

# Consolidated Financial Statements

## Consolidated Balance Sheets

(unaudited)  
(in thousands of dollars)

	Note	September 30, 2005	December 31, 2004
<b>Assets</b>			
Rental properties	4	\$ 1,282,168	\$ 1,057,231
Deferred costs	5	62,374	50,346
Amounts receivable	6	10,470	9,276
Prepaid expenses and other assets	7	26,083	32,927
Cash and cash equivalents		5,958	17,331
Intangible assets	8	53,502	30,297
Discontinued operations' assets	17	79	2,384
		<b>\$ 1,440,634</b>	<b>\$ 1,199,792</b>
<b>Liabilities</b>			
Debt	9	\$ 936,236	\$ 693,155
Amounts payable and accrued liabilities	10	31,084	24,628
Distributions payable	11	4,761	4,597
Future income tax liability		5,818	5,359
Intangible liabilities	8	6,094	3,239
Discontinued operations' liabilities	17	79	2,013
		<b>984,072</b>	<b>732,991</b>
<b>Non-controlling interest</b>	12	<b>147,449</b>	<b>148,256</b>
<b>Unitholders' equity</b>	12	<b>309,113</b>	<b>318,545</b>
		<b>\$ 1,440,634</b>	<b>\$ 1,199,792</b>

See accompanying notes to the consolidated financial statements

## Consolidated Statements of Net Income

(unaudited) (in thousands of dollars, except per unit amounts)	Note	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2005	2004	2005	2004
			<i>(Restated, see Note 12)</i>		<i>(Restated, see Note 12)</i>
<b>Rental properties</b>					
Revenues		<b>\$ 58,030</b>	\$ 47,983	<b>\$ 162,201</b>	\$ 137,082
Operating expenses		<b>25,565</b>	20,999	<b>73,067</b>	61,476
<b>Net operating income</b>		<b>32,465</b>	26,984	<b>89,134</b>	75,606
<b>Other expenses</b>					
Interest	13	<b>14,449</b>	11,739	<b>39,468</b>	31,604
Depreciation of rental properties		<b>8,053</b>	6,592	<b>21,626</b>	18,766
Amortization of deferred leasing costs and intangibles		<b>5,765</b>	3,761	<b>14,067</b>	8,891
General and administrative		<b>1,362</b>	1,145	<b>3,768</b>	3,302
		<b>29,629</b>	23,237	<b>78,929</b>	62,563
<b>Other income</b>					
Interest and fee income, net		<b>411</b>	583	<b>1,748</b>	1,595
<b>Income before gain on disposal of rental property and dilution gain</b>		<b>3,247</b>	4,330	<b>11,953</b>	14,638
Gain on disposal of rental property		-	-	-	166
Dilution gain	12	<b>269</b>	365	<b>1,594</b>	1,183
<b>Income before income and large corporations taxes</b>		<b>3,516</b>	4,695	<b>13,547</b>	15,987
<b>Income taxes</b>					
Current income and large corporations taxes		<b>44</b>	29	<b>132</b>	67
Future income taxes		<b>259</b>	(1,946)	<b>634</b>	(1,988)
		<b>303</b>	(1,917)	<b>766</b>	(1,921)
<b>Income before non-controlling interest and discontinued operations</b>		<b>3,213</b>	6,612	<b>12,781</b>	17,908
<b>Income attributable to non-controlling interest</b>		<b>987</b>	1,961	<b>3,692</b>	5,367
<b>Income before discontinued operations</b>		<b>2,226</b>	4,651	<b>9,089</b>	12,541
<b>Discontinued operations</b>	17	<b>(3)</b>	724	<b>235</b>	(11,215)
<b>Net income</b>		<b>\$ 2,223</b>	\$ 5,375	<b>\$ 9,324</b>	\$ 1,326
<b>Basic income (loss) per unit</b>					
Continuing operations	14	<b>\$ 0.13</b>	\$ 0.28	<b>\$ 0.54</b>	\$ 0.79
Discontinued operations		-	0.04	<b>0.01</b>	(0.71)
<b>Net income</b>		<b>\$ 0.13</b>	\$ 0.32	<b>\$ 0.55</b>	\$ 0.08
<b>Diluted income (loss) per unit</b>					
Continuing operations	14	<b>\$ 0.12</b>	\$ 0.26	<b>\$ 0.45</b>	\$ 0.72
Discontinued operations		-	0.04	<b>0.01</b>	(0.70)
<b>Net income</b>		<b>\$ 0.12</b>	\$ 0.30	<b>\$ 0.46</b>	\$ 0.02

See accompanying notes to the consolidated financial statements

## Consolidated Statements of Unitholders' Equity

(unaudited) (in thousands of dollars)	Note	Number of Units	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Cumulative Foreign Currency Translation Adjustment	Total
<b>Unitholders' equity, January 1, 2005</b>		16,819,963	\$ 357,585	\$ 11,535	\$ (47,449)	\$ (3,126)	\$ 318,545
Net income		-	-	9,324	-	-	9,324
Distributions paid		-	-	-	(24,907)	-	(24,907)
Distributions payable		-	-	-	(3,174)	-	(3,174)
Distribution Reinvestment Plan	12	279,185	7,379	-	-	-	7,379
Unit Purchase Plan	12	7,831	210	-	-	-	210
Conversion of 6.5% convertible debenture to equity	12	81,040	2,026	-	-	-	2,026
Redemption of units		(100)	(2)	-	-	-	(2)
Deferred Unit Incentive Plan	12	16,764	587	-	-	-	587
Issue costs		-	(257)	-	-	-	(257)
Equity component of convertible debenture	9	-	1,200	-	-	-	1,200
Change in foreign currency translation adjustment		-	-	-	-	(1,818)	(1,818)
<b>Unitholders' equity, September 30, 2005</b>		<b>17,204,683</b>	<b>\$ 368,728</b>	<b>\$ 20,859</b>	<b>\$ (75,530)</b>	<b>\$ (4,944)</b>	<b>\$ 309,113</b>

(unaudited) (in thousands of dollars)	Note	Number of Units	Cumulative Capital	Cumulative Net Income	Cumulative Distributions	Cumulative Foreign Currency Translation Adjustment	Total
							<i>(Restated, see Note 12)</i>
<b>Unitholders' equity, January 1, 2004</b>		12,094,217	\$ 247,147	\$ 7,182	\$ (11,370)	\$ (1,878)	\$ 241,081
Net income		-	-	1,326	-	-	1,326
Distributions paid		-	-	-	(23,735)	-	(23,735)
Distributions payable		-	-	-	(3,081)	-	(3,081)
Public offering of units		4,537,000	110,022	-	-	-	110,022
Distribution Reinvestment Plan		136,569	3,252	-	-	-	3,252
Unit Purchase Plan		5,910	141	-	-	-	141
Redemption of units		(1,479)	(30)	-	-	-	(30)
Deferred Unit Incentive Plan		4,712	318	-	-	-	318
Issue costs		-	(5,400)	-	-	-	(5,400)
Equity component of convertible debenture	9	-	600	-	-	-	600
Change in foreign currency translation adjustment		-	-	-	-	(369)	(369)
<b>Unitholders' equity, September 30, 2004</b>		<b>16,776,929</b>	<b>\$ 356,050</b>	<b>\$ 8,508</b>	<b>\$ (38,186)</b>	<b>\$ (2,247)</b>	<b>\$ 324,125</b>

