



## DUNDEE REIT POSTS 65% INCREASE IN Q1 FUNDS FROM OPERATIONS

*This news release contains forward looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained within this press release.*

**TORONTO, MAY 3, 2007 DUNDEE REIT (D.UN-TSX)** today posted strong financial results for the quarter ended March 31, 2007. Dundee REIT's management team will discuss the Trust's financial results at its annual meeting, being held at 4:00 p.m. today at the TSX Broadcast Centre - Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario. Scheduled speakers include Michael Cooper, Vice Chairman and Chief Executive Officer, Michael Knowlton, President and Chief Operating Officer and Mario Barrafato, Senior Vice-President and Chief Financial Officer.

### FINANCIAL HIGHLIGHTS

- **Q1 rental property revenues up 38% over Q1 2006 to \$87.2 million**
- **Q1 net operating income ("NOI") up 48% to \$50.0 million; comparative properties NOI up 4% to \$33.6 million**
- **Q1 funds from operations ("FFO") up 65% to \$31.8 million, FFO per unit up 6% to \$0.71**
- **Q1 adjusted funds from operations ("AFFO") up 69% to \$25.2 million, AFFO per unit up 10% to \$0.56**
- **Occupancy at an all-time high of 97.0%**
- **Debt-to-gross book value down to 47.7% (45.3% assuming conversion of all debentures)**
- **Weighted average interest rate lowered to 5.88%**
- **\$542.0 million in acquisitions completed year to date and \$51.9 million under contract**

<b>SELECTED FINANCIAL INFORMATION</b> (unaudited) (\$000's except unit and per unit amounts)	<b>Three Months Ended March 31, 2007</b>	<b>Three Months Ended Dec. 31, 2006</b>	<b>Three Months Ended March 31, 2006</b>
Rental property revenues	<b>\$ 87,177</b>	\$ 81,995	\$ 62,970
Net operating income ("NOI") <sup>(1)</sup>	<b>49,962</b>	46,258	33,858
Funds from operations ("FFO") <sup>(2)</sup>	<b>31,771</b>	29,167	19,282
Adjusted funds from operations	<b>25,169</b>	22,954	14,880
Book value of rental properties	<b>2,083,428</b>	1,816,811	1,349,576
Debt	<b>1,230,977</b>	1,153,794	975,544
Debt-to-gross book value	<b>47.7%</b>	50.6%	59.2%
<b>Per unit data (basic)</b>			
FFO	<b>0.71</b>	0.74	0.67
AFFO	<b>0.56</b>	0.58	0.51
Distributions	<b>0.55</b>	0.55	0.55
<b>Units (period end)</b>			
REIT Units, Series A	<b>40,778,282</b>	34,854,553	20,767,852
LP Class B Units, Series 1	<b>7,948,515</b>	8,565,095	8,337,365
Total number of units	<b>48,726,797</b>	43,419,648	29,105,217
Occupied and committed space	<b>97.0%</b>	96.4%	95.6%

"Our first quarter results highlight the soundness of our business. The quality of our portfolio is evidenced by our strong occupancy and rising rental rates, and the continued growth in our net operating income. We are also extremely pleased about the continued momentum of our acquisition program," said Michael Cooper, Vice Chairman and Chief Executive Officer.

## FINANCIAL HIGHLIGHTS

- **Rental properties NOI up 48% to \$50.0 million** – rental properties NOI increased by 48% over the prior year first quarter. Acquisitions were the primary driver behind this growth, contributing \$13.4 million to the NOI for the three-month period.
- **Comparative properties NOI up 4% to \$33.6 million** – 4% growth in comparative properties NOI was driven by the strong performance of the Trust’s office portfolio, reflecting both rising occupancy and rental rate growth. While results were strong across the whole portfolio, the Trust’s assets in Alberta produced the greatest growth.
- **Funds from operations grew by 65% to \$31.8 million** – funds from operations grew by 65% to \$31.8 million, largely due to additional revenue generated mainly by acquisitions as well as rising occupancy and rental rates. A reduction in the Trust’s weighted average interest rate had a positive impact as well. On a per unit basis, FFO increased to \$0.71 from \$0.67.
- **Adjusted Funds from Operations increased by 69% to \$25.2 million** – improvements in AFFO reflect the impact of acquisitions and the benefits of effectively managing leasing and capital costs.
- **Participation in the Distribution Reinvestment Plan (“DRIP”) remains high** – at March 31, 2007, approximately 28% of the total units outstanding were enrolled in the DRIP, including 14% of REIT Units, Series A and 100% of LP Class B Units, Series 1. During the first quarter, the Trust’s cash distribution payout ratio was 73%.

## OPERATIONAL HIGHLIGHTS

- **Portfolio occupancy reaches all-time high at 97.0%** – the overall percentage of occupied and committed space was 97.0% and the average in-place net rent increased to \$10.16 per square foot.

