CONSOLIDATED FINANCIAL STATEMENTS

Dundee Real Estate Investment Trust
Consolidated Balance Sheets

(unaudited) (in thousands of dollars)	Note	September 30, 2004	December 31, 2003
Assets			
Rental properties	3,4	**$1,062,962**	$ 915,050
Deferred costs	3,5	**50,137**	38,177
Amounts receivable	6	**7,451**	7,268
Prepaid expenses and other assets	7	**29,238**	32,706
Cash and short-term deposits		**11,643**	3,976
Intangible assets	3,8	**31,903**	–
Discontinued operations assets	18	**43,732**	–
		$1,237,066	$ 997,177
Liabilities			
Debt	9	**$ 695,309**	$ 579,168
Amounts payable and accrued liabilities	10	**25,421**	20,717
Distributions payable	11	**4,555**	3,600
Future income tax liability	12	**5,651**	7,737
Intangible liabilities	3,8	**2,850**	–
Discontinued operations liabilities	18	**35,172**	–
		768,958	611,222
Equity			
Unitholders' equity	13	**468,108**	385,955
		$1,237,066	$ 997,177

See accompanying notes to the consolidated financial statements.

Dundee Real Estate Investment Trust
and Commercial Real Estate Division of Dundee Realty Corporation
Statements of Net Income

		For the Three Months Ended September 30		For the Nine Months Ended September 30		
		2004	2003	**2004**	2003	
		Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
(unaudited) (in thousands of dollars, except per unit amounts)	Note				July 1 to September 30	January 1 to June 30
Rental properties						
Revenues	2	**$ 48,072**	$ 34,986	**$ 137,354**	$ 34,986	$ 69,967
Operating expenses		**21,028**	16,165	**61,561**	16,165	36,134
Net operating income		**27,044**	18,821	**75,793**	18,821	33,833
Other expenses						
Interest	14	**11,761**	8,481	**31,671**	8,481	16,748
Depreciation of rental properties	2	**6,605**	2,111	**18,804**	2,111	4,152
Amortization of deferred leasing costs and intangibles		**3,764**	1,267	**8,900**	1,267	2,542
General and administrative		**1,145**	994	**3,302**	994	3,339
		23,275	12,853	**62,677**	12,853	26,781
Other income						
Interest and fee income, net		**583**	190	**1,595**	190	656
Income before gain on asset disposal		**4,352**	6,158	**14,711**	6,158	7,708
Gain on disposal of rental property	2	**–**	–	**166**	–	–
Income before income and large corporations taxes		**4,352**	6,158	**14,877**	6,158	7,708
Income taxes						
Current income and large corporations taxes		**29**	15	**67**	15	1,887
Future income taxes	12	**(1,946)**	(33)	**(1,988)**	(33)	1,675
		(1,917)	(18)	**(1,921)**	(18)	3,562
Income before discontinued operations		**6,269**	6,176	**16,798**	6,176	4,146
Discontinued operations	18	**1,033**	106	**(16,344)**	106	(33)
Net income		**$ 7,302**	$ 6,282	**$ 454**	$ 6,282	$ 4,113
Income (loss) per unit (basic and diluted)	15					
Continuing operations		**$ 0.26**	$ 0.38	**$ 0.72**	$ 0.38	
Discontinued operations		**0.04**	–	**(0.70)**	–	
Net income		**$ 0.30**	$ 0.38	**$ 0.02**	$ 0.38	

See accompanying notes to the consolidated and combined financial statements.

Dundee Real Estate Investment Trust
Consolidated Statement of Unitholders' Equity

(unaudited) (in thousands of dollars)	Note	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Cumulative Foreign Currency Translation Adjustment	Total
Unitholders' equity, January 1, 2004		$ 396,161	$ 12,173	$ (19,382)	$ (2,997)	$ 385,955
Net income		–	454	–	–	454
Distributions paid	11	–	–	(35,112)	–	(35,112)
Distributions payable	11	–	–	(4,555)	–	(4,555)
Public offering of units	13	110,022	–	–	–	110,022
Distribution Reinvestment Plan		16,002	–	–	–	16,002
Unit Purchase Plan		141	–	–	–	141
Deferred Unit Incentive Plan		318	–	–	–	318
Redemption of Units		(30)	–	–	–	(30)
Issue costs	13	(5,400)	–	–	–	(5,400)
Equity component of convertible debenture	9	600	–	–	–	600
Change in foreign currency translation adjustment		–	–	–	(287)	(287)
Unitholders' equity, September 30, 2004		$ 517,814	$ 12,627	$ (59,049)	$ (3,284)	$ 468,108

(unaudited) (in thousands of dollars)	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Cumulative Foreign Currency Translation Adjustment	Total
Unitholders' equity, July 1, 2003	$ 335,455	$ –	$ –	$ (1,728)	$ 333,727
Net income	–	6,282	–	–	6,282
Distributions	–	–	(8,982)	–	(8,982)
Distribution Reinvestment Plan	2,672	–	–	–	2,672
Unit Purchase Plan	1,251	–	–	–	1,251
Deferred Unit Incentive Plan	9	–	–	–	9
Change in foreign currency translation adjustment	–	–	–	(65)	(65)
Unitholders' equity, September 30, 2003	$ 339,387	$ 6,282	$ (8,982)	$ (1,793)	$ 334,894

Commercial Real Estate Division of Dundee Realty Corporation
Combined Statement of Divisional Equity

(unaudited) (in thousands of dollars)	For the Six Months Ended June 30, 2003
Divisional equity, January 1, 2003	$ 290,594
Net income	4,113
Change in foreign currency translation adjustment	(2,471)
Net funds transferred to Dundee Realty Corporation	(15,717)
Divisional equity, June 30, 2003	$ 276,519

See accompanying notes to the consolidated and combined financial statements.