See accompanying notes to the consolidated financial statements

## Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	Note	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2005	2004	2005	2004
			<i>(Restated, see Note 12)</i>		<i>(Restated, see Note 12)</i>
<b>Generated from (utilized in) operating activities</b>					
Net income		<b>\$ 2,223</b>	\$ 5,375	<b>\$ 9,324</b>	\$ 1,326
Non-cash items:					
Depreciation of rental properties		<b>8,053</b>	6,605	<b>21,626</b>	19,579
Amortization of deferred leasing costs and intangibles		<b>5,765</b>	3,764	<b>14,067</b>	9,161
Amortization of deferred financing costs		<b>440</b>	325	<b>1,137</b>	721
Amortization of marked-to-market adjustment on acquired debt		<b>(426)</b>	(315)	<b>(1,595)</b>	(1,123)
Provision for impairment in value of rental property		-	-	-	19,729
Gain on disposal of rental properties		-	(442)	<b>(217)</b>	(3,016)
Deferred unit compensation expense	12	<b>240</b>	106	<b>587</b>	318
Future income taxes		<b>259</b>	(1,946)	<b>634</b>	(1,988)
Amortization of market rent adjustments on acquired leases		<b>(109)</b>	(83)	<b>(250)</b>	(75)
Straight-line rent adjustment		<b>(904)</b>	(1,140)	<b>(2,849)</b>	(3,375)
Dilution gain		<b>(269)</b>	(365)	<b>(1,594)</b>	(1,183)
Non-controlling interest		<b>986</b>	2,292	<b>3,804</b>	311
		<b>16,258</b>	14,176	<b>44,674</b>	40,385
Deferred leasing costs incurred		<b>(2,366)</b>	(6,315)	<b>(7,703)</b>	(10,980)
Change in non-cash working capital	19	<b>306</b>	2,744	<b>6,292</b>	7,562
		<b>14,198</b>	10,605	<b>43,263</b>	36,967
<b>Generated from (utilized in) investing activities</b>					
Investment in rental properties		<b>(1,719)</b>	(1,100)	<b>(4,124)</b>	(5,751)
Acquisition of rental properties	3	<b>(50,092)</b>	(60)	<b>(220,503)</b>	(153,990)
Acquisition deposit on rental properties		<b>500</b>	-	<b>(175)</b>	-
Investment in mezzanine loan	7	-	-	<b>(750)</b>	(10,476)
Net proceeds from disposal of rental properties		-	742	<b>2,254</b>	5,772
Change in restricted cash, net		<b>1,136</b>	84	<b>9,589</b>	(637)
		<b>(50,175)</b>	(334)	<b>(213,709)</b>	(165,082)
<b>Generated from (utilized in) financing activities</b>					
Mortgages placed		<b>69,750</b>	-	<b>126,800</b>	71,912
Mortgage principal repayments		<b>(4,607)</b>	(3,658)	<b>(12,753)</b>	(11,286)
Mortgage lump sum repayments		-	-	<b>(39,698)</b>	(49,802)
Term debt placed		-	-	-	60,553
Term debt principal repayments		<b>(141)</b>	(202)	<b>(380)</b>	(679)
Term debt lump sum repayments		-	-	<b>(2,075)</b>	(79,994)
Convertible debentures issued, net of costs		<b>(216)</b>	(517)	<b>95,452</b>	71,432
Demand revolving credit facility, net		<b>(20,662)</b>	-	<b>21,577</b>	(7,026)
Demand non-revolving credit facility		-	-	<b>(6,107)</b>	-
Distributions paid on REIT Units, Series A	11	<b>(7,400)</b>	(8,242)	<b>(23,791)</b>	(22,710)
Units issued net of costs		<b>46</b>	47	<b>48</b>	103,382
		<b>36,770</b>	(12,572)	<b>159,073</b>	135,782
<b>Increase (decrease) in cash and cash equivalents</b>		<b>793</b>	(2,301)	<b>(11,373)</b>	7,667
<b>Cash and cash equivalents, beginning of period</b>		<b>5,165</b>	13,944	<b>17,331</b>	3,976
<b>Cash and cash equivalents, end of period</b>		<b>\$ 5,958</b>	\$ 11,643	<b>\$ 5,958</b>	\$ 11,643

See accompanying notes to the consolidated financial statements

# Notes to the Consolidated Financial Statements

(unaudited)  
(All dollar amounts in thousands, except unit or per unit amounts)

## 1. Organization

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

At our annual and special meeting held on May 5, 2005, unitholders approved an amendment to our Declaration of Trust authorizing the REIT Units, Series B to be convertible at any time at the option of the holder into REIT Units, Series A on a one-for-one basis. Previously, the Trust was obligated to list the REIT Units, Series B separately on the Toronto Stock Exchange.

The consolidated financial statements of Dundee REIT include the accounts of Dundee REIT and its subsidiaries, together with Dundee REIT’s proportionate share of the assets and liabilities, and revenues and expenses of joint ventures in which it participates. Included in these accounts are the assets and liabilities acquired by Dundee Properties Limited Partnership (“DPLP”) from Dundee Realty Corporation (“DRC”) on June 30, 2003 comprising:

- a portfolio of office, industrial and retail rental properties together with their related assets and liabilities; and
- a 50% interest in Dundee Management Limited Partnership (“DMLP”), a joint venture with DRC comprising property management operations relating to revenue properties.

These financial statements present the financial position of Dundee REIT at September 30, 2005 and December 31, 2004 and the results of its operations and cash flows for the three and nine months ended September 30, 2005 and September 30, 2004.

## 2. Summary of Significant Accounting Policies

The disclosure requirements for interim financial statements do not conform in all material 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 year ended December 31, 2004. 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, 2004 financial statements except as discussed below.

### Variable Interest Entities

On January 1, 2005, the Trust prospectively adopted the requirements of CICA Accounting Guideline 15, Consolidation of Variable Interest Entities (“AcG-15”), which provides guidance for applying the principles in Section 1590, Subsidiaries, to those entities defined as Variable Interest Entities (“VIEs”). This standard considers a VIE to be an entity in which either the equity at risk is not sufficient to permit it to finance its activities without additional subordinated financial support from other parties, or equity investors lack either voting control, an obligation to absorb expected losses, or the right to receive expected residual returns. AcG-15 requires consolidation of VIEs by the Primary Beneficiary. The Primary Beneficiary is defined as the party who has exposure to the majority of a VIE’s expected losses and/or expected residual returns. As at September 30, 2005, the Trust did not have any interest in VIEs.

