occupancy	GLA (sq. ft.)
Princeton Portfolio(1)	office and flex industrial	100%	94%	530,157
1020-1030 Birchmount Road and 2200-2206 Eglinton Ave. East, Toronto	office and industrial	100%	100%	436,803
Victoria Tower, Regina	office	100%	100%	144,164
BMO Building, Edmonton(2)	office	100%	0%	86,162
100 Legacy Road, Ottawa	industrial	100%	100%	103,379
Calgary Portfolio	office	100%	98%	822,040
				2,122,705

(1) Table excludes development lands also comprising the Princeton Portfolio.

(2) We are considering uses for this building, which is currently vacant.

The estimated aggregate purchase price for all of the foregoing acquisitions is approximately $392.3 million.

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

On December 21, 2005, we entered into a commitment to sell a 50% interest in a retail rental property located in the U.S. We expect to close the sale during the first half of 2006.

On April 18, 2006, we entered into a purchase agreement to sell our entire interest in the Kameyosek Shopping Centre in Edmonton, Alberta. The sale is expected to close by the end of the third quarter of 2006.

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

Public Offering of Units

On April 7, 2006, we completed a public offering of 2,200,000 REIT Units, Series A at a price of $27.75 per unit. On April 28, 2006, we issued an additional 320,000 REIT Units, Series A at the same price pursuant to the exercise of the over-allotment option granted to the underwriters of the offering. The net proceeds of this offering were approximately $66.7 million (after deducting the underwriters' fees and expenses of the offering), and were used for general purposes, including for funding strategic acquisitions and to repay certain revolving indebtedness incurred in connection with those acquisitions.

Internalization of Property Manager

On May 12, 2006, we acquired, through Dundee Properties LP, the remaining 50% interest in Dundee Management LP from Dundee Realty. We now own 100% of Dundee Management LP, which provides property management and real estate advisory services to Dundee REIT. The purchase price was approximately $13.25 million and was satisfied through the issuance by Dundee Properties LP of LP Class B Units, Series 1, which may be surrendered or indirectly exchanged for REIT Units, Series B at the option of the holder.

The purchase agreement features a price adjustment formula that is based upon future acquisitions to be completed by Dundee REIT on or before June 30, 2007. On closing, 450,000 LP Class B Units, Series 1 were issued to Dundee Realty. A further 92,000 LP Class B Units, Series 1 (with an additional 8,000 LP Class B Units, Series 1 and/or Units expected to be issued upon the reinvestment of distributions thereon, for a total of 100,000 units) are being held in escrow until June 30, 2007. On that date, additional LP Class B Units, Series 1 and/or Units will be released in accordance with a formula established in the purchase agreement and proportionate to the acquisitions completed by Dundee REIT. Further details regarding this transaction are set out in our management's discussion and analysis and results of operations for the three months ended March 31, 2006.

Amendments to Dundee Properties Limited Partnership Agreement

The limited partnership agreement of Dundee Properties LP was amended in conjunction with the internalization of our property manager as described above in ''— Internalization of Property Manager'' in order to prohibit the transfer of LP Class B Units, Series 1, subject to certain limited exceptions. Restricted LP Class B Units, Series 1 are no longer considered a non-controlling interest of Dundee REIT and are instead considered equity for balance sheet purposes in accordance with GAAP.

CONSOLIDATED CAPITALIZATION

The changes in our consolidated capitalization from March 31, 2006 to May 15, 2006 are as follows:

- Indebtedness increased by $15.4 million mainly as a result of: (i) a $15.8 million net increase in mortgage financing; (ii) a $0.6 million decrease in the principal amount of our outstanding 6.5% convertible unsecured subordinated debentures as a result of conversions; and (iii) a $0.2 million increase in term debt mainly due to the internalization of our property manager as described in ''Recent Developments — Internalization of Property Manager'';
- Non-controlling interest decreased mainly as a result of: (i) distributions, net of earnings for the period; and (ii) effective May 1, 2006, in connection with the internalization of our property manager, the amendment to the terms of the LP Class B Units, Series 1 of Dundee Properties LP to prohibit their transfer as described in ''Recent Developments — Amendments to Dundee Properties Limited Partnership Agreement''; and
- Unitholders' equity increased mainly due to (i) the issuance of 71,118 Units pursuant to the DRIP plan and the similar provisions of the limited partnership agreement of Dundee Properties LP; (ii) the issuance of 450,000 LP Class B Units, Series 1 in connection with the internalization of our property manager; (iii) the issuance of 26,120 Units upon the conversion of $0.6 million principal amount of our outstanding 6.5% convertible unsecured subordinated debentures by the holders thereof; and (iv) the issuance of 2,520,000 Units pursuant to our most recent equity offering described in ''Recent Developments — Public Offering of Units'', net of (A) distributions; and (B) a net loss for the period which includes an expense of approximately $11.8 million recognized as a result of the internalization of our property manager.