Dundee Real Estate Investment Trust
and Commercial Real Estate Division of Dundee Realty Corporation
Statements of Cash Flows

		For the Three Months Ended September 30		For the Nine Months Ended September 30		
		2004	2003	**2004**	2003	
		Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
(unaudited) (in thousands of dollars)	Note				July 1 to September 30	January 1 to June 30
Generated from (utilized in) operating activities						
Net income		**$ 7,302**	$ 6,282	**$ 454**	$ 6,282	$ 4,113
Non-cash items:						
Depreciation of rental properties		**6,605**	2,266	**19,579**	2,266	4,439
Amortization of deferred leasing costs and intangibles		**3,764**	1,392	**9,161**	1,392	2,897
Amortization of of marked-to-market adjustment on acquired debt		**(315)**	(75)	**(1,123)**	(75)	(155)
Provision for impairment in value of rental property		**–**	–	**19,729**	–	–
Gain on disposal of rental properties		**(443)**	–	**(3,016)**	–	–
Future income taxes		**(1,946)**	(33)	**(1,988)**	(33)	1,675
Straight-line rent adjustment		**(1,140)**	–	**(3,375)**	–	–
		13,827	9,832	**39,421**	9,832	12,969
Deferred leasing costs incurred		**(4,868)**	(1,551)	**(9,123)**	(1,551)	(2,921)
Change in non-cash working capital	20	**1,646**	1,276	**6,669**	1,276	(466)
		10,605	9,557	**36,967**	9,557	9,582
Generated from (utilized in) investing activities						
Investment in rental properties	4	**(1,100)**	(1,353)	**(5,751)**	(1,353)	(4,309)
Acquisition of rental properties	3	**(60)**	–	**(153,990)**	–	(861)
Investment in mezzanine loan	7	**–**	–	**(10,476)**	–	–
Net proceeds from disposal of rental property		**742**	–	**5,772**	–	–
Change in restricted cash, net		**84**	424	**(637)**	424	(106)
		(334)	(929)	**(165,082)**	(929)	(5,276)
Generated from (utilized in) financing activities						
Mortgage principal repayments		**(3,658)**	(2,150)	**(11,286)**	(2,150)	(7,094)
Mortgages placed		**–**	–	**71,912**	–	50,918
Mortgage lump sum repayments		**–**	–	**(49,802)**	–	(32,411)
Term debt placed		**–**	–	**60,553**	–	–
Term debt principal repayments		**(202)**	(230)	**(679)**	(230)	(1,071)
Term debt lump sum repayments		**–**	–	**(79,994)**	–	–
Convertible debentures issued net of costs		**(517)**	–	**71,432**	–	–
Demand revolving credit facility, net		**–**	–	**(7,026)**	–	–
Distributions paid	11	**(8,242)**	(3,297)	**(22,710)**	(3,297)	–
Units issued net of costs		**47**	1,251	**103,382**	1,251	–
Net funds transferred from the Division		**–**	–	**–**	–	(15,717)
		(12,572)	(4,426)	**135,782**	(4,426)	(5,375)
Increase (decrease) in cash and cash equivalents		**(2,301)**	4,202	**7,667**	4,202	(1,069)
Cash and short-term deposits, beginning of period		**13,944**	1,582	**3,976**	1,582	2,651
Cash and short-term deposits, end of period		**$ 11,643**	$ 5,784	**$ 11,643**	$ 5,784	$ 1,582

See accompanying notes to the consolidated and combined financial statements.

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) (in thousands of dollars, except unit or per unit amounts)

1. Basis of Financial Statement Presentation

Dundee Real Estate Investment Trust ("Dundee REIT") is an open-ended investment trust created pursuant to an amended and restated Declaration of Trust under the laws of the Province of Ontario.

Dundee REIT was formed in connection with the reorganization of the business of Dundee Realty Corporation ("DRC") on June 30, 2003 pursuant to which substantially all of the commercial real estate division of DRC (the "Division") and a 50% joint interest in its property management business were transferred to Dundee REIT (the "Transfer").

These financial statements present the financial position of Dundee REIT at September 30, 2004 and December 31, 2003 and the results of its operations and cash flows for the three and nine months ended September 30, 2004 and the three months ended September 30, 2003 and the results of operations and cash flows of the Division for the six months ended June 30, 2003.

The assets and liabilities of the Division acquired in the Transfer have been measured by Dundee REIT under the continuity of interests accounting method at DRC's historical carrying amounts at June 30, 2003 as there was no substantive change in the ultimate ownership interests in the Division. Because the continuity of interests method of accounting has been used, results of operations and cash flows of the Division have been presented as comparative information for Dundee REIT.

The combined financial statements of the Division present the results of operations and cash flows of the Division, had the Division been accounted for on a stand-alone basis, and include the Division's proportionate share of the revenues and expenses of joint ventures in which it participates. The Division was not a legal entity. With respect to the Division, management derived all balances except for general and administrative expenses, income taxes and capital and large corporations taxes from the financial records of DRC specific to the properties and entities acquired. Capital, large corporations taxes and general and administrative expenses were allocated to the Division based on the net book value of the properties acquired by Dundee REIT relative to the total net book value of the properties of DRC. Income taxes were determined based on the operation of the Division, as if it were a taxable entity.

The combined financial statements of the Division are not necessarily indicative of the results that would have been attained if the Division had been operated as a separate legal entity during the periods presented and therefore are not necessarily indicative of future operating results. No adjustments were made to the Divisional financial statements to reflect incremental changes to the cost structure as a result of the Transfer.

References herein to the "Trust" refer collectively to Dundee REIT subsequent to June 30, 2003 and to the Division for periods prior to and including June 30, 2003.

