



The new name for  
Dundee REIT

## DUNDEE REIT REPORTS SOLID FIRST QUARTER 2014 RESULTS AND APPOINTMENT OF NEW CEO

*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 8, 2014, DUNDEE REIT (D.UN-TSX)** today announced its financial results for the three months ended March 31, 2014. Senior management will host a conference call to discuss the results tomorrow, May 9, 2014 at 9:00 a.m. (ET).

As previously announced in the Trust's annual report, we are moving into a new and exciting time in our business and starting May 8, 2014, Dundee REIT's name will be **Dream Office REIT**.

### HIGHLIGHTS FOR THE QUARTER

- **Appointment of new CEO** – Jane Gavan has been appointed the Chief Executive Officer of the Trust effective May 8, 2014. Michael Cooper will remain Chair of the Executive Committee;
- **AFFO per unit increased 1.6% compared to same period in prior year** – AFFO per unit was \$0.62 for the quarter compared to \$0.61 in the first quarter of 2013 and \$0.62 in the fourth quarter of 2013;
- **Portfolio occupancy remains strong at 94.2%** – occupancy rate at quarter end was 94.2%, remains well above the national average; 631,000 square feet of leasing was completed during the quarter at incrementally higher rates;
- **Leasing activity** - To date, the Trust has leased approximately 2.1 million square feet for tenants taking occupancy in 2014, which represents approximately 66% of the total 2014 lease maturities.
- **Embedded rent growth potential remains strong** – average in-place net rents are approximately 9% below estimated market rents.
- **Financing activities** – issued \$150 million of unsecured debentures in the quarter with a fixed rate of 4.07% and a term to maturity of six years;
- **Strong and conservative capital structure maintained** – the Trust's leverage remained stable at 47.6% compared to December 31, 2013. Interest coverage ratio remains at 2.9 times and debt-to-EBITDFV ratio remains at 8.0 years.

(unaudited) (\$000's except unit and per unit amounts)	<b>Three Months Ended</b>		
	<b>March 31, 2014</b>	December 30, 2013	March 31, 2013
Investment properties revenue <sup>(1)</sup>	<b>\$206,679</b>	\$ 208,418	\$189,568
Net operating income ("NOI") <sup>(2)</sup>	<b>116,066</b>	115,899	107,237
Comparative properties NOI <sup>(3)</sup>	<b>106,701</b>	106,459	106,035
Funds from operations ("FFO") <sup>(4)</sup>	<b>78,104</b>	78,242	72,669
Adjusted funds from operations ("AFFO") <sup>(4)</sup>	<b>67,291</b>	66,984	61,615
Investment properties value <sup>(5)</sup>	<b>7,298,526</b>	7,303,121	6,695,410
Debt <sup>(1)</sup>	<b>3,649,505</b>	3,662,543	3,326,521
Debt-to-gross book value <sup>(4)</sup>	<b>47.6%</b>	47.6%	47.3%
<b>Per unit data (basic)</b>			
FFO	<b>\$ 0.73</b>	\$ 0.72	\$ 0.72
AFFO	<b>\$ 0.62</b>	\$ 0.62	\$ 0.61
Distributions	<b>\$ 0.56</b>	\$ 0.56	\$ 0.55
<b>Units (period end)</b>			
REIT Units, Series A	<b>103,966,154</b>	103,420,221	97,910,460
REIT Units, Series B	-	-	16,316
LP Class B Units, Series 1	<b>3,538,457</b>	3,538,457	3,534,432
Total number of units	<b>107,504,611</b>	106,958,678	101,461,208
<b>Portfolio gross leasable area (square feet) <sup>(6)</sup></b>			
Occupied and committed space	<b>94.2%</b>	94.3%	94.7%

See footnotes on page 4.



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“Our portfolio occupancy continues to outperform the national average, allowing us to continue to deliver solid financial and operating results,” said Ana Radic, Chief Operating Officer of Dundee REIT. “We are pleased with our ability to maintain our leasing pipeline under challenging conditions in the office market.”

