Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands, except rental rates, unit and per unit amounts)

SECTION I — OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements of Dundee REIT for the year ended December 31, 2010.

This management's discussion and analysis has been dated as at January 31, 2011, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

- "REIT A Units", meaning the REIT Units, Series A
- "REIT B Units", meaning the REIT Units, Series B
- "REIT Units", meaning the REIT Units, Series A, and REIT Units, Series B
- "LP B Units", meaning the LP Class B Units, Series 1
- "Units", meaning REIT Units, Series A; REIT Units, Series B; LP Class B Units, Series 1; and Special Trust Units, collectively

Certain market information has been obtained from the CB Richard Ellis MarketView, Fourth Quarter 2010, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dundee REIT's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest and currency rate fluctuations.

Although the forward-looking statements contained in this management's discussion and analysis are based upon what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust's properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; that the specified investment flow-through trust ("SIFT") Rules and the normal growth guidelines are not applicable to us; and other risks and factors described from time to time in the documents filed by the Trust with the securities regulators.

All forward-looking information is as of January 31, 2011, except where otherwise noted. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including the latest annual information form of Dundee REIT. These filings are also available on our web site at www.dundeereit.com.

OUR OBJECTIVES

We are committed to:

- managing our business to provide growing cash flow and stable and sustainable returns through adapting our strategy and tactics to changes in the real estate industry and the economy;
- building a diversified, growth-oriented portfolio of office and industrial properties in Canada, based on an established platform;
- providing predictable and sustainable cash distributions to unitholders and prudently managing distributions over time; and
- maintaining a REIT that satisfies the REIT exception under the SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions.

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit, or $2.20, on an annual basis. At December 31, 2010, approximately 10% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP"), including 10% of the REIT A Units and 9% of the LP B Units. There is no equivalent program for the REIT B Units (see a description of Our Equity on page 10).

2010	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	**Oct**	**Nov**	**Dec**
Distribution rate	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	**$0.183**	**$0.183**	**$0.183**
Month-end closing price	$24.54	$25.14	$25.89	$25.70	$24.14	$24.45	$25.55	$25.43	$28.09	**$29.21**	**$29.76**	**$30.20**

OUR STRATEGY

Dundee REIT's core strategy remains unchanged — investing in the office and industrial sectors in key markets across Canada and providing a solid platform for stable and growing cash flows. The execution of that strategy, however, is continuously reviewed and includes acquisitions and dispositions, our capital structure and our analysis of current economic conditions. Our executive team has worked together for many years and has experience operating through a number of real estate cycles. We are highly motivated to continue to increase the value of our portfolio and maintain a sharp focus on providing stable and reliable returns for our unitholders. In addition, Dundee REIT was among the first to qualify as a real estate investment trust under the SIFT legislation, and we are steadfast in maintaining this status.

Dundee REIT's methodology to execute its strategy and to meet its objectives includes:

Investing in high-quality office and industrial properties

Our portfolio is concentrated in Canada's key urban markets and comprises high-quality properties that are well-located, attractively priced and produce consistent cash flow. When considering acquisition opportunities, we look for quality tenancies, strong occupancy, the appeal of the property to future tenants, how it complements our existing portfolio and how we can create additional value.

Optimizing the performance, value and cash flow of our portfolio

We manage our properties to optimize long-term cash flow and value. With fully internalized property management, we offer a strong team of highly experienced real estate professionals who are focused on achieving more from our assets. Occupancy rates across our portfolio have remained steady and strong for a number of years. We view this as strong evidence of the appeal of our properties and our ability to meet and exceed tenant expectations. Dundee REIT has a proven ability to identify and execute value-add opportunities and a track record for outperforming the real estate index.

Diversifying our portfolio to mitigate risk

With the acquisitions completed in 2009 and 2010, we have demonstrated our commitment once again to achieving greater geographic diversification across our portfolio. We will continue to pursue growth but only when it enhances our overall portfolio, further improves the sustainability of distributions, strengthens our tenant profile and mitigates risk. We have experience in each of Canada's key markets and have the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

Maintaining and strengthening our conservative financial profile

We have always operated our business in a disciplined manner, with a keen eye on financial analysis and balance sheet management to ensure that we maintain a prudent capital structure. We continue to generate cash flows sufficient to fund our distributions while maintaining a conservative debt ratio and balanced debt maturities.