As a result of the planned issuance of 3,560,000 Units under this offering, unitholders' equity will increase by $95.6 million.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement between the Underwriters and us, we have agreed to sell and the Underwriters have severally agreed to purchase, subject to the terms and conditions contained in the Underwriting Agreement, on June 8, 2006 or on such other date as may be agreed between Dundee REIT and the Underwriters but, in any event, not later than June 15, 2006, a total of 3,560,000 Units at a price of $28.10 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 $4,001,440 in respect of all of the Units offered or $1.124 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.

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

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

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

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

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

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

We have applied to list the Units distributed under this short form prospectus on the TSX. Listing will be subject to Dundee REIT fulfilling all of the listing requirements of the TSX.

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

One of the Underwriters, Dundee Securities Corporation, is an indirect subsidiary of Dundee Corporation. Dundee Realty, an indirect subsidiary of Dundee Corporation, together with its affiliates hold an approximate 29% voting interest in Dundee REIT by virtue of their holding of Special Trust Units and Units. Accordingly, we are a related issuer of Dundee Securities Corporation for the purposes of applicable Canadian securities legislation. The terms of the offering of the Units were negotiated at arm's-length between TD Securities Inc. (of which we are neither a related issuer nor a connected issuer) and us. The Underwriters participated in the drafting of this prospectus, the negotiation of the pricing of the Units and the due diligence process in respect of this offering. Dundee Securities Corporation will not receive any benefit in connection with this offering other than as described in this prospectus.

In order for Dundee REIT to maintain its status as a mutual fund trust as defined in the Tax Act, it must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. The Declaration of Trust provides constraints on the ownership of our units for this purpose. See ''Declaration of Trust and Description of REIT Units — Limitation on Non-Resident Ownership'' in our latest annual information form. We monitor ownership of our units which are held by non-residents by periodically obtaining and reviewing unit ownership reports from our transfer agent or other service providers.

USE OF PROCEEDS

The net proceeds from the sale of Units under this short form prospectus are estimated to be approximately $95,609,560 after deduction of the Underwriters' fee and the estimated expenses of this offering. The Underwriters' fee and the expenses of this offering will be paid out of the proceeds of this offering. We will use the net proceeds of this offering to fund a portion of the purchase price for the Calgary Portfolio (see ''Recent Developments) and, possibly, for general purposes, including for funding other strategic acquisitions. This offering is not conditional on our acquisition of the Calgary Portfolio.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

Units

Distributions

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

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

Provided that appropriate designations are made by Dundee REIT, such portions of its net taxable capital gains, taxable dividends received or deemed to be received on shares of taxable Canadian corporations and foreign source income as are paid or payable or deemed to be paid or payable to a Holder will effectively retain their character and be treated as such in the hands of the Holder for the purposes of the Tax Act, and Holders may be entitled to claim a foreign tax credit for foreign taxes paid by Dundee REIT. To the extent that amounts are designated as having been paid to Holders out of the net taxable capital gains of Dundee REIT, such designated amounts will be deemed for tax purposes to be received by Holders 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 Holders 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 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 Holder'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 Holder's income (such as an amount designated as payable by Dundee REIT to a redeeming Holder 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 Holder 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 Holder 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 Holder's Units as a result of the receipt of the further bonus distribution reinvested in Units under the DRIP plan; however, the adjusted cost base per Unit will be reduced.

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

Capital Gains and Capital Losses

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

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

Alternative Minimum Tax

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

Status of Dundee REIT Units

Qualified Investment

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

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

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 as is deemed to be paid or payable to Dundee REIT in the year in respect of the Operating Trust Units and all interest that accrues to the end of the year or becomes receivable or is received by Dundee REIT on the Operating Trust Notes before the end of the year, except to the extent that interest was included in computing its income in a preceding taxation year. Dundee REIT will not be subject to tax on any payments of principal on the Operating Trust Notes. Dundee REIT will, generally, also not be subject to tax on any amounts received as distributions on the Operating Trust Units that are in excess of the income of each Operating Trust and that are paid or payable or deemed to be paid or payable by such trust to Dundee REIT in a year, which amounts will generally reduce the adjusted cost base of the Operating Trust Units immediately prior to the receipt of such amounts. Where the adjusted cost base of the Operating Trust Units would otherwise be a negative amount, Dundee REIT will be deemed to realize a capital gain in such amount in that year, and its adjusted cost base of the Operating Trusts Units at the beginning of the next taxation year will then be nil.