	Occupancy			Average In-place Net Rent (per sq. ft.)		
	March 31, 2007	Dec. 31, 2006	March 31, 2006	March 31, 2007	Dec. 31, 2006	March 31, 2006
Office	97.0%	97.0%	96.1%	\$ 13.66	\$ 13.67	\$ 13.47
Industrial	97.0%	95.6%	95.2%	5.45	5.47	5.34
Total	97.0%	96.4%	95.6%	10.16	10.00	9.35

## ACQUISITION HIGHLIGHTS

During the first quarter the Trust acquired \$297.5 million of rental properties funded by \$263.8 million in cash and \$29.2 million in assumed debt. Taken together, these properties have an average occupancy rate of 97%, an average remaining lease term of 4.1 years and a going in capitalization rate of 6.8%. Four of the properties are located in Calgary, providing Dundee REIT with further presence in the strong Alberta market.

Q1 2006 Acquisitions	Property Type	Interest Acquired	GLA (sq.ft.)	Occupancy on Acquisition	Purchase Price (\$000's)	Date Acquired
30 and 55 St. Clair Ave. West, Toronto	Office	100%	426,000	96%	\$ 110,798	January 9, 2007
625 Agnes Street, New Westminster	Office	100%	83,000	88%	14,587	January 24, 2007
Aspen Portfolio, Calgary	Office	100%	543,000	99%	172,130	March 13, 2007
<b>Total</b>			1,052,000	97%	\$ 297,515	

### Acquisitions subsequent to quarter-end and acquisitions under contract

Subsequent to quarter-end, the Trust acquired a portfolio of industrial properties in Toronto, Ontario, comprising 69 buildings totaling 2.1 million square feet for approximately \$237.7 million and a 76,000 square foot industrial building in Vaughan, Ontario for approximately \$6.8 million. In addition, the Trust has under contract \$51.9 million of office properties totalling 0.2 million square feet.

## CAPITAL INITIATIVES

- **New equity issue** – On March 12, 2007, the Trust completed a public offering of 3,700,000 REIT Units, Series A at a price of \$40.75 per unit for gross proceeds of \$150.8 million. On March 29, 2007, the Trust issued an additional 495,000 REIT Units, Series A pursuant to the exercise of an over-allotment option for gross proceeds of approximately \$20.2 million, increasing the total gross proceeds of the offering to approximately \$170.9 million. The proceeds from the offering were used to fund acquisitions.
- **Debt** – the Trust continues to benefit from lowering its weighted average interest rate, down 7 basis points during the quarter to 5.88% from 5.95% at December 31, 2006 (March 30, 2006 – 6.11%) The interest coverage ratio climbed to 2.84 times (December 31, 2006 – 2.46 times; March 30, 2006 – 2.27 times) reflecting a reduction in the Trust's overall level of debt-to-gross book value to 47.7% (December 31, 2006 – 50.6%; March 30, 2006 – 59.2%).
- **Convertible Unsecured Debenture Conversions** – During the quarter, the Trust issued 906,748 REIT Units, Series A upon the conversion of \$26.0 million of the principal amount of 6.5% and 5.7% debentures. Subsequent to quarter-end, we issued an additional 163,304 REIT Units, Series A upon the conversion of \$4.7 million of the principal amounts of 6.5% and 5.7% debentures.

Information appearing in this news release is a select summary of results. The financial statements and management's discussion and analysis for the Trust, as well as its Supplementary Information Package are available at [www.dundeereit.com](http://www.dundeereit.com) and on [www.sedar.com](http://www.sedar.com).

Dundee REIT is an unincorporated, open-ended real estate investment trust and is Canada's leading provider of high quality, affordable business premises. It is focused on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties in Canada. Dundee's portfolio consists of approximately 22.1 million square feet of gross leasable area, located primarily in its target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton. Its portfolio is well diversified by geographic location and tenant mix. For more information, please visit [www.dundeereit.com](http://www.dundeereit.com).

## FOOTNOTES

- (1) NOI – rental property operating revenue less rental property operating expenses excluding redevelopment properties and discontinued operations.
- (2) FFO - net income, adjusted for future income tax, depreciation and amortization, gain (loss) on sale, internalization of property manager, non-controlling interest and other amortization.
- (3) AFFO – distributable income (as defined in Dundee REIT's Declaration of Trust) adjusted for the Trust's estimates of normalized leasing costs and normalized non-recoverable recurring capital expenditures.

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

*This press release may contain forward-looking information within the meaning of applicable securities legislation. Forward looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dundee REIT's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; and interest and currency rate functions. Our objectives and forward-looking statements are based on certain assumptions, including that the general economy remains stable, interest rates remain stable, conditions within the real estate market remain consistent, competition for acquisitions remains consistent with the current climate and that the capital markets continue to provide ready access to equity and/or debt. All forward-looking information in this press release speaks as of the date of this press release. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in Dundee REIT's filings with securities regulators, including its latest annual information form and MD&A. These filings are also available at Dundee REIT's website at [www.dundeereit.com](http://www.dundeereit.com).*

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