### 3. Property Acquisitions

The Trust completed the following acquisitions during the nine-month periods ended September 30, 2005 and 2004, which contributed to operating results effective from the acquisition date:

Nine months ended September 30, 2005	Property Type	Interest Acquired	Acquired GLA (sq. ft.)	Occupancy on Acquisition	Purchase Price	Fair Value of Mortgage Assumed	Date Acquired
2599 Speakman Drive, Mississauga	office	100%	114,000	100%	\$ 9,631	\$ 4,655	January 13, 2005
1219 Corporate Drive, Burlington	industrial	100%	103,000	100%	6,640	–	January 31, 2005
204 King Street East, Toronto	office	100%	135,000	100%	20,475	–	February 25, 2005
2580 Avenue Dollard, Montréal	industrial	100%	90,000	100%	4,704	2,600	March 2, 2005
Epcor Centre, Edmonton	office	10% <sup>(1)</sup>	19,000	100%	1,334	–	March 4, 2005
2465 St. Laurent Blvd., Ottawa	office	100%	62,000	100%	8,612	3,222	March 8, 2005
56 Wellesley Street West, Toronto	office	50% <sup>(1)</sup>	108,000	100%	14,150	4,364	April 1, 2005
120 Valleywood Drive, Markham	industrial	50% <sup>(1)</sup>	30,000	100%	1,670	828	April 1, 2005
2280 boul. Alfred-Nobel, Montréal	under development	100%	86,000	–	5,485	–	April 8, 2005
1000 boul. Saint-Jean, Montréal	office	100%	112,000	98%	16,133	6,762	April 14, 2005
22000 Trans-Canada Hwy. and 115 boul. Hymus, Montréal	industrial	100%	371,000	100%	24,548	–	April 18, 2005
1415-1511 rue Berlier, Laval	industrial	100%	64,000	100%	4,442	–	May 5, 2005
375-425 Britannia Road, Mississauga	industrial	100%	121,000	99%	10,485	3,269	May 30, 2005
Joffre Place, Calgary	office	100%	111,000	96%	18,310	9,680	June 2, 2005
975 boul. Saint-Joseph, Gatineau	office	100%	194,000	99%	25,945	14,483	June 17, 2005
400-480 boul. Armand Frappier, Laval	office	100%	198,000	94%	35,513	–	June 20, 2005
2285 Speakman Drive, Mississauga	office	100%	131,000	100%	13,161	–	June 27, 2005
199 Traders Blvd. East, Mississauga	industrial	100%	77,000	100%	7,246	–	August 9, 2005
Scotia Centre, St. John's	office	100%	190,000	100%	33,370	–	August 18, 2005
9975-9995 boul. de Catania, Brossard	industrial	100%	124,000	95%	15,989	7,616	August 30, 2005
1523-1531 rue Berlier, Laval	industrial	100%	6,000	100%	540	–	August 30, 2005
3913-3917 81st Avenue, Leduc	under development	100%	–	–	718	–	September 23, 2005
<b>Total</b>			<b>2,446,000</b>		<b>\$ 279,101</b>	<b>\$ 57,479</b>	

  

Nine months ended September 30, 2004	Property Type	Interest Acquired	Acquired GLA (sq. ft.)	Occupancy on Acquisition	Purchase Price	Fair Value of Mortgage Assumed	Date Acquired
Pauls Portfolio, Toronto and Calgary	office, flex industrial	100%	1,598,000	98%	\$ 169,515	\$ 80,041	February 19, 2004
222-230 Queen Street, Ottawa	office	16.4% <sup>(1)</sup>	34,000	100%	6,041	2,225	January 1, 2004/ March 1, 2004
720 Bay Street, Toronto	office	50%	124,000	100%	26,043	20,600	May 5, 2004
Geo-X Building, Calgary	flex industrial	100%	36,000	100%	6,565	–	May 12, 2004
Montréal Portfolio, Montréal	office	100%	323,000	100%	64,529	–	June 21, 2004
<b>Total</b>			<b>2,115,000</b>		<b>\$ 272,693</b>	<b>\$ 102,866</b>	

(1) As a result of this acquisition, the Trust now owns 100% of this property

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

	For the Nine Months Ended September 30	
	2005	2004
Rental properties		
Land	\$ 30,975	\$ 48,816
Buildings	206,214	183,136
Under development	6,203	–
	<b>243,392</b>	231,952
Deferred leasing costs		
Deferred leasing costs acquired	9,556	8,965
Tenant loan receivables	177	–
Intangible assets		
Value of in-place leases	14,128	13,255
Lease origination costs	3,014	4,399
Value of above market rent leases	1,412	3,438
Value of tenant relationships	11,057	14,277
	<b>282,736</b>	276,286
Intangible liabilities		
Value of below market rent leases	(3,635)	(3,279)
Accounts payable and accrued liabilities	–	(314)
<b>Total purchase price</b>	<b>\$ 279,101</b>	\$ 272,693
The consideration paid consists of:		
Cash		
Paid in period	\$ 220,503	\$ 153,990
Deposit	450	14,300
	<b>220,953</b>	168,290
Assumed mortgages at fair value	57,479	102,866
Assumed accounts payable and accrued liabilities	669	1,537
<b>Total consideration</b>	<b>\$ 279,101</b>	\$ 272,693

The allocations of the purchase prices to fair values of assets acquired and liabilities assumed for property acquisitions completed during the nine months ended September 30, 2005 have not been finalized and will be subject to adjustment.

## 4. Rental Properties

	September 30, 2005			December 31, 2004		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 226,546	\$ –	\$ 226,546	\$ 195,693	\$ –	\$ 195,693
Buildings and improvements	1,125,526	(77,218)	1,048,308	916,737	(56,279)	860,458
Equipment	2,932	(2,213)	719	5,264	(4,184)	1,080
Rental properties under development	6,595	–	6,595	–	–	–
<b>Total</b>	<b>\$ 1,361,599</b>	<b>\$ (79,431)</b>	<b>\$ 1,282,168</b>	<b>\$ 1,117,694</b>	<b>\$ (60,463)</b>	<b>\$ 1,057,231</b>

## 5. Deferred Costs

	September 30, 2005			December 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Deferred leasing costs	\$ 67,057	\$ (22,954)	\$ 44,103	\$ 52,032	\$ (16,835)	\$ 35,197
Deferred recoverable costs	13,615	(6,286)	7,329	13,513	(5,426)	8,087
Deferred financing costs	13,765	(3,601)	10,164	8,779	(2,575)	6,204
Other deferred costs	1,599	(821)	778	1,579	(721)	858
<b>Total</b>	<b>\$ 96,036</b>	<b>\$ (33,662)</b>	<b>\$ 62,374</b>	<b>\$ 75,903</b>	<b>\$ (25,557)</b>	<b>\$ 50,346</b>

Amortization of deferred recoverable costs included in operating expenses was \$1,463 (nine months ended September 30, 2004 – \$1,048).