#### OPERATIONAL HIGHLIGHTS

- **Portfolio occupancy remains strong at 94.2%** – the overall percentage of occupied and committed space remains strong at 94.2%. On a comparative property basis, occupancy has decreased modestly by 10 basis points over Q4 2013. National average occupancy was 89.7%, a decline of 60 basis points over Q4 2013.
- **Leasing activity** – Leasing activity for the quarter consisted of 218,000 square feet of new leases and 413,000 square feet of renewals, all at higher rates than expiries, which totaled 631,000 square feet. In addition, approximately 404,400 square feet of gross leasable area was committed for future occupancy at quarter end. To date, the Trust has leased 2.1 million square feet for tenants taking occupancy in 2014, which represents 66% of the total 2014 lease maturities.
- **Average in-place net rents 9% below market rents** – The Trust continues to capture rental rate gains in connection with leasing activity. At the end of Q1 2014, the portfolio average in-place rent was \$17.97 per square foot, up from \$17.83 at December 31, 2013 and up from \$17.26 at March 31, 2013, yet remain approximately 9% below estimated market rents.

#### FINANCIAL HIGHLIGHTS

- **0.6% growth in comparative properties net operating income (“NOI”) compared to Q4 2013 and Q1 2013** – comparative property NOI was up \$0.7 million, or 0.6% compared to both Q4 2013 and Q1 2013, with increases in Western and Eastern Canada and Calgary downtown, driven mainly by higher rental rates achieved on new leasing done over the past year and the benefit of step rents, offset by lower occupancy. Total NOI for the quarter is up \$8.8 million, or 8.2% compared to Q1 2013, including \$9.5 million generated by properties acquired in 2013.
- **AFFO per unit growth of 1.6% over the same quarter in the prior year** – AFFO per unit for the first quarter increased by \$0.01 over the same period in the prior year and was stable compared to Q4 of 2013.
- **FFO per unit growth of 1.4% over the same quarter in the prior year** – FFO per unit increased by \$0.01 compared to both the same period in the prior year and the fourth quarter of 2013.

#### CAPITAL INITIATIVES

- **\$150 million unsecured debentures offering in Q1 2014** – On January 21, 2014, the Trust completed the issuance of \$150 million aggregate principal amount of Series C senior unsecured debentures (“Series C Debentures”). The Series C Debentures bear interest at a rate of 4.074% with a maturity date of January 21, 2020. DBRS Limited has assigned the Series B Debentures a BBB (low) rating with a stable trend. The net proceeds of \$148.6 million from the Series C Debentures was used to repay one of the demand revolving credit facility totalling \$87.5 million and discharged mortgages totalling \$59.3 million (including debt settlement costs). This further strengthened the Trust’s debt metrics reducing our variable rate debt to 6.3% at Q1 2014 from 8.7% at Q4 2013 of total debt.
- **Discharged \$58.0 million of secured debt** – During the quarter, the Trust repaid approximately 59% of the mortgages due in 2014, totalling approximately \$58.0 million, increasing our unencumbered assets by approximately \$150 million.
- **Strong and conservative capital structure maintained** – The Trust’s leverage remained flat at 47.6% compared to Q4 2013 and its pool of unencumbered assets increased to over \$770 million from approximately \$620 million at December 2013.



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- **Normal course issuer bid** – During the quarter, the Trust purchased for cancellation 11,000 REIT A Units under the normal course issuer bid at an average price of \$27.16 per unit and a total cost of approximately \$0.3 million. To date, the Trust purchased for cancellation approximately 2.1 million REIT A Units under the normal course issuer bid at an average price of \$28.42 per unit and a total cost of approximately \$61.0 million.