2. Summary of Significant Accounting Policies

The disclosure requirements for interim financial statements do not conform in all respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual financial statements. These interim financial statements should be read in conjunction with the financial statements of Dundee REIT as at, and for the six months ended December 31, 2003 and of the Division as at, and for the six months ended June 30, 2003. These statements are in conformity with the requirements of GAAP for interim financial statements as recommended in the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, "Interim Financial Statements."

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

These financial statements follow the same accounting policies and the methods of their application as used in the December 31, 2003 audited consolidated financial statements except as discussed below:

Revenue Recognition

Effective January 1, 2004, the Trust adopted the straight-line method of rental revenue recognition whereby any contractual rent increases over the term of a lease are recognized in income evenly over that term. Previously, rental revenue was recognized as rents became due. The difference between the amount recorded as revenue under the straight-line method and cash rents received is included in amounts receivable. This change in accounting policy has been applied prospectively and had the effect of increasing revenues and net income for the three months ended September 30, 2004 by $1,140 and the nine months ended September 30, 2004 by $3,375.

Rental Properties

Effective January 1, 2004, the Trust adopted the straight-line method of depreciation for rental properties. Previously, rental properties were depreciated using the sinking fund method. The estimated useful life of the properties continues to be between 30 and 40 years. This change in accounting policy has been applied prospectively and had the effect of increasing depreciation of rental properties and reducing net income for the three months ended September 30, 2004 by approximately $3,600 and for the nine months ended September 30, 2004 by approximately $10,900.

In accordance with the CICA Emerging Issues Committee Abstracts No. 137 and No. 140 effective for property acquisitions initiated after September 12, 2003, the purchase price of a rental property is allocated to land, building, deferred leasing costs acquired including tenant improvements and lease origination costs associated with in-place leases, the value of above and below market leases and other intangible lease assets. Other intangible lease assets include the value of in-place leases and the value of tenant relationships, if any.

The values of the above and below market leases are amortized to rental property revenues over the remaining term of the associated lease. The value associated with tenant relationships is amortized over the expected term of the relationship, which includes an estimated probability of the lease renewal and the estimated term. In the event a tenant vacates its leased space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be expensed. The tenant improvements, value of in-place leases and lease origination costs associated with in-place leases are amortized as an expense over the remaining term of the lease or expensed in full in the event the lease is terminated prior to its contractual expiration date.

Impairment of Long-lived Assets

Effective January 1, 2004, Dundee REIT prospectively adopted the recommendations of CICA Handbook Section 3063, "Impairment of Long-lived Assets."

This new standard requires a two-step process for determining when an impairment of rental properties and other long-lived assets should be recognized in the financial statements. When impairment is determined to exist, the impaired asset is written down to fair value. Prior to January 1, 2004, rental properties were stated at the lower of historic cost less accumulated depreciation and net recoverable amount. This change in accounting policy had no impact on adoption.

Discontinued Operations

On May 1, 2003, the Trust adopted the requirements of new CICA Handbook Section 3475, "Disposal of Long-lived Assets and Discontinued Operations." This new standard requires the Trust to reclassify assets initiated as held for sale subsequent to May 1, 2003 and separate any net income/loss and gain/loss on disposal as discontinued operations. Also, assets held for sale are no longer depreciated. The impact of this new standard is described in Note 18.

This standard does not apply to dispositions where the commencement of the sale process was initiated prior to May 1, 2003. This was the case with the March 2004 disposition of Centennial Mall.

Convertible Debentures

Convertible debentures are separated into debt and equity components. These components have been measured at their respective estimated fair values at the date of issuance. The debt component has been estimated as the present value of future interest and principal payments due under the terms of the debenture. The value assigned to the equity component is the estimated fair value ascribed to the holders' option to convert the debentures into units.

3. Acquisitions

On February 19, 2004, the Trust completed the purchase of the Pauls Portfolio for a purchase price of $169,515. This portfolio consists of approximately 1.5 million square feet of newly constructed office, industrial and flex space properties located in Toronto and Calgary. Earnings from the date of acquisition are included in the statements of net income.

The Trust acquired the remaining 16.4% interest in 222-230 Queen Street in Ottawa, increasing its ownership percentage in the building to 100%. The purchase price for this interest was $6,041. Earnings from March 1, 2004 are included at 100% in the statements of net income.

The Trust completed the acquisition of a 50% interest in 720 Bay Street in Toronto for a purchase price of $26,043. The net cash outlay for this transaction was $5,540. This property's operating results are included in these financial statements from April 1, 2004.

The Trust acquired the Geo-X Building in Calgary for a purchase price of $6,565, paid entirely in cash. This property's operating results are included in these financial statements from May 12, 2004.

The Trust acquired a 13-building portfolio of office properties in Montréal for a purchase price of $64,529, paid entirely in cash. This property's operating results are included in these financial statements from June 21, 2004.

The assets acquired and liabilities assumed in these transactions were allocated as follows:

	For the Nine Months Ended September 30, 2004
Rental properties	
Land	$ 48,816
Buildings	183,136
	231,952
Deferred leasing costs	
Deferred leasing costs acquired	8,965
Intangible assets	
Value of in-place leases	13,255
Lease origination costs	4,399
Value of above market rent leases	3,438
Value of tenant relationships	14,277
	276,286
Intangible liabilities	
Value of below market rent leases	(3,279)
Accounts payable and accrued liabilities	(314)
Total purchase price	$ 272,693
The consideration paid consists of:	
Cash	
Paid in period	$ 153,990
Deposit (Note 7)	14,300
	168,290
Assumed mortgages	102,866
Assumed accounts payable and accrued liabilities	1,537
Total consideration	$ 272,693

As at September 30, 2004, the allocation of the purchase price to fair values of certain assets acquired and liabilities assumed has not been finalized and may be subject to adjustment.