OUR ASSETS

We provide high-quality, affordable business premises with a primary focus on mid-sized urban and suburban office properties as well as industrial and prestige industrial properties. Our assets are located in major urban centres across Canada including Halifax, Montréal, Ottawa, London, Toronto, Saskatoon, Regina, Calgary, Edmonton, Vancouver and Yellowknife.

Owned gross leasable area (sq. ft.)

December 31				**2010**		2009
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**720,270**	**—**	**720,270**	**6**	519,215	7
Alberta	**3,467,880**	**1,660,141**	**5,128,021**	**42**	4,537,837	61
Saskatchewan & NWT	**916,761**	**—**	**916,761**	**7**	848,575	12
Eastern Canada	**3,910,354**	**1,584,240**	**5,494,594**	**45**	1,488,741	20
Total[1]	**9,015,265**	**3,244,381**	**12,259,646**	**100**	7,394,368	100
Percentage	**74%**	**26%**	**100%**			
Total as at December 31, 2009	5,734,259	1,660,109	7,394,368			
Percentage	78%	22%	100%			

[1] Excludes redevelopment properties.

Subsequent to year-end, we have acquired approximately 385,000 square feet of office space in Ottawa and Saskatoon. Additionally, we have acquired Realex Properties Corp. ("Realex"). Realex owned interests in 24 office and industrial assets in Ontario, Alberta and British Columbia, totalling 1.8 million square feet, bringing our total gross leasable area to 14.5 million square feet. Seven of the properties, comprising 945,000 square feet of predominantly office space, are located in the downtown core of Kitchener and the University of Waterloo Technology Park in Waterloo, Ontario. Realex also owned five office properties in Calgary and six office properties in Edmonton, Alberta, comprising 444,000 and 275,000 square feet, respectively. In addition, the portfolio included four industrial assets located in smaller Alberta and British Columbia centres and two industrial buildings in Edmonton, Alberta. The following table shows the impact of these acquisitions on our portfolio.

	Owned gross leasable area (sq. ft.)			
February 8, 2011	Office	Industrial	Total	%
British Columbia	720,270	17,405	737,675	5
Alberta	4,187,125	1,824,771	6,011,896	41
Saskatchewan & NWT	1,126,361	—	1,126,361	8
Eastern Canada	5,030,341	1,584,240	6,614,581	46
Total[1]	11,064,097	3,426,416	14,490,513	100
Percentage	76%	24%	100%	

(1) Excludes redevelopment properties.

Office rental properties

At December 31, 2010, our ownership interests included 68 office properties (86 buildings) comprising approximately 9.0 million square feet located in Halifax, Ottawa, Toronto, Saskatoon, Regina, Calgary, Edmonton, Vancouver and Yellowknife. These office properties can generally be categorized as high-quality, affordable, suburban and downtown buildings. The occupancy rate across our office portfolio remains high at 95.8%, well ahead of the national industry average occupancy rate of 90.5% (CB Richard Ellis, Canadian Office MarketView, Fourth Quarter 2010). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

During the fourth quarter, we acquired nine office properties totalling 1.1 million square feet in Halifax, Ottawa, Toronto, Calgary, Edmonton and Vancouver. Subsequent to year-end, we acquired approximately 2.0 million square feet located in Calgary, Edmonton, Saskatoon, Kitchener and Ottawa.

Industrial rental properties

At December 31, 2010, our industrial portfolio consisted of 43 prime suburban industrial properties (46 buildings) comprising approximately 3.2 million square feet, in Calgary, Edmonton, London, Toronto, Ottawa, Montréal and Halifax. The occupancy rate across our industrial portfolio is 96.9%. The average industry occupancy rates in Calgary and Edmonton, our two major industrial markets, were 95.9% and 96.7%, respectively (CB Richard Ellis, Calgary and Edmonton Industrial MarketViews, Fourth Quarter 2010). During the fourth quarter, we acquired two industrial buildings in Halifax, one building in Burlington and one building in London, totalling 0.3 million square feet. Subsequent to year-end, we acquired approximately 0.2 million square feet, located in British Columbia and Alberta.

OUR EQUITY

Unitholders' equity

December 31	2010		2009	
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**45,896,203**	**$ 834,261**	21,247,397	$ 312,743
REIT Units, Series B	**16,316**	**359**	16,316	362
LP Class B Units, Series 1	**3,481,733**	**88,181**	3,454,188	92,656
Cumulative foreign currency translation adjustment	**—**	**—**	—	(6,609)
Total	**49,394,252**	**$ 922,801**	24,717,901	$ 399,152

On February 4, 2011, we completed a public offering of 4.7 million REIT A units for gross proceeds of $143.9 million, less offering costs of $5.8 million. With this transaction, our total number of units outstanding is 54,182,641 units.