## 6. Amounts Receivable

Amounts receivable are net of credit adjustments of \$5,220 (December 31, 2004 – \$2,627). Total U.S. dollar denominated amounts receivable relating to self-sustaining foreign operations are US\$350 (December 31, 2004 – US\$430). Amounts receivable include straight-line rents and deferred free rents receivable of \$9,261 (December 31, 2004 – \$6,248).

## 7. Prepaid Expenses and Other Assets

	September 30, 2005	December 31, 2004
Prepaid expenses	<b>\$ 6,652</b>	\$ 4,961
Mezzanine loan	<b>12,331</b>	11,052
Vendor loan	<b>3,450</b>	3,465
Deposits	<b>208</b>	458
Restricted cash	<b>3,442</b>	12,991
<b>Total</b>	<b>\$ 26,083</b>	\$ 32,927

The Trust has provided a mezzanine loan in the principal amount of \$11,226 to the Airport Corporate Centre West Joint Venture (“ACCW”) 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.

A vendor loan in the principal amount of \$3,465 formed a portion of the proceeds from the sale of Northgate Mall in December 2004. The loan bears interest at 5.96%, is payable monthly and is to be repaid by December 14, 2006.

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

The Trust has entered into a mortgage loan purchase agreement with a lender of the ACCW Joint Venture to purchase the loan along with all security for an amount equal to the loan outstanding plus accrued interest. The closing date is the earlier of delivery of a default notice by the lender and April 30, 2007. The loan balance at September 30, 2005 is \$14,201.

## 8. Intangibles

	September 30, 2005			December 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
<b>Intangible Assets</b>						
Value of above market rent leases	<b>\$ 4,738</b>	<b>\$ (1,006)</b>	<b>\$ 3,732</b>	\$ 3,358	\$ (508)	\$ 2,850
Value of in-place leases	<b>26,190</b>	<b>(4,830)</b>	<b>21,360</b>	13,060	(2,609)	10,451
Lease origination costs	<b>7,266</b>	<b>(1,296)</b>	<b>5,970</b>	4,312	(550)	3,762
Value of tenant relationships	<b>25,061</b>	<b>(2,621)</b>	<b>22,440</b>	14,348	(1,114)	13,234
<b>Total</b>	<b>\$ 63,255</b>	<b>\$ (9,753)</b>	<b>\$ 53,502</b>	\$ 35,078	\$ (4,781)	\$ 30,297

	September 30, 2005			December 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
<b>Intangible Liabilities</b>						
Value of below market rent leases	<b>\$ 7,424</b>	<b>\$ (1,330)</b>	<b>\$ 6,094</b>	\$ 3,877	\$ (638)	\$ 3,239

## 9. Debt

	September 30, 2005	December 31, 2004
Mortgages	<b>\$ 722,465</b>	\$ 591,304
Convertible debentures	<b>171,324</b>	74,430
Term debt	<b>20,870</b>	21,437
Demand revolving credit facility	<b>21,577</b>	–
Demand non-revolving credit facility	<b>–</b>	5,984
<b>Total</b>	<b>\$ 936,236</b>	\$ 693,155



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 April 1, 2005, the Trust issued \$100,000 principal amount convertible unsecured subordinated debentures (the "5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, and mature on March 31, 2015. Each 5.7% Debenture is convertible at any time by the debenture holder into 33.33 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of \$30.00 per unit. The 5.7% Debentures may not be redeemed prior to March 31, 2009. On or after March 31, 2009, but prior to March 31, 2011, the 5.7% Debentures may be redeemed by the Trust in whole or in part at a price equal to the principal amount plus accrued and unpaid interest, provided that the market price for the Trust's units is not less than \$37.50. On or after March 31, 2011, the 5.7% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. In accordance with Section 3860 of the CICA Handbook, the 5.7% Debentures were initially recorded on the balance sheet as debt of \$98,800 and equity of \$1,200. Issue costs of \$4,707 and the discount related to the offering are amortized to interest expense over ten years.

On June 21, 2004, the Trust issued \$75,000 principal amount convertible unsecured subordinated debentures (the "6.5% Debentures"). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually on June 30 and December 31 each year, and mature on June 30, 2014. Each 6.5% Debenture is convertible at any time by the debenture holder into 40 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of \$25.00 per unit. The 6.5% Debentures may not be redeemed prior to June 30, 2008. On or after June 30, 2008, but prior to June 30, 2010, the 6.5% Debentures may be redeemed by the Trust in whole or in part at a price equal to the principal amount plus accrued and unpaid interest, provided that the market price for the Trust's units is not less than \$31.25. On or after June 30, 2010, the 6.5% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. In accordance with Section 3860 of the CICA Handbook, the 6.5% Debentures were initially recorded on the balance sheet as debt of \$74,400 and equity of \$600. Issue costs of \$3,568 and the discount 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 \$80,000, bearing interest generally at the bank prime rate (4.50% as at September 30, 2005) plus 0.75% or bankers' acceptance rates. The facility is secured by a first ranking collateral mortgage on nine of the Trust's properties and a second ranking collateral mortgage on two properties. As at September 30, 2005, the maximum amount available under this facility was \$78,933, of which \$208 was utilized in the form of letters of guarantee (December 31, 2004 – \$2,076) and \$21,577 was utilized to fund acquisitions and operations (December 31, 2004 – \$nil). As at September 30, 2005, the amount still available under this facility was \$56,033. An additional operating facility of \$20,000 was also available for a three month period ending September 15, 2005. This facility was not utilized during the quarter. The demand non-revolving credit facility, a U.S. dollar term loan credit facility, was discharged on May 6, 2005.

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

	Weighted Average Interest Rates as at		Maturity Dates	Debt Amount	
	September 30, 2005	December 31, 2004		September 30, 2005	December 31, 2004
<b>Fixed rate</b>					
Mortgages	<b>6.22%</b>	6.70%	<b>2005 – 2015</b>	<b>\$ 722,465</b>	\$ 591,304
Term debt	<b>6.66%</b>	6.59%	<b>2006 – 2008</b>	<b>310</b>	432
Convertible debenture	<b>6.19%</b>	6.63%	<b>2014 – 2015</b>	<b>171,324</b>	74,430
Total fixed rate	<b>6.22%</b>	6.69%		<b>894,099</b>	666,166
<b>Variable rate</b>					
Term debt	<b>5.11%</b>	4.74%	<b>2007</b>	<b>20,560</b>	21,005
Demand revolving credit facility	<b>5.25%</b>	–	<b>2005</b>	<b>21,577</b>	–
Demand non-revolving credit facility	–	6.00%	–	–	5,984
Total variable rate	<b>5.18%</b>	5.02%		<b>42,137</b>	26,989
<b>Total debt</b>	<b>6.17%</b>	6.62%		<b>\$ 936,236</b>	\$ 693,155

The variable rate term debt outstanding at September 30, 2005 bears interest generally at the rate of one month bankers' acceptance plus 2.4% (December 31, 2004 – plus 2.15%). At September 30, 2005, the rate of one month bankers' acceptance was 2.71% (December 31, 2004 – 2.59%).