4. Rental Properties

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Land	$ 195,624	$ 159,940
Buildings and building improvements	916,425	788,746
Equipment	5,331	5,724
	1,117,380	954,410
Accumulated depreciation	(54,418)	(39,360)
Total	$1,062,962	$ 915,050

During the nine months ended September 30, 2004, non-cash changes in working capital items related to investment in rental properties amounted to $625 (three months ended September 30, 2003 – $344; six months ended June 30, 2003 – $1,587).

5. Deferred Costs

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Deferred leasing costs	**$ 34,327**	$ 25,605
Deferred recoverable costs	**8,474**	9,431
Deferred financing costs	**6,379**	2,010
Other deferred costs	**957**	1,131
Total	**$ 50,137**	$ 38,177

Deferred leasing costs are net of accumulated amortization of $15,950 at September 30, 2004 (December 31, 2003 – $12,153).

6. Amounts Receivable

Amounts receivable are net of credit adjustments of $3,195 at September 30, 2004 (December 31, 2003 – $1,546). Total U.S. dollar denominated amounts receivable relating to self-sustaining foreign operations are US$280 as at September 30, 2004 (December 31, 2003 – US$995). Amounts receivable include straight-line rents and deferred free rents receivable of $5,559 as at September 30, 2004 (December 31, 2003 – $2,134 relating only to deferred free rents receivable).

7. Prepaid Expenses and Other Assets

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Prepaid expenses	**$ 4,789**	$ 5,711
Mezzanine loan	**10,880**	–
Deposits	**283**	14,315
Restricted cash	**13,286**	12,680
Total	**$ 29,238**	$ 32,706

On February 19, 2004, the Trust provided a mezzanine loan to a third party to finance certain development projects. The loan bears interest at 11% annually and is to be repaid on the earlier of February 19, 2014 or the date the development projects are sold. Interest is accrued monthly and payment is contingent on the cash flows generated by the development. To date, no interest has been received. The loan is subordinate to all third-party debt of the borrower.

Deposits at December 31, 2003 included a $14,300 payment with respect to an agreement to acquire certain rental properties as described in Note 3.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages and bank loans drawn on a line of credit.

8. Intangibles

	Dundee REIT Consolidated	
Intangible assets	**September 30, 2004**	December 31, 2003
Value of above market rent leases	**$ 3,084**	$ –
Value of in-place leases	**11,288**	–
Lease origination costs	**4,020**	–
Value of tenant relationships	**13,511**	–
Total	**$ 31,903**	$ –

Intangible assets are net of accumulated amortization of $3,466 at September 30, 2004 (December 31, 2003 – $nil).

	Dundee REIT Consolidated	
Intangible liabilities	**September 30, 2004**	December 31, 2003
Value of below market rent leases	**$ 2,850**	$ –

Intangible liabilities are net of accumulated amortization of $428 at September 30, 2004 (December 31, 2003 – $nil).

9. Debt

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Mortgages	**$ 591,143**	$ 480,858
Term debt	**23,419**	84,665
Convertible debentures	**74,415**	–
Demand revolving credit facility	**–**	7,026
Demand non-revolving credit facility	**6,332**	6,619
Total	**$ 695,309**	$ 579,168

Mortgages and term debt are secured by charges on specific rental properties. DRC continues to be contingently liable for certain debt obligations of Dundee REIT. Term debt is secured by charges on specific rental properties with certain flexibility to repay floating rate debt without incurring a penalty.

On June 21, 2004, the Trust issued $75,000 of convertible unsecured subordinated debentures. The debentures bear interest at 6.5% per annum, payable semi-annually and mature on June 30, 2014. Each debenture is convertible at any time by the holder into 40 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of $25.00 per unit. The debentures may not be redeemed prior to June 30, 2008. On or after June 30, 2008, but prior to June 30, 2010, the debentures may be redeemed in whole or in part at a price equal to the principal amount plus accrued and unpaid interest provided that the weighted average closing price of a REIT Unit, Series A on the Toronto Stock Exchange for the 20 consecutive days ending five trading days preceding the date on which the notice of redemption is given, is not less than $31.25. On or after June 30, 2010, the debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest.

In accordance with recent amendments to Section 3860 of the CICA Handbook, the convertible debentures have been recorded on the balance sheet as debt of $74,400 and equity of $600. The discount and issue costs related to the offering are amortized to interest expense over ten years.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $55,000, bearing interest generally at the bank prime rate (4.00% as at September 30, 2004) plus 0.75% per annum or bankers' acceptance rates. The facility is secured by a first ranking collateral mortgage on five of the Trust's properties and a second ranking collateral mortgage on two properties. As at September 30, 2004, the maximum amount available under such facility was $54,556, of which $2,076 (December 31, 2003 – $2,925) was utilized in the form of letters of guarantee. As at September 30, 2004, the amount still available on this facility was $52,480.

The demand non-revolving U.S. dollar term loan facility is secured by a Canadian dollar deposit and amounts to US$4,971 at September 30, 2004 (December 31, 2003 – US$4,971). The facility bears interest at the bank's U.S. base rate plus 0.25% per annum, and is due on December 31, 2004 unless otherwise renewed or extended.

The weighted average interest rates for the fixed and floating components of debt are as follows:

	Weighted Average Interest Rates as at			Debt Amount	
	September 30, 2004	December 31, 2003	Maturity Dates	**September 30, 2004**	December 31, 2003
Fixed rate					
Mortgages	**6.76%**	6.93%	2004 to 2014	**$ 591,143**	$ 480,858
Term debt	**7.42%**	7.70%	2008	**318**	65,461
Convertible debenture	**6.63%**	–	2014	**74,415**	–
Total fixed rate	**6.74%**	7.02%		**665,876**	546,319
Variable rate					
Term debt	**4.32%**	5.51%	2007	**23,101**	19,204
Demand revolving credit facility	**–**	5.50%	–	**–**	7,026
Demand non-revolving credit facility	**5.25%**	4.75%	2004	**6,332**	6,619
Total variable rate	**4.52%**	5.35%		**29,433**	32,849
Total debt	**6.65%**	6.93%		**$ 695,309**	$ 579,168

Total variable rate term debt outstanding at September 30, 2004 bears interest generally at the rate of one month bankers' acceptance plus 2.15% (December 31, 2003 – plus 2.75%). At September 30, 2004, the rate of one month bankers' acceptance was 2.17% (December 31, 2003 – 2.76%).