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP B Units. The LP B Units are held by Dundee Corporation and Dundee Realty Corporation ("DRC"), related parties to Dundee REIT. Both the REIT Units and Special Trust Units entitle the holder to one vote for each unit at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT B Units, at the option of the holder, which can then be converted into REIT A Units. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT A Units. The REIT A Units and REIT B Units have economic and voting rights equivalent in all material respects to each other.

At December 31, 2010, Dundee Corporation, directly and indirectly through its subsidiaries, held 976,506 REIT A Units and 3,481,733 LP B Units, for a total ownership interest of approximately 9%.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Operations				
Occupancy rate (period-end)[1]	**96.1%**	95.4%		
In-place rent per square foot (office and industrial)[1]	**$ 14.29**	$ 15.30		
Operating results				
Rental properties revenue[2]	**$ 81,162**	$ 50,156	**$ 279,352**	$ 192,083
Net operating income ("NOI")[3]	**48,484**	30,791	**172,398**	120,954
Funds from operations ("FFO")[4]	**30,381**	17,363	**105,071**	67,633
Adjusted funds from operations ("AFFO")[5]	**25,245**	13,033	**83,572**	49,783
Distributions				
Declared distributions	**$ 25,685**	$ 13,562	**$ 86,048**	$ 48,450
Distributions paid in cash	**22,947**	12,591	**77,651**	45,354
DRIP participation ratio	**10%**	7%	**10%**	6%
Financing				
Weighted average interest rate (period-end)	**5.43%**	5.75%		
Interest coverage ratio	**2.9 times**	2.4 times	**2.8 times**	2.3 times
Per unit amounts				
Basic:				
FFO	**$ 0.66**	$ 0.70	**$ 2.71**	$ 3.04
Distributable income ("DI")	**0.61**	0.59	**2.41**	2.55
Distribution rate	**0.55**	0.55	**2.20**	2.20
Total distributions as a percentage of distributable income	**90%**	93%	**91%**	86%
AFFO	**0.55**	0.52	**2.16**	2.24
Diluted:[6]				
FFO	**$ 0.66**	$ 0.69	**$ 2.71**	$ 3.00
Distributable income	**0.61**	0.60	**2.43**	2.57

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

(1) Excludes redevelopment properties and discontinued properties.

(2) Prior year comparatives have been restated for discontinued operations.

(3) NOI — rental property revenues less operating expenses, excluding redevelopment and discontinued operations. Prior year comparatives have been restated as a result of discontinued operations. The reconciliation of NOI to net income can be found on page 38.

(4) FFO — the reconciliation of FFO to net income can be found on page 24.

(5) AFFO — the reconciliation of AFFO to distributable income can be found on page 27.

(6) Diluted amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures because they increase the outstanding number of units, although may not be dilutive to per unit amounts.

FINANCIAL OVERVIEW

This has been a very busy and exciting year for Dundee REIT. We have continued to pursue our strategic objectives of growing our business to diversify the portfolio, maintaining occupancy and increasing cash flow. During 2010, we made improvements on each of these fronts. We acquired approximately 4.9 million square feet of office and industrial properties in 2010 and completed another 2.2 million square feet of acquisitions subsequent to year-end. We also completed five equity offerings in 2010, and one on February 4, 2011. These changes result in a very different portfolio compared to a year ago.

AFFO increased by $33.8 million, or 68%, over 2009. On a per unit basis, AFFO decreased to $2.16 from $2.24 per unit in 2009, mainly due to the timing of deploying capital raised during the year. For the fourth quarter, AFFO increased by $12.2 million, or 94%, over 2009. On a per unit basis, AFFO increased to $0.55 from $0.52 in 2009 reflecting accretive acquisitions in 2010. Details of our FFO, DI and AFFO begin on page 24.

NOI from comparable properties increased by 2% over the prior year reflecting continued strong occupancy. Our operations remain strong, with continued year-over-year growth in rental property revenue and NOI. In 2010, rental property revenue increased by 45% to $279.4 million, and NOI increased by 43% to $172.4 million, mainly reflecting the impact of acquisitions completed in 2009 and 2010. Details of our NOI begin on page 38.