The scheduled principal repayments and debt maturities are as follows:

Years Ending December 31,	Mortgages	Term Debt	Convertible Debentures	Demand Revolving Credit Facility	Total
2005	\$ 11,918	\$ 93	\$ –	\$ 21,577	\$ 33,588
2006	66,211	430	–	–	66,641
2007	30,776	20,286	–	–	51,062
2008	108,282	61	–	–	108,343
2009	130,402	–	–	–	130,402
2010 and thereafter	374,876	–	171,324	–	546,200
<b>Total</b>	<b>\$ 722,465</b>	<b>\$ 20,870</b>	<b>\$ 171,324</b>	<b>\$ 21,577</b>	<b>\$ 936,236</b>

Mortgages include an \$8,152 marked-to-market adjustment (December 31, 2004 – \$7,190) to reflect the fair value of mortgages at the time the mortgaged property was acquired. The 6.5% and 5.7% Debentures are net of a \$1,651 premium allocated to their conversion features. The marked-to-market adjustment and discount are amortized to interest expense over the term to maturity of the related debt.

On May 2, 2005, the Trust repaid all of its U.S. dollar denominated mortgages. At December 31, 2004, US\$19,988 of debt secured by assets located in the United States was outstanding.

## 10. Amounts Payable and Accrued Liabilities

	September 30, 2005	December 31, 2004
Trade payables	\$ 2,889	\$ 1,094
Accrued liabilities and other payables	14,596	13,583
Accrued interest	5,108	3,183
Deposits	6,662	4,908
Rent received in advance	1,829	1,860
<b>Total</b>	<b>\$ 31,084</b>	<b>\$ 24,628</b>

Total U.S. dollar denominated amounts payable and accrued liabilities relating to self-sustaining foreign operations at September 30, 2005 are US\$641 (December 31, 2004 – US\$598).

## 11. Distributions

The following table sets out distributions for the nine months ended September 30, 2005.

	REIT Units, Series A	LP Class B Units, Series 1	Total
Paid in cash	\$ 23,791	\$ –	\$ 23,791
Paid by way of reinvestment in REIT units, Series A	4,205	3,174	7,379
Paid by way of reinvestment in LP Class B units, Series 1	–	10,791	10,791
Less: Payable at December 31, 2004	(3,089)	(1,508)	(4,597)
Plus: Payable at September 30, 2005	3,174	1,587	4,761
<b>Total</b>	<b>\$ 28,081</b>	<b>\$ 14,044</b>	<b>\$ 42,125</b>

The amount payable at September 30, 2005 was satisfied on October 15, 2005 by way of \$2,554 in cash and \$2,205 by way of 87,496 REIT Units, Series A. Included in the total distributions is the 4% bonus distribution in the amount of \$629 that forms part of the Distribution Reinvestment Plan. As of August 15, 2005, the holders of LP Class B Units, Series 1 elected to receive their distributions in the form of REIT Units, Series A.

## 12. Unitholders' Equity and Non-Controlling Interest

	September 30, 2005		December 31, 2004	
	Number of Units	Amount	Number of Units	Amount
REIT Units, Series A	<b>17,204,683</b>	<b>\$ 309,113</b>	16,819,963	\$ 318,545
LP Class B Units, Series 1	<b>8,337,365</b>	<b>147,449</b>	7,924,084	148,256
<b>Total</b>	<b>25,542,048</b>	<b>\$ 456,562</b>	24,744,047	\$ 466,801

### DPLP Units and Non-Controlling Interest

	LP Class B Units, Series 1		Cumulative Foreign Currency Translation Adjustment	Total
	Number of Units	Amount		
<b>Non-controlling interest, January 1, 2005</b>	7,924,084	\$ 149,728	\$ (1,472)	\$ 148,256
Income from continuing operations	–	3,692	–	3,692
Income from discontinued operations	–	112	–	112
Distributions paid	–	(12,457)	–	(12,457)
Distributions payable	–	(1,587)	–	(1,587)
Distribution Reinvestment Plan	413,281	10,791	–	10,791
Impact of dilution	–	(434)	–	(434)
Change in foreign currency translation adjustment	–	–	(924)	(924)
<b>Non-controlling interest, September 30, 2005</b>	<b>8,337,365</b>	<b>\$ 149,845</b>	<b>\$ (2,396)</b>	<b>\$ 147,449</b>

Emerging Issues Committee Abstract of Issues Discussed No.151, Exchangeable Securities Issued by Subsidiaries of Income Trusts (“EIC-151”) applies to all financial statements issued after January 19, 2005 and must be applied on a retroactive basis. As a result, the Trust has accounted for the investment of the net proceeds from equity offerings in DPLP using the purchase method. In addition, the issuance of LP Class B Units, Series 1 under the Distribution Reinvestment Plan has resulted in a dilution of the Trust’s ownership of DPLP. Adoption of EIC-151 had the effect as at and for the nine-month period ended September 30, 2004 of recognizing non-controlling interest in the balance sheet of \$143,981, recognizing a dilution gain of \$1,183, income attributable to non-controlling interest in continuing operations of \$5,367 net of a loss of \$5,056 from discontinued operations, with no other significant effect on the balance sheet and statement of net income.

### Distribution Reinvestment and Unit Purchase Plan (“DRIP”)

For the nine months ended September 30, 2005, 279,185 REIT Units, Series A and 413,281 LP Class B Units, Series 1 were issued under the DRIP for \$7,379 and \$10,791, respectively. As a result of full participation of the LP Class B Units, Series 1 in the DRIP, the Trust’s effective ownership in DPLP has been diluted. Accordingly, the Trust recognized a dilution gain of \$1,594 during the nine months ended September 30, 2005 (September 30, 2004 – \$1,183).

### Unit Purchase Plan

For the nine months ended September 30, 2005, 7,831 REIT Units, Series A were issued under the Unit Purchase Plan for \$210.

### Conversion of 6.5% Debenture

During the nine months ended September 30, 2005, the Trust issued 81,040 REIT Units, Series A upon conversion of \$2,026 principal amount of the 6.5% Debenture.

### Deferred Unit Incentive Plan

During the nine months ended September 30, 2005, \$587 of compensation expense was recorded (September 30, 2004 – \$318) and is included in general and administrative expenses.