Mortgages include US$20,113 of debt at September 30, 2004 (December 31, 2003 – US$20,472) secured by assets located in the United States relating to self-sustaining foreign operations.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term Debt	Convertible Debenture	Demand Non-Revolving Credit Facility	**September 30, 2004 Total**
Remainder of 2004	$ 13,142	$ 73	$ –	$ 6,332	**$ 19,547**
2005	23,721	530	–	–	**24,251**
2006	65,004	478	–	–	**65,482**
2007	49,150	22,338	–	–	**71,488**
2008	89,222	–	–	–	**89,222**
2009 and thereafter	350,904	–	74,415	–	**425,319**
Total	$ 591,143	$ 23,419	$ 74,415	$ 6,332	**$ 695,309**

10. Amounts Payable and Accrued Liabilities

	Dundee REIT Consolidated	
	September 30, 2004	December 31, 2003
Trade payables	**$ 1,566**	$ 1,450
Accrued liabilities and other payables	**13,061**	10,682
Accrued interest	**4,952**	3,324
Deposits	**4,947**	3,565
Deferred revenue	**895**	1,696
Total	**$ 25,421**	$ 20,717

Total U.S. dollar denominated amounts payable and accrued liabilities relating to self-sustaining foreign operations are US$684 at September 30, 2004 (December 31, 2003 – US$975).

11. Distributions

The following table sets out Dundee REIT's distributions for the nine months ended September 30, 2004.

	REIT Units, Series A	LP Class B Units, Series 1	Total
Paid in cash	$ 22,710	$ –	$ 22,710
Paid by way of reinvestment in units	3,252	12,750	16,002
Less: Payable at December 31, 2003	(2,227)	(1,373)	(3,600)
Plus: Payable at September 30, 2004	3,081	1,474	4,555
Total	$ 26,816	$ 12,851	$ 39,667

The amount payable at September 30, 2004 was satisfied on October 15, 2004 by way of $2,743 in cash and $1,812 by way of 13,657 REIT Units, Series A and 59,181 LP Class B Units, Series 1. Included in the total distributions is the 4% additional distribution in the amount of $615 (September 30, 2003 – $121) that forms part of the distribution reinvestment plan.

12. Future Income Taxes

During the quarter, the Trust recorded a $1,900 future income tax recovery to adjust its estimate of the tax basis in its U.S. properties to amounts reported in recently filed tax returns.

13. Unitholders' Equity

	REIT Units, Series A		LP Class B Units, Series 1		Cumulative Foreign Currency Translation Adjustment	Total	
	Number of Units	Amount	Number of Units	Amount		Number of Units	Amount
Unitholders' equity, January 1, 2004	12,094,217	$ 242,959	7,211,431	$ 145,993	$ (2,997)	19,305,648	$ 385,955
Net income	–	143	–	311	–	–	454
Distributions paid	–	(23,735)	–	(11,377)	–	–	(35,112)
Distributions payable	–	(3,081)	–	(1,474)	–	–	(4,555)
Public offering of units	4,537,000	110,022	–	–	–	4,537,000	110,022
Distribution Reinvestment Plan	136,569	3,252	534,563	12,750	–	671,132	16,002
Unit Purchase Plan	5,910	141	–	–	–	5,910	141
Deferred Unit Incentive Plan	4,712	318	–	–	–	4,712	318
Redemption of units	(1,479)	(30)	–	–	–	(1,479)	(30)
Issue costs	–	(5,400)	–	–	–	–	(5,400)
Equity component of convertible debenture	–	600	–	–	–	–	600
Change in foreign currency translation adjustment	–	–	–	–	(287)	–	(287)
Unitholders' equity, September 30, 2004	16,776,929	$ 325,189	7,745,994	$ 146,203	$ (3,284)	24,522,923	$ 468,108

Public Offering of Units

On February 19, 2004, Dundee REIT completed a public offering for gross cash proceeds of $110,022 through the issuance of 4,537,000 REIT Units, Series A at a price of $24.25 per unit. Costs relating to the offering totalled $5,400 and were charged directly to unitholders' equity.

Distribution Reinvestment Plan

For the nine months ended September 30, 2004, 136,569 REIT Units, Series A and 534,563 LP Class B Units, Series 1 were issued under the Distribution Reinvestment Plan for $3,252 and $12,750, respectively.

Unit Purchase Plan

For the nine months ended September 30, 2004, 5,910 REIT Units, Series A were issued under the Unit Purchase Plan for $141.

Deferred Unit Incentive Plan

On September 16, 2004, an additional 71,700 Deferred Trust Units were granted with a grant date value of $24.25. At September 30, 2004, a total of 158,600 Deferred Trust Units had been granted with a weighted average grant-date valuea of $22.66 per unit. During the nine months ended September 30, 2004, $318 of compensation expense was recorded and is included in general and administrative expenses. During the nine months ended September 30, 2004, 19,100 Deferred Trust Units, and 1,865 Income Deferred Trust Units vested for which 4,712 REIT Units, Series A were issued under the plan. The remaining 16,253 vested units will be issued at a later date at the discretion of the unitholder, pursuant to the terms of the plan.