Overall occupancy increased to 96.1% from 95.4% a year ago. While occupancy across our office portfolio decreased slightly to 95.8% compared to 96.7%, our industrial portfolio has improved significantly with year-end occupancy reaching 96.9% compared to 90.6% a year earlier. Our comparative property occupancy increased to 95.9%, up 50 basis points over 2009, demonstrating the stability and strength of our operating platform.

The average remaining lease term increased to 5.87 years, mainly due to acquisitions completed with an average remaining lease term of 7.64 years. Our average in-place rents remain below market rents, a positive indicator of future growth. Details of our leasing profile begin on page 14.

In 2010, we acquired $922.2 million of properties comprising 3.4 million square feet of high-quality office space, together with 1.6 million square feet of industrial space. The acquisitions provide our portfolio with greater geographic diversification and set the stage for continued AFFO growth in 2011. Details of our acquisitions begin on page 29.

In 2010, we completed five equity offerings for gross proceeds of $593.0 million. We issued 24.3 million REIT A Units at prices ranging from $18.75 per unit to $29.85 per unit. Costs related to the offerings were approximately $26.8 million. These issuances, along with the increase in the price of our Units, have almost tripled our market capitalization since December 31, 2009. All of the proceeds have been deployed or are committed to be deployed. With respect to our mortgage debt, we placed $309.6 million of new debt at a weighted average interest rate of 4.63% and assumed an additional $156.8 million of mortgage debt at a weighted average interest rate of 5.17% upon acquiring nine properties during the year. This activity has reduced our weighted average interest rate to 5.43%, down from 5.75% in the prior year. Details of financing activity and debt begin on page 31.

OUTLOOK

The 18-month period from September 2009 to February 2011 has been a transformational time for Dundee REIT. In September 2009, Dundee REIT owned 6.8 million square feet of office and industrial properties, and 64% of the net operating income was derived from our Calgary office portfolio (a market that was in distress). We had 20.8 million units outstanding, a trading price of about $18 per unit, a market cap of approximately $375 million and the stock was relatively illiquid.

While the financial markets operated under a cloud of fear, it was clear to our management team that tenants were paying their rent, many were renewing their leases (some were even expanding) and we were attracting new tenants. Based on this, we decided to take advantage of market conditions to significantly change the company.

During the 18-month period, we added $1.5 billion of high-quality assets in prime locations, doubling the size of our business. Our NOI is more diversified with the Toronto office portfolio contributing NOI equal to that of our Calgary office portfolio. Our market cap has more than quadrupled to $1.6 billion, and with 54 million units outstanding, Dundee REIT's stock is very liquid.

In the fourth quarter, we closed on $277 million of acquisitions at a going-in cap rate of 7.0%, and subsequent to year-end, acquired Realex Properties Corporation, 400 Cumberland and Saskatoon Square for $462 million at a going-in cap rate of 7.9%. The following table was prepared to provide a better understanding of the impact of these acquisitions for the future. It also compares our business as at and for the quarter ended December 31, 2010, with pro forma results for the same period, assuming that all fourth quarter 2010 acquisitions and acquisitions completed up to February 8, 2011, had taken place on October 1, 2010.

For the three months ended December 31, 2010	Actual	Pro forma
Balance sheet		
Units outstanding (end of period)	49,394,252	54,143,752
Assets (book value)	$ 2,316,824	$ 2,670,000
Debt	$ 1,296,851	$ 1,507,000
Debt-to-gross book value	51.9%	53.1%
Income statement		
Gross leasable area (square feet)	12,259,646	14,490,513
Occupancy	96.1%	96.2%
Rollover 2011		
Square feet	1,393,985	1,586,930
Percentage of total	11.4%	11.0%
Weighted average remaining lease term	5.87	5.73
In-place rent	$ 14.29	$ 14.55
Market rent	$ 14.82	$ 14.82
NOI[1]	$ 44,112	$ 57,800
Interest	$ 16,271	$ 20,600
Weighted average interest rate	5.43%	5.46%
General and administrative	$ 2,625	$ 3,000

[1] Does not include GAAP adjustments and lease termination fees.

We look forward to 2011. Our team will continue to be responsive to our tenants, focus on asset management and look for transactions that will make our business more valuable.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

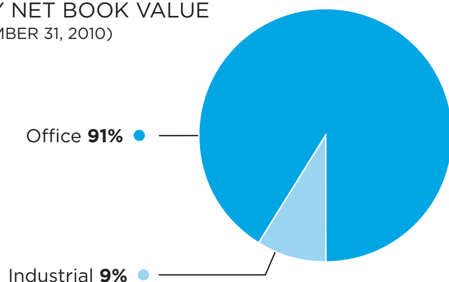
Rental properties

The net book value of segmented rental properties by geographic location and asset type is set out below.