	Weighted Average Grant Date Value	Deferred Trust Units	Income Deferred Trust Units	Total Units
Outstanding at January 1, 2005	<b>\$ 22.70</b>	<b>151,143</b>	<b>12,542</b>	<b>163,685</b>
Granted during the period	–	–	<b>10,464</b>	<b>10,464</b>
Cancelled	<b>21.35</b>	<b>(400)</b>	<b>(52)</b>	<b>(452)</b>
Issuance of REIT Units, Series A on vesting	<b>22.81</b>	<b>(14,656)</b>	<b>(2,108)</b>	<b>(16,764)</b>
Fractional units paid in cash	–	<b>(21)</b>	<b>(3)</b>	<b>(24)</b>
<b>Outstanding and payable at September 30, 2005</b>	<b>\$ 22.72</b>	<b>136,066</b>	<b>20,843</b>	<b>156,909</b>
<b>Vested and not issued at September 30, 2005</b>	<b>\$ 22.60</b>	<b>25,133</b>	<b>3,745</b>	<b>28,878</b>

### 13. 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	
	2005	2004	2005	2004
Interest expense incurred, at stated rate of debt	\$ 14,522	\$ 11,748	\$ 40,092	\$ 32,064
Amortization of deferred financing costs	440	306	1,137	663
Marked-to-market rate adjustment	(426)	(315)	(1,595)	(1,123)
Interest capitalized	(87)	–	(166)	–
<b>Interest expense</b>	<b>\$ 14,449</b>	<b>\$ 11,739</b>	<b>\$ 39,468</b>	<b>\$ 31,604</b>

Certain debt assumed on acquisitions completed 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 over the remaining life of the debt. Interest capitalized includes interest on general debt attributed to a recently acquired property considered to be under development.

### 14. Income per Unit

The weighted average number of units outstanding was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2005	2004	2005	2004
REIT Units, Series A	17,041,766	16,753,593	16,919,440	15,892,695
Vested Deferred Trust Units	17,761	–	15,378	–
Total weighted-average number of units outstanding for basic income (loss) per unit amounts	17,059,527	16,753,593	16,934,818	15,892,695
Add incremental units:				
LP Class B Units, Series 1	8,328,442	7,657,481	8,178,782	7,476,161
Deferred Trust Units	22,938	27,662	21,482	28,214
Income Deferred Trust Units	17,839	7,446	14,992	5,370
<b>Total weighted average number of units outstanding for diluted income (loss) per unit amounts</b>	<b>25,428,746</b>	<b>24,446,182</b>	<b>25,150,074</b>	<b>23,402,440</b>

A reconciliation of income before discontinued operations for basic and diluted per unit amount computations is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2005	2004	2005	2004
Income before discontinued operations for basic income per unit amounts	\$ 2,226	\$ 4,651	\$ 9,089	\$ 12,541
Add: Income attributable to non-controlling interest	987	1,961	3,692	5,367
Depreciation expense	62	–	164	–
Deduct: Dilution gain	(269)	(365)	(1,594)	(1,183)
<b>Income before discontinued operations for diluted per unit amounts</b>	<b>\$ 3,006</b>	<b>\$ 6,247</b>	<b>\$ 11,351</b>	<b>\$ 16,725</b>

The 5,217,592 incremental units of an assumed conversion of both debenture issues for the nine months ended September 30, 2005 (September 30, 2004 – 1,116,788) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

## 15. Segmented Information

The Trust's rental properties have been segmented into office, industrial and retail components. 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. Discontinued operations are not allocated to individuals segments. All inter-segment revenues have been eliminated from the financial statements and the following tables.

### A. By Activity

For the Three Months Ended September 30, 2005	Office	Industrial	Retail	Segment Total	Discontinued Operations	Total
<b>Operations</b>						
Revenues	\$ 37,449	\$ 17,779	\$ 2,800	\$ 58,028	\$ (2)	\$ 58,030
Operating expenses	(17,886)	(6,147)	(1,534)	(25,567)	(2)	(25,565)
Net operating income	19,563	11,632	1,266	32,461	(4)	32,465
Depreciation of rental properties	(4,912)	(2,653)	(488)	(8,053)	–	(8,053)
Amortization of deferred leasing costs and intangibles	(3,686)	(1,796)	(283)	(5,765)	–	(5,765)
<b>Segment income</b>	<b>\$ 10,965</b>	<b>\$ 7,183</b>	<b>\$ 495</b>	<b>\$ 18,643</b>	<b>\$ (4)</b>	<b>18,647</b>
Interest expense						(14,449)
General and administrative expenses						(1,362)
Interest and fee income, net						411
Dilution gain						269
Income taxes						(303)
Income attributable to non-controlling interest						(987)
Discontinued operations						(3)
<b>Net income</b>						<b>\$ 2,223</b>
<b>Segment rental properties</b>	<b>\$ 760,817</b>	<b>\$ 457,920</b>	<b>\$ 63,431</b>	<b>\$ 1,282,168</b>	<b>\$ –</b>	<b>\$ 1,282,168</b>
<b>Capital expenditures</b>						
Investment in rental properties	\$ (969)	\$ (502)	\$ (248)	\$ (1,719)		
Acquisition of rental properties	(33,184)	(16,908)	–	(50,092)		
Deferred leasing costs	(937)	(1,141)	(288)	(2,366)		
<b>Total capital expenditures</b>	<b>\$ (35,090)</b>	<b>\$ (18,551)</b>	<b>\$ (536)</b>	<b>\$ (54,177)</b>		

  

For the Three Months Ended September 30, 2004	Office	Industrial	Retail	Segment Total	Discontinued Operations	Total
<b>Operations</b>						
Revenues	\$ 29,690	\$ 15,268	\$ 5,070	\$ 50,028	\$ 2,045	\$ 47,983
Operating expenses	(14,023)	(5,233)	(2,741)	(21,997)	(998)	(20,999)
Net operating income	15,667	10,035	2,329	28,031	1,047	26,984
Depreciation of rental properties	(3,842)	(2,258)	(505)	(6,605)	(13)	(6,592)
Amortization of deferred leasing costs and intangibles	(1,712)	(1,837)	(215)	(3,764)	(3)	(3,761)
<b>Segment income</b>	<b>\$ 10,113</b>	<b>\$ 5,940</b>	<b>\$ 1,609</b>	<b>\$ 17,662</b>	<b>\$ 1,031</b>	<b>16,631</b>
Interest expense						(11,739)
General and administrative expenses						(1,145)
Interest and fee income, net						583
Dilution gain						365
Income taxes						1,917
Income attributable to non-controlling interest						(1,961)
Discontinued operations						724
<b>Net income</b>						<b>\$ 5,375</b>
<b>Segment rental properties</b>	<b>\$ 596,434</b>	<b>\$ 396,774</b>	<b>\$ 108,384</b>	<b>\$ 1,101,592</b>	<b>\$ (38,630)</b>	<b>\$ 1,062,962</b>
<b>Capital expenditures</b>						
Investment in rental properties	\$ (90)	\$ (909)	\$ (101)	\$ (1,100)		
Acquisition of rental properties	(44)	(16)	–	(60)		
Deferred leasing costs	(4,772)	(1,488)	(55)	(6,315)		
<b>Total capital expenditures</b>	<b>\$ (4,906)</b>	<b>\$ (2,413)</b>	<b>\$ (156)</b>	<b>\$ (7,475)</b>		