14. Interest

Interest incurred and charged to earnings is recorded as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2004	2003	**2004**	2003	
	Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
				July 1 to September 30	January 1 to June 30
Interest expense incurred, at stated rate of debt	**$ 11,770**	$ 8,314	**$ 32,129**	$ 8,314	$ 16,499
Amortization of deferred financing costs	**306**	242	**665**	242	404
Marked-to-market adjustment to rate	**(315)**	(75)	**(1,123)**	(75)	(155)
Interest expense	**$ 11,761**	$ 8,481	**$ 31,671**	$ 8,481	$ 16,748

Certain debt assumed on acquisitions completed in current and prior years has been adjusted to fair value using the market interest rate at the time of the acquisition ("marked-to-market"). This marked-to-market adjustment is amortized to interest expense and principal repayments over the remaining life of the debt.

Cash interest paid in the nine months ended September 30, 2004 is $30,267 (three months ended September 30, 2003 – $5,826; six months ended June 30, 2003 – $19,279).

15. Net Income Per Unit

For the three and nine months ended September 30, 2004, the weighted average number of units outstanding was as follows:

	Dundee REIT Consolidated		
	For the Three Months Ended September 30, 2004	For the Three Months Ended September 30, 2003	**For the Nine Months Ended September 30, 2004**
	Weighted Average Number of Units Outstanding	Weighted Average Number of Units Outstanding	**Weighted Average Number of Units Outstanding**
REIT Units, Series A	16,753,593	9,381,232	15,892,695
LP Class B Units, Series 1	7,657,481	6,950,137	7,476,161
Total weighted average number of units outstanding	24,411,074	16,331,369	23,368,856

For the nine months ended September 30, 2004, Deferred Trust Units and Income Deferred Trust Units resulted in approximately 28,214 and 5,370 incremental units for diluted per unit amount calculations, respectively.

The 1,116,788 incremental units of an assumed conversion of convertible debentures for the nine months ended September 30, 2004 (three months ended September 30, 2004 – 3,000,000 incremental units) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

16. Segmented Information

The Trust's rental properties have been segmented into office, industrial and retail components because of the marketing, leasing and operating strategies unique to each.

The accounting policies of the segments are as described in the summary of significant accounting policies. The Trust does not allocate interest expense to these segments, since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes, and general and administrative expenses are not allocated to the segment expenses. All inter-segment revenues have been eliminated from the financial statements and the following tables.

A. By Activity

Dundee REIT **For the Three Months Ended September 30, 2004**	**Office**	**Industrial**	**Retail**	**Total**
Operations				
Revenues	**$ 29,690**	**$ 15,245**	**$ 3,137**	**$ 48,072**
Operating expenses	**(14,023)**	**(5,223)**	**(1,782)**	**(21,028)**
Net operating income	**15,667**	**10,022**	**1,355**	**27,044**
Depreciation of rental properties	**(3,842)**	**(2,258)**	**(505)**	**(6,605)**
Amortization of deferred leasing costs and intangibles	**(1,712)**	**(1,837)**	**(215)**	**(3,764)**
Segment income	**$ 10,113**	**$ 5,927**	**$ 635**	**16,675**
Interest expense				**(11,761)**
General and administrative expenses				**(1,145)**
Interest and fee income, net				**583**
Income taxes				**1,917**
Income before discontinued operations				**$ 6,269**
Segment rental properties	**$ 596,434**	**$ 396,774**	**$ 69,754**	**$1,062,962**
Capital expenditures				
Investment in rental properties	**$ (90)**	**$ (909)**	**$ (101)**	**$ (1,100)**
Acquisition of rental properties	**(44)**	**(16)**	**–**	**(60)**
Deferred leasing costs	**(2,866)**	**(1,047)**	**(955)**	**(4,868)**
Total capital expenditures	**$ (3,000)**	**$ (1,972)**	**$ (1,056)**	**$ (6,028)**

Dundee REIT For the Three Months Ended September 30, 2003	Office	Industrial	Retail	Total
Operations				
Revenues	$ 21,918	$ 9,696	$ 3,372	$ 34,986
Operating expenses	(10,975)	(3,480)	(1,710)	(16,165)
Net operating income	10,943	6,216	1,662	18,821
Depreciation of rental properties	(1,243)	(634)	(234)	(2,111)
Amortization of deferred leasing costs	(783)	(378)	(106)	(1,267)
Segment income	$ 8,917	$ 5,204	$ 1,322	15,443
Interest expense				(8,481)
General and administrative expenses				(994)
Interest and fee income, net				190
Income taxes				18
Income before discontinued operations				$ 6,176
Capital expenditures				
Investment in rental properties	$ (745)	$ (303)	$ (305)	$ (1,353)
Deferred leasing costs	(1,306)	(156)	(89)	(1,551)
Total capital expenditures	$ (2,051)	$ (459)	$ (394)	$ (2,904)

Dundee REIT **For the Nine Months Ended September 30, 2004**	**Office**	**Industrial**	**Retail**	**Total**
Operations				
Revenues	**$ 85,187**	**$ 42,517**	**$ 9,650**	**$ 137,354**
Operating expenses	**(41,376)**	**(14,893)**	**(5,292)**	**(61,561)**
Net operating income	**43,811**	**27,624**	**4,358**	**75,793**
Depreciation of rental properties	**(10,912)**	**(6,344)**	**(1,548)**	**(18,804)**
Amortization of deferred leasing costs and intangibles	**(3,826)**	**(4,579)**	**(495)**	**(8,900)**
Segment income	**$ 29,073**	**$ 16,701**	**$ 2,315**	**48,089**
Interest expense				**(31,671)**
General and administrative expenses				**(3,302)**
Interest and fee income, net				**1,595**
Gain on disposal of revenue property				**166**
Income taxes				**1,921**
Income before discontinued operations				**$ 16,798**
Segment rental properties	**$ 596,434**	**$ 396,774**	**$ 69,754**	**$1,062,962**
Capital expenditures				
Investment in rental properties	**$ (535)**	**$ (3,696)**	**$ (1,520)**	**$ (5,751)**
Acquisition of rental properties	**(71,519)**	**(82,471)**	**–**	**(153,990)**
Deferred leasing costs	**(4,712)**	**(2,525)**	**(1,886)**	**(9,123)**
Total capital expenditures	**$ (76,766)**	**$ (88,692)**	**$ (3,406)**	**$ (168,864)**