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

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

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

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

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

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

Taxation of the Operating Trusts

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

The Operating Trusts are not exempt from alternative minimum tax because they are not ''mutual fund trusts'' under the Tax Act. As a result, alternative minimum tax could apply to an Operating Trust where in a year the Operating Trust incurs deductible expenses in excess of its income (excluding capital gains) and is forced to apply certain of these deductions against capital gains realized in the same year, thereby reducing the taxable capital gains distributions made to Dundee REIT.

Taxation of Dundee Properties LP

Dundee Properties LP is not subject to tax under the Tax Act. Generally, each partner of Dundee Properties LP, including each Operating Trust, is required to include in computing the partner's income the partner's share of the income or loss of Dundee Properties LP for its fiscal year ending in, or coincidentally with, the partner's taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of Dundee Properties LP will be computed for each fiscal year as if Dundee Properties LP were a separate person resident in Canada and will include its share of the income or loss of Dundee Management Limited Partnership and other partnerships in which it holds any interest and any capital gain or loss that may arise on the disposition or deemed disposition of its interests in such partnership. In computing the income or loss of Dundee Properties LP, deductions may generally be claimed in respect of its administrative and other expenses incurred for the purpose of earning income from business or property to the extent they are not capital in nature and do not exceed a reasonable amount and available capital cost allowances. The income or loss of Dundee Properties LP for a fiscal year will be allocated to the partners of Dundee Properties LP, including the

Operating Trusts, on the basis of their respective share of such income or loss as provided in the limited partnership agreement of Dundee Properties LP, subject to the detailed rules in the Tax Act. Generally, distributions to partners in excess of the income of the Dundee Properties LP for a fiscal year will result in a reduction of the adjusted cost base of the partner's units in Dundee Properties LP by the amount of such excess. If, as a result, the Operating Trust's adjusted cost base at the end of a taxation year of its units in Dundee Properties LP would otherwise be a negative amount, the Operating Trust will be deemed to realize a capital gain in such amount for that year, and the Operating Trust's adjusted cost base at the beginning of the next taxation year of its units in the Dundee Properties LP will then be nil. If Dundee Properties LP were to incur losses for tax purposes, the Operating Trust's ability to deduct such losses may be limited by certain rules under the Tax Act.

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

Department of Finance Proposals

On September 8, 2005, the Department of Finance (Canada) released a consultation paper and launched public consultations on tax and other issues related to publicly listed flow-through entities (''FTEs''), including trusts such as Dundee REIT. The focus of the paper was to, among other things, assess whether the tax system should be modified. Although not an exhaustive list, three possible policy responses were identified in the consultation paper to address the issues relating to FTEs: (i) limiting deductibility of interest expense by operating entities, (ii) taxing FTEs in a manner similar to corporations, or (iii) making the tax system more neutral with respect to all forms of business organizations by better integrating the personal and corporate tax system process. On November 23, 2005, the Minister of Finance announced the end of this consultation process and no legislative amendments were proposed to change the taxation of income trusts. Instead, the Minister of Finance tabled a Notice of Ways and Means Motion that proposes to enhance the dividend gross-up and tax credit mechanism applicable to certain eligible dividends payable by corporations resident in Canada after 2005. This Notice of Ways and Means Motion was reintroduced as part of the May 2, 2006 Federal Budget.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to Dundee REIT, and Torys LLP, counsel to the Underwriters, based upon the assumptions set out in ''Certain Canadian Federal Income Tax Considerations'' and certificates as to factual matters given by Dundee REIT, the Operating Trusts, Dundee Properties LP and TD Securities Inc., the Units will, on closing, be qualified investments under the Tax Act for Plans and RESPs.

RISK FACTORS

An investment in Units is subject to a number of risks, including those set forth in our most recent annual information form and in our management's discussion and analysis for the three months ended March 31, 2006.

PROMOTER

Dundee Realty took the initiative in our founding and organization and was therefore our promoter for the purposes of applicable securities legislation at the time of our establishment in June 2003. Dundee Realty is no longer our promoter for the purposes of such legislation. We acquired (through Dundee Properties LP) our initial 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. These properties and the property management business had formerly been held in the commercial real estate division of Dundee Realty. Dundee Realty had acquired these properties through a series of acquisitions from 1996 to 2002.

The purchase price for our initial 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. 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 to Dundee Realty. These Units were then transferred to the former public shareholders of Dundee Realty. The property management business of Dundee Realty was acquired by Dundee Management LP in exchange for a 50% interest in Dundee Management LP. We acquired this 50% interest in Dundee Management LP from Dundee Realty on May 12, 2006 (see ''Recent Developments'').