For the Nine Months Ended September 30, 2005	Office	Industrial	Retail	Segment Total	Discontinued Operations	Total
<b>Operations</b>						
Revenues	\$ 103,745	\$ 49,832	\$ 8,369	\$ 161,946	\$ (255)	\$ 162,201
Operating expenses	(50,742)	(17,585)	(4,350)	(72,677)	390	(73,067)
Net operating income	53,003	32,247	4,019	89,269	135	89,134
Depreciation of rental properties	(12,722)	(7,437)	(1,467)	(21,626)	–	(21,626)
Amortization of deferred leasing costs and intangibles	(8,395)	(4,985)	(687)	(14,067)	–	(14,067)
<b>Segment income</b>	<b>\$ 31,886</b>	<b>\$ 19,825</b>	<b>\$ 1,865</b>	<b>\$ 53,576</b>	<b>\$ 135</b>	<b>53,441</b>
Interest expense						(39,468)
General and administrative expenses						(3,768)
Interest and fee income, net						1,748
Dilution gain						1,594
Income taxes						(766)
Income attributable to non-controlling interest						(3,692)
Discontinued operations						235
<b>Net income</b>						<b>\$ 9,324</b>
<b>Capital expenditures</b>						
Investment in rental properties	\$ (1,993)	\$ (1,834)	\$ (297)	\$ (4,124)		
Acquisition of rental properties	(157,845)	(62,658)	–	(220,503)		
Deferred leasing costs	(4,015)	(3,169)	(519)	(7,703)		
<b>Total capital expenditures</b>	<b>\$ (163,853)</b>	<b>\$ (67,661)</b>	<b>\$ (816)</b>	<b>\$ (232,330)</b>		

For the Nine Months Ended September 30, 2004	Office	Industrial	Retail	Segment Total	Discontinued Operations	Total
<b>Operations</b>						
Revenues	\$ 85,187	\$ 42,910	\$ 15,352	\$ 143,449	\$ 6,367	\$ 137,082
Operating expenses	(41,376)	(14,991)	(8,082)	(64,449)	(2,973)	(61,476)
Net operating income	43,811	27,919	7,270	79,000	3,394	75,606
Depreciation of rental properties	(10,912)	(6,406)	(2,261)	(19,579)	(813)	(18,766)
Amortization of deferred leasing costs and intangibles	(3,826)	(4,579)	(756)	(9,161)	(270)	(8,891)
<b>Segment income</b>	<b>\$ 29,073</b>	<b>\$ 16,934</b>	<b>\$ 4,253</b>	<b>\$ 50,260</b>	<b>\$ 2,311</b>	<b>47,949</b>
Interest expense						(31,604)
General and administrative expenses						(3,302)
Interest and fee income, net						1,595
Gain on disposal of rental property						166
Dilution gain						1,183
Income taxes						1,921
Income attributable to non-controlling interest						(5,367)
Discontinued operations						(11,215)
<b>Net income</b>						<b>\$ 1,326</b>
<b>Capital expenditures</b>						
Investment in rental properties	\$ (535)	\$ (3,696)	\$ (1,520)	\$ (5,751)		
Acquisition of rental properties	(71,519)	(82,471)	–	(153,990)		
Deferred leasing costs	(6,814)	(2,834)	(1,332)	(10,980)		
<b>Total capital expenditures</b>	<b>\$ (78,868)</b>	<b>\$ (89,001)</b>	<b>\$ (2,852)</b>	<b>\$ (170,721)</b>		

**B. By Country**

For the Three Months Ended September 30, 2005

	Canada	U.S.	Segment Total
<b>Operations</b>			
Revenues	\$ 55,847	\$ 2,181	\$ 58,028
Operating expenses	(24,343)	(1,224)	(25,567)
Net operating income	31,504	957	32,461
Depreciation of rental properties	(7,650)	(403)	(8,053)
Amortization of deferred leasing costs and intangibles	(5,681)	(84)	(5,765)
<b>Segment income</b>	<b>\$ 18,173</b>	<b>\$ 470</b>	<b>\$ 18,643</b>
<b>Segment rental properties</b>	<b>\$ 1,232,053</b>	<b>\$ 50,115</b>	<b>\$ 1,282,168</b>
<b>Capital expenditures</b>			
Investment in rental properties	\$ (1,487)	\$ (232)	\$ (1,719)
Acquisition of rental properties	(50,092)	-	(50,092)
Deferred leasing costs	(2,149)	(217)	(2,366)
<b>Total capital expenditures</b>	<b>\$ (53,728)</b>	<b>\$ (449)</b>	<b>\$ (54,177)</b>

For the Three Months Ended September 30, 2004

	Canada	U.S.	Segment Total
<b>Operations</b>			
Revenues	\$ 47,580	\$ 2,448	\$ 50,028
Operating expenses	(20,552)	(1,445)	(21,997)
Net operating income	27,028	1,003	28,031
Depreciation of rental properties	(6,183)	(422)	(6,605)
Amortization of deferred leasing costs and intangibles	(3,702)	(62)	(3,764)
<b>Segment income</b>	<b>\$ 17,143</b>	<b>\$ 519</b>	<b>\$ 17,662</b>
<b>Segment rental properties</b>	<b>\$ 1,045,442</b>	<b>\$ 56,150</b>	<b>\$ 1,101,592</b>
<b>Capital expenditures</b>			
Investment in rental properties	\$ (1,011)	\$ (89)	\$ (1,100)
Acquisition of rental properties	(60)	-	(60)
Deferred leasing costs	(6,293)	(22)	(6,315)
<b>Total capital expenditures</b>	<b>\$ (7,364)</b>	<b>\$ (111)</b>	<b>\$ (7,475)</b>

For the Nine Months Ended September 30, 2005

	Canada	U.S.	Segment Total
<b>Operations</b>			
Revenues	\$ 155,272	\$ 6,674	\$ 161,946
Operating expenses	(68,963)	(3,714)	(72,677)
Net operating income	86,309	2,960	89,269
Depreciation of rental properties	(20,414)	(1,212)	(21,626)
Amortization of deferred leasing costs and intangibles	(13,847)	(220)	(14,067)
<b>Segment income</b>	<b>\$ 52,048</b>	<b>\$ 1,528</b>	<b>\$ 53,576</b>
<b>Capital expenditures</b>			
Investment in rental properties	\$ (3,884)	\$ (240)	\$ (4,124)
Acquisition of rental properties	(220,503)	-	(220,503)
Deferred leasing costs	(7,344)	(359)	(7,703)
<b>Total capital expenditures</b>	<b>\$ (231,731)</b>	<b>\$ (599)</b>	<b>\$ (232,330)</b>

For the Nine Months Ended September 30, 2004

Canada

U.S.