Division of DRC For the Six Months Ended June 30, 2003	Office	Industrial	Retail	Total
Operations				
Revenues	$ 43,254	$ 19,416	$ 7,297	$ 69,967
Operating expenses	(23,997)	(8,189)	(3,948)	(36,134)
Net operating income	19,257	11,227	3,349	33,833
Depreciation of rental properties	(2,442)	(1,238)	(472)	(4,152)
Amortization of deferred leasing costs	(1,562)	(777)	(203)	(2,542)
Segment income	$ 15,253	$ 9,212	$ 2,674	27,139
Interest expense				(16,748)
General and administrative expenses				(3,339)
Interest and fee income, net				656
Income taxes				(3,562)
Income before discontinued operations				$ 4,146
Capital expenditures				
Investment in rental properties	$ (2,086)	$ (1,688)	$ (535)	$ (4,309)
Acquisition of rental properties	–	(3)	(858)	(861)
Deferred leasing costs	(1,314)	(946)	(661)	(2,921)
Total capital expenditures	$ (3,400)	$ (2,637)	$ (2,054)	$ (8,091)

B. By Country

Dundee REIT **For the Three Months Ended September 30, 2004**	**Canada**	**U.S.**	**Total**
Operations			
Revenues	**$ 45,624**	**$ 2,448**	**$ 48,072**
Operating expenses	**(19,583)**	**(1,445)**	**(21,028)**
Net operating income	**26,041**	**1,003**	**27,044**
Depreciation of rental properties	**(6,183)**	**(422)**	**(6,605)**
Amortization of deferred leasing costs and intangibles	**(3,702)**	**(62)**	**(3,764)**
Segment income	**$ 16,156**	**$ 519**	**$ 16,675**
Segment rental properties	**$ 1,006,812**	**$ 56,150**	**$ 1,062,962**
Capital expenditures			
Investment in rental properties	**$ (1,011)**	**$ (89)**	**$ (1,100)**
Acquisition of rental properties	**(60)**	**–**	**(60)**
Deferred leasing costs	**(4,846)**	**(22)**	**(4,868)**
Total capital expenditures	**$ (5,917)**	**$ (111)**	**$ (6,028)**

Dundee REIT For the Three Months Ended September 30, 2003	Canada	U.S.	Total
Operations			
Revenues	$ 32,506	$ 2,480	$ 34,986
Operating expenses	(14,818)	(1,347)	(16,165)
Net operating income	17,688	1,133	18,821
Depreciation of rental properties	(1,924)	(187)	(2,111)
Amortization of deferred leasing costs	(1,212)	(55)	(1,267)
Segment income	$ 14,552	$ 891	$ 15,443
Capital expenditures			
Investment in rental properties	$ (1,063)	$ (290)	$ (1,353)
Deferred leasing costs	(1,551)	–	(1,551)
Total capital expenditures	$ (2,614)	$ (290)	$ (2,904)

Dundee REIT For the Nine Months Ended September 30, 2004	Canada	U.S.	Total
Operations			
Revenues	$ 129,823	$ 7,531	$ 137,354
Operating expenses	(57,346)	(4,215)	(61,561)
Net operating income	72,477	3,316	75,793
Depreciation of rental properties	(17,516)	(1,288)	(18,804)
Amortization of deferred leasing costs and intangibles	(8,677)	(223)	(8,900)
Segment income	$ 46,284	$ 1,805	$ 48,089
Segment rental properties	$ 1,006,812	$ 56,150	$ 1,062,962
Capital expenditures			
Investment in rental properties	$ (4,250)	$ (1,501)	$ (5,751)
Acquisition of rental properties	(153,990)	–	(153,990)
Deferred leasing costs	(9,029)	(94)	(9,123)
Total capital expenditures	$ (167,269)	$ (1,595)	$ (168,864)

Division of DRC For the Six Months Ended June 30, 2003	Canada	U.S.	Total
Operations			
Revenues	$ 64,542	$ 5,425	$ 69,967
Operating expenses	(33,122)	(3,012)	(36,134)
Net operating income	31,420	2,413	33,833
Depreciation of rental properties	(3,773)	(379)	(4,152)
Amortization of deferred leasing costs	(2,437)	(105)	(2,542)
Segment income	$ 25,210	$ 1,929	$ 27,139
Capital expenditures			
Investment in rental properties	$ (3,987)	$ (322)	$ (4,309)
Acquisition of rental property	(861)	–	(861)
Deferred leasing costs	(2,751)	(170)	(2,921)
Total capital expenditures	$ (7,599)	$ (492)	$ (8,091)

17. Related Party Transactions and Arrangements

From time to time Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Prior to June 30, 2003, transactions entered into by the Division were not significant to these financial statements.

Effective June 30, 2003, Dundee REIT, Dundee Properties Limited Partnerships ("DPLP") and Dundee Management Limited Partnership ("DMLP") entered into a property management agreement and an administrative services agreement (the "Management Agreement" and the "Services Agreement"). Effective June 30, 2003, DMLP and DRC entered into an administrative services agreement (the "DRC Services Agreement").