Key performance metrics	March 31, 2014	December 31, 2013	March 31, 2013
<b>Financing activities</b>			
Weighted average face interest rate	4.23 %	4.22%	4.49%
Level of debt (debt-to-gross book value) <sup>(4)</sup>	47.6 %	47.6%	47.3%
Interest coverage ratio <sup>(4)</sup>	2.9 times	2.9 times	2.9 times
Debt-to-EBITDFV <sup>(4)</sup>	8.0 years	8.0 years	8.0 years
Debt — average term to maturity (years)	4.6 years	4.6 years	4.8 years
Variable rate debt as percentage of total debt	6.3%	8.7%	5.4%

See footnotes on page 4.

**Appointment of new CEO** - Jane Gavan has been appointed the Chief Executive Officer of the Trust; Michael Cooper to remain Chair of the Executive Committee. “Jane is a proven leader with business vision and exceptional management skills” said Michael Cooper, “Together with Mario and Ana, the four of us have worked together for years transforming the REIT into an industry leader and will continue to build on that foundation under Jane’s direction”. Jane joined DREAM in 1998 and has played a key role in numerous transactions including the 1998 acquisition of Lehndorff Properties, the 2003 business restructuring that resulted in the creation of DREAM Office REIT, the REIT’s \$2.3 billion portfolio sale to GE Real Estate, the initial public offering of DREAM Global REIT and the \$1.3 billion acquisition of Scotia Plaza. Jane is presently the President, Asset Management of DREAM. In that capacity, she oversees the operations of the three public REIT’s managed by DREAM.

## OUTLOOK

We are pleased with our strong leasing velocity and financial results. Our occupancy levels are presently high and have historically been well above the national average. Our tenant base is well diversified, with balanced exposure to large and small tenants, which should mitigate the impact from the supply of the new office developments in downtown Toronto and Calgary.

We are increasing our focus to value-add and repositioning initiatives. We are exploring new ideas to increase the income and value of our properties through intensification and alternative uses, especially in downtown buildings where urbanization allows for increased revenue in office and retail space. We are also looking at development opportunities on underutilized land within our portfolio. We are in the early stages of our assessment but are excited about the potential opportunities.

Looking ahead, our focus continues to be on operational performance, tenant retention, proactive asset management and maintaining a strong and flexible balance sheet.

## CONFERENCE CALL

Senior management will host a conference call to discuss the results tomorrow, May 9, 2014 at 9:00 a.m. (ET). To access the conference call, please dial 1-866-229-4144 in Canada and the United States or 416-216-4169 elsewhere and use passcode 8839 855#. To access the conference call via webcast, please go to Dundee REIT’s website at [www.dundeereit.com](http://www.dundeereit.com) and click on the link for News & Events, then click on Calendar of Events. A taped replay of the conference call and the webcast will be available 90 days.



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### Other information

Information appearing in this news release is a select summary of results. The consolidated 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. Dundee REIT is focused on owning, acquiring, leasing and managing well-located, high-quality central business district and suburban office properties. Its portfolio currently comprises approximately 24.6 million square feet of gross leasable area in major urban centres across Canada. Dundee REIT's portfolio is well diversified by geographic location and tenant mix. For more information, please visit [www.dundeereit.com](http://www.dundeereit.com).

### FOOTNOTES

- (1) Includes investment properties revenue of investments in joint ventures.
- (2) NOI (non-GAAP measure) – is defined as total of net rental income, including the share of net rental income from investment in joint ventures and property management income, excluding net rental income from properties sold and assets held for sale.
- (3) Includes investments in joint ventures and excludes redevelopment properties, properties sold and assets held for sale.
- (4) Non-GAAP measures – FFO, AFFO, debt-to-gross book value, level of debt, interest coverage ratio, and debt-to-EBITDFV are key measures of performance used by real estate operating companies; however, they are not defined by International Financial Reporting Standards ("IFRS"), do not have standard meanings and may not be comparable with other industries or income trusts. Refer to the "Non-GAAP Measures" section of the MD&A for the detailed calculations of these non-GAAP measures.
- (5) Includes investments in joint ventures and excludes assets held for sale.
- (6) Excludes redevelopment properties and properties held for sale.

### Forward looking information

*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, which 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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