As at May 12, 2006, Dundee Realty and its affiliates held 8,787,365 LP Class B Units, Series 1 of Dundee Properties LP and the same number of Special Trust Units issued on a one-for-one basis with the LP Class B Units, Series 1 as well as 561,676 Units. 6,909,245 LP Class B Units, Series 1 of Dundee Properties LP and Special Trust Units were issued in connection with our founding; 1,428,120 LP Class B Units, Series 1 of Dundee Properties LP and Special Trust Units as well as 558,084 Units have been issued pursuant to the reinvestment of distributions on the LP Class B Units, Series 1. 450,000 LP Class B Units, Series 1 of Dundee Properties LP were issued in connection with the internalization of our property manager (see ''Recent Developments''). The Special Trust Units and LP Class B Units, Series 1 held by Dundee Realty and its affiliates constitute 100% of each class of those units and the Units held by them constitute 2% of the outstanding Units.

LEGAL MATTERS

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

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

AUDITORS, REGISTRAR AND TRANSFER AGENT

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

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

AUDITORS' CONSENT

We have read the preliminary short form prospectus of Dundee Real Estate Investment Trust (''Dundee REIT'') dated May 15, 2006 relating to the issue and sale of REIT Units, Series A of Dundee REIT. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the unitholders of Dundee REIT on the consolidated balance sheets of Dundee REIT as at December 31, 2005 and December 31, 2004 and the consolidated statements of net income, unitholders' equity and cash flows for the years ended December 31, 2005 and December 31, 2004. Our report is dated February 10, 2006.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Ontario
May 15, 2006

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

GLOSSARY OF TERMS

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

''CRA'' means the Canada Revenue Agency;

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

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

''Dundee Management LP'' means Dundee Management Limited Partnership, a limited partnership formed under the laws of the Province of Ontario of which Dundee Management (GP) Inc. is the sole general partner and Dundee Properties LP is the sole limited partner;

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

''Dundee Realty'' means Dundee Realty Corporation, a corporation governed by the laws of Ontario and a subsidiary of Dundee Corporation;

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

''GAAP'' means Canadian generally accepted accounting principles;

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

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

''Operating Trust Notes'' means, collectively, the Trust A Notes and the Trust B Notes;

''Operating Trust Units'' means, collectively, the Trust A Units and the Trust B Units;

''Operating Trusts'' means, collectively, Trust A and Trust B;

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

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

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

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

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

''RESPs'' means trusts governed by registered education savings plans under the Tax Act;

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

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

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

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

''Trust A Notes'' means interest bearing promissory notes of Trust A;

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

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

''Trust B Notes'' means interest bearing promissory notes of Trust B;

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

''TSX'' means the Toronto Stock Exchange;

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

''Underwriting Agreement'' means the underwriting agreement dated May 15, 2006 between Dundee REIT, Dundee Properties LP and the Underwriters;

''Unitholders'' means holders of Units, but ''unitholders'', when used in lower case type, refers to all holders of REIT Units; and

''Units'' means the REIT Units, Series A of Dundee REIT.

CERTIFICATE OF DUNDEE REIT

Dated: May 15, 2006

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

DUNDEE REAL ESTATE INVESTMENT TRUST

(Signed) MICHAEL J. COOPER
Chief Executive Officer

(Signed) MARIO BARRAFATO
Senior Vice President and Chief Financial Officer

On Behalf of the Board of Trustees

(Signed) ROBERT G. GOODALL
Trustee

(Signed) DUNCAN JACKMAN
Trustee

CERTIFICATE OF UNDERWRITERS

Dated: May 15, 2006

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

TD SECURITIES INC.	CIBC WORLD MARKETS INC.
By: (Signed) ROBERT MCKEE	By: (Signed) MARK G. JOHNSON

SCOTIA CAPITAL INC.

By: (Signed) STEPHEN SENDER

DUNDEE SECURITIES CORPORATION

By: (Signed) DAVID G. ANDERSON

RBC DOMINION SECURITIES INC.

By: (Signed) IAN MACLURE

NATIONAL BANK FINANCIAL INC.	GENUITY CAPITAL MARKETS G.P.
By: (Signed) CRAIG J. SHANNON	By: (Signed) ROBERT PENTELIUK

CANACCORD CAPITAL CORPORATION	DESJARDINS SECURITIES INC.	HSBC SECURITIES (CANADA) INC.	TRILON SECURITIES CORPORATION
By: (Signed) RONALD A. RIMER	By: (Signed) JEFFREY OLIN	By: (Signed) JEFFREY B. ALLSOP	By: (Signed) TREVOR D. KERR

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