The portion of fees received from or paid to related parties under the arrangements were as follows:

Fees Received	For the Three Months ended September 30, 2004	For the Three Months ended September 30, 2003	For the Nine Months ended September 30, 2004
Rent supplement received by Dundee REIT under the Management Agreement (included in rental properties revenue)	$ 814	$ 1,098	$ 2,690
Fees and rental income received by Dundee REIT under the DRC Services Agreement	$ 113	$ 113	$ 338
Fees Paid			
Fees paid by Dundee REIT under the Management Agreement			
Management fees, included in rental properties' operating expenses	$ 769	$ 664	$ 2,287
Construction fees, capitalized to the related assets	$ 111	$ 158	$ 290
Lease administration fees, included in deferred leasing costs	$ 328	$ 97	$ 697
Fees paid by Dundee REIT under the Services Agreement			
Acquisition and financing fees, capitalized to the related assets	$ 72	$ 107	$ 373

Included in amounts receivable at September 30, 2004 is $43 (December 31, 2003 – $177) relating to the above agreements.

Included in accrued liabilities and other payables at September 30, 2004 is $206 (December 31, 2003 – $444) relating to the above agreements.

Substantially all of Dundee REIT's services are to be provided by DMLP and, accordingly, Dundee REIT relies on DMLP to continue to provide such services.

18. Held for Sale and Discontinued Operations

On June 30, 2004, the Trust disposed of its interest in 6500 Kitimat Road in Mississauga, Ontario for gross proceeds after selling costs of $4,941 of which $1,905 was used to retire outstanding debt. A gain of $2,397 was recognized on the disposition.

The Trust has entered into an agreement to sell Northgate Mall in Regina, Saskatchewan for proceeds of approximately $44,800. A portion of the proceeds will be used to retire approximately $35,000 of debt. An impairment provision of $19,729 was recorded in the period ended June 30, 2004 to reflect the expected loss on disposition. The sale is expected to close in the fourth quarter.

On July 22, 2004 the Trust disposed of its interest in 2000 Rue Halpern, a single tenant industrial building in Montréal, for $3,400. The proceeds were used to retire $2,530 of debt and a gain of $453 was recognized on the disposition.

The operating results of these properties for 2003 and 2004 have been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475.

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2004	2003	**2004**	2003	
	Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
				July 1 to September 30	January 1 to June 30
Revenues	**$ 1,956**	$ 2,180	**$ 6,095**	$ 2,180	$ 4,573
Expenses	**(969)**	(1,048)	**(2,888)**	(1,048)	(2,359)
Net operating income	**987**	1,132	**3,207**	1,132	2,214
Interest	**(397)**	(746)	**(1,636)**	(746)	(1,527)
Depreciation of rental properties	**–**	(155)	**(775)**	(155)	(287)
Amortization of deferred leasing costs	**–**	(125)	**(261)**	(125)	(355)
Current income and large corporations taxes	**–**	–	**–**	–	(78)
Income (loss) from discontinued operations	**590**	106	**535**	106	(33)
Provision for impairment in value of rental property	**–**	–	**(19,729)**	–	–
Gain on sale of rental property	**443**	–	**2,850**	–	–
Net income (loss) from discontinued operations	**$ 1,033**	$ 106	**$ (16,344)**	$ 106	$ (33)

The following are the assets and liabilities of the property held for sale at September 30, 2004:

	September 30, 2004
Assets	
Rental properties	**$ 38,630**
Deferred costs	**5,119**
Prepaid expenses and other assets	**(17)**
	$ 43,732
Liabilities	
Debt	**$ 34,764**
Amounts payable and accrued liabilities	**408**
	$ 35,172

19. Commitments and Contingencies

Dundee REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the financial statements of Dundee REIT.

Purchase Obligation

Through the acquisition of the 13-building portfolio in Montréal, the Trust has acquired leases that provide, in certain circumstances, for some tenants to require the Trust to expand their existing premises through building construction on certain adjacent lands. The terms of these leases include various provisions including renewal obligations of the tenants' existing premises and agreement on the terms of the new space. Furthermore, certain of the leases include provisions that would allow us to charge rates to recover a reasonable return on our investment. The Trust has negotiated purchase options with the owner of the lands to allow these obligations to be met. In addition, three buildings in the portfolio have leases that allow the tenant, subject to various conditions, to purchase the building they occupy from the Trust. Proceeds from these sales will, at a minimum, be at or exceed our costs.

The Trust has entered into a co-ownership agreement that includes typical rights of the co-owners for dispute resolution and a one time put option exercisable by its co-owner. The put, if exercised, would require Dundee REIT to purchase the remaining 50% of the building, effective April 1, 2009, at the price paid by the Trust for its initial 50% interest in the property.

20. Supplementary Cash Flow Information

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2004	2003	**2004**	2003	
	Dundee REIT Consolidated	Dundee REIT Consolidated	**Dundee REIT Consolidated**	Dundee REIT Consolidated	Division of DRC Combined
				July 1 to September 30	January 1 to June 30
Decrease (increase) in accounts receivable	**$ 555**	$ (287)	**$ 3,258**	$ (287)	$ (282)
Decrease (increase) in deferred costs (other than leasing costs)	**(145)**	(988)	**(160)**	(988)	(1,917)
Decrease (increase) in prepaid expenses and other assets (excluding restricted cash and mezzanine loan)	**307**	(2,338)	**64**	(2,338)	(2,582)
Increase (decrease) in accounts payable and accrued liabilities	**929**	4,889	**3,507**	4,889	4,315
Change in non-cash working capital	**$ 1,646**	$ 1,276	**$ 6,669**	$ 1,276	$ (466)

21. Comparative Figures

The comparative figures have been reclassified to conform to the current period's financial statement presentation.

22. Subsequent Event

Effective November 1, 2004, the Trust has agreed to sell its 25% interest in 2301 and 2311 Royal Windsor Drive, two industrial buildings totalling 204,136 square feet located in Toronto. The Trust will receive its share of the proceeds of approximately $2,300, which will be used to retire outstanding debt related to the properties.