Segment Total

<b>Operations</b>						
Revenues	\$	135,918	\$	7,531	\$	143,449
Operating expenses		(60,234)		(4,215)		(64,449)
Net operating income		75,684		3,316		79,000
Depreciation of rental properties		(18,291)		(1,288)		(19,579)
Amortization of deferred leasing costs and intangibles		(8,938)		(223)		(9,161)
<b>Segment income</b>	\$	48,455	\$	1,805	\$	50,260
<b>Capital expenditures</b>						
Investment in rental properties	\$	(4,250)	\$	(1,501)	\$	(5,751)
Acquisition of rental properties		(153,990)		–		(153,990)
Deferred leasing costs		(10,927)		(53)		(10,980)
<b>Total capital expenditures</b>	\$	(169,167)	\$	(1,554)	\$	(170,721)

## 16. 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. Dundee REIT, DPLP and DMLP are parties to a property management agreement and an administrative services agreement (the "Management Agreement" and the "Services Agreement"). DMLP and DRC are parties to an administrative services agreement (the "DRC Services Agreement").

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

Fees Received	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2005	2004	2005	2004
Rent supplement received by Dundee REIT under the Management Agreement (included in rental properties revenue)	\$ 486	\$ 814	\$ 1,814	\$ 2,690
Fees and rental income received by Dundee REIT under the DRC Services Agreement (included in operating expenses)	\$ 130	\$ 113	\$ 411	\$ 338
<b>Fees Paid</b>				
Fees paid by Dundee REIT under the Management Agreement				
Management fees, included in rental properties' operating expenses	\$ 939	\$ 769	\$ 2,617	\$ 2,287
Construction fees, capitalized to the related assets	\$ 101	\$ 111	\$ 251	\$ 290
Lease administration fees, included in deferred leasing costs	\$ 214	\$ 382	\$ 591	\$ 697
Fees paid by Dundee REIT under the Services Agreement				
Acquisition and financing fees, capitalized to the related assets	\$ 149	\$ 72	\$ 416	\$ 373

Included in amounts receivable at September 30, 2005 is \$189 related to the Management and Services Agreements and DRC Services Agreement (December 31, 2004 – \$117). Included in accrued liabilities and other payables at September 30, 2005 is \$381 related to the Management and Services Agreements (December 31, 2004 – \$221). 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.



## 17. Held for Sale and Discontinued Operations

The operating results of the following properties have been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475.

- On June 30, 2004, the Trust disposed of 6500 Kitimat Road in Mississauga, Ontario for net proceeds after selling costs of \$4,941. The purchaser assumed \$1,905 of existing debt. A gain of \$2,397 was recognized on the disposition.
- On July 22, 2004, the Trust disposed of its 20% interest in 2000 Rue Halpern, a single tenant industrial building in Montréal, for \$3,283. The proceeds were used to retire \$2,530 of debt and a gain of \$453 was recognized on the disposition.
- On December 13, 2004, the Trust disposed of Northgate Mall in Regina, Saskatchewan for net proceeds of \$43,985. The proceeds were used to retire \$34,723 of debt. A loss of \$19,431 was recognized on the disposition.
- On January 14, 2005, the Trust completed the sale of its 25% interest in 2301 and 2311 Royal Windsor Drive, two industrial buildings located in Mississauga, Ontario. The Trust received its share of the net proceeds after selling costs of \$2,325, which were used to retire outstanding debt related to the properties. A gain of \$217 was recognized on the sale.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2005	2004	2005	2004
Revenues	\$ (2)	\$ 2,045	\$ (255)	\$ 6,367
Operating expenses	2	998	(390)	2,973
Net operating income	(4)	1,047	135	3,394
Interest	-	418	5	1,703
Depreciation of rental properties	-	13	-	813
Amortization of deferred leasing costs	-	3	-	270
	-	434	5	2,786
Provision for impairments of value of rental property	-	-	-	(19,729)
Gain on sale of rental property	-	442	217	2,850
Income (loss) from discontinued operations before non-controlling interest	(4)	1,055	347	(16,271)
Income (loss) attributable to non-controlling interest	(1)	331	112	(5,056)
<b>Income (loss) from discontinued operations</b>	<b>\$ (3)</b>	<b>\$ 724</b>	<b>\$ 235</b>	<b>\$ (11,215)</b>

The following are the assets and liabilities of the properties classified as discontinued operations at September 30, 2005:

	September 30, 2005
<b>Assets</b>	
Accounts receivable	\$ 77
Prepaid expenses and other assets	2
	<b>\$ 79</b>
<b>Liabilities</b>	
Amounts payable and accrued liabilities	<b>\$ 79</b>

## 18. 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 and Other Obligations

Through the 2004 acquisition of the 13-building portfolio in Montréal, the Trust has acquired leases relating to three buildings in the portfolio that allow the tenant, subject to various conditions, to purchase the building they occupy from the Trust. Proceeds from these sales will be at amounts that approximate fair market value. In addition, through acquisitions completed in 2004 and 2005, 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 existing and certain adjacent lands. The terms of these leases include various provisions including renewal obligations on the tenants' existing premises and agreement on the terms of the new space. Furthermore, certain of these leases include provisions that would allow the Trust to charge rates to recover a reasonable return on the Trust's investment. The Trust has negotiated purchase options with the owner of the adjacent lands to allow these obligations to be met.

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.

The Trust has entered into conditional contracts to acquire a further \$37,383 of rental properties.

## 19. Supplementary Cash Flow Information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2005	2004	2005	2004
(Increase) decrease in accounts receivable	\$ (556)	\$ 555	\$ 2,360	\$ 3,258
(Increase) decrease in deferred costs (other than leasing costs)	(236)	(145)	322	(160)
(Increase) decrease in prepaid expenses and other assets (excluding restricted cash and mezzanine loan)	(88)	307	(2,242)	64
Increase in accounts payable and accrued liabilities (excluding leasing costs)	2,146	550	8,482	2,543
Increase (decrease) in accounts payable relating to leasing costs	(960)	1,477	(2,630)	1,857
<b>Change in non-cash working capital</b>	<b>\$ 306</b>	<b>\$ 2,744</b>	<b>\$ 6,292</b>	<b>\$ 7,562</b>

The following amounts were paid on account of interest and income taxes:

Interest	\$ 14,296	\$ 10,124	\$ 38,169	\$ 30,144
Income and large corporations taxes	\$ 18	\$ 119	\$ 18	\$ 119

## 20. Subsequent Events

On October 3, 2005, the Trust entered into an agreement to sell Simcoe Town Centre, a 128,000 square foot retail property, for a price of approximately \$6,165. The sale is scheduled to close November 15, 2005. The Trust will record a loss on the sale of approximately \$3,800.