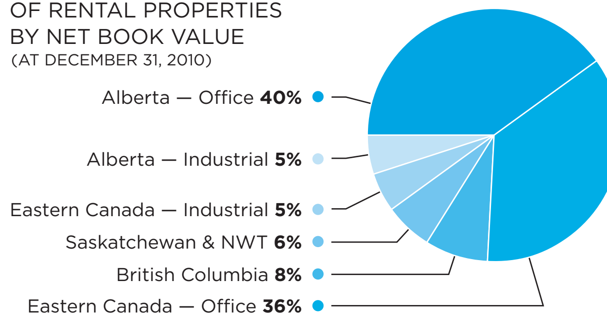
December 31			**2010**[1]		2009[1]	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**$ 151,294**	**$ —**	**$ 151,294**	**8**	$ 99,834	9
Alberta	**780,527**	**89,287**	**869,814**	**45**	736,517	62
Saskatchewan & NWT	**116,832**	**—**	**116,832**	**6**	107,754	9
Eastern Canada	**709,134**	**94,749**	**803,883**	**41**	235,195	20
Total	**$1,757,787**	**$ 184,036**	**$1,941,823**	**100**	$1,179,300	100
Percentage	**91%**	**9%**	**100%**			
Total as at December 31, 2009	$1,088,990	$ 90,310	$1,179,300			
Percentage	92%	8%	100%			

(1) Excludes $14.2 million related to redevelopment properties (December 31, 2009 — excludes $17.6 million related to discontinued properties and $1.8 million related to other redevelopment properties).

PORTFOLIO ASSET TYPE BY NET BOOK VALUE
(AT DECEMBER 31, 2010)



GEOGRAPHIC DISTRIBUTION OF RENTAL PROPERTIES BY NET BOOK VALUE
(AT DECEMBER 31, 2010)



Leasing profile

The following key performance indicators related to our leasing profile influence the cash generated from operating activities.

Performance indicators at December 31	**2010**	2009
Operating activities (office and industrial average)[1]		
Occupancy rate	**96.1%**	95.4%
Tenant maturity profile — average term to maturity (years)	**5.87**	4.54
In-place rental rates	**$ 14.29**	$ 15.30

(1) Excludes redevelopment properties and discontinued properties.

Throughout the year, we continued to capture rental rate increases across most of our markets with the exception of Calgary. The overall average in-place rents decreased due to the lower average rental rates for properties acquired in Ontario and Québec, and remain approximately 4% below existing market rates.

December 31	**2010**		2009
	In-place rent	**Market rent**	In-place rent
Office			
British Columbia	**$ 17.83**	**$ 19.91**	$ 16.38
Alberta	**18.12**	**16.83**	18.69
Saskatchewan & NWT	**18.47**	**24.62**	18.41
Eastern Canada	**15.45**	**16.46**	14.56
Total office	**$ 16.95**	**$ 17.72**	$ 17.34
Industrial			
Alberta	**$ 7.66**	**$ 7.80**	$ 7.77
Eastern Canada	**6.31**	**5.94**	—
Total industrial	**$ 6.99**	**$ 6.87**	$ 7.77
Overall	**$ 14.29**	**$ 14.82**	$ 15.30

For the period-end, the percentage of occupied and committed space is as follows:

(percentage)	**Q4 2010**	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009[1]
Office	**95.8**	96.6	96.6	97.0	96.7	95.9	96.0	96.4
Industrial	**96.9**	98.5	96.8	97.0	90.6	92.0	89.3	91.1
Overall[2]	**96.1**	97.1	96.6	97.0	95.4	94.9	94.2	95.0

(1) 7102 Barlow Trail has been restated as continuing operations.

(2) Excludes redevelopment properties and discontinued properties.

The overall percentage of occupied and committed space across our rental properties portfolio was 96.1% at year-end, an increase of 70 basis points over 2009, due to leasing activity and the acquisition of 31 properties with a weighted average occupancy of 96.8%. Occupancy levels decreased from the third quarter mainly reflecting acquired vacancy at an office property in Edmonton. Occupancy levels in our existing portfolio continue to be strong. In addition, occupancy levels in the acquired properties remain high, averaging 96.4%. The average occupancy rate across our office portfolio is 95.8% and remains well above the national industry average of 90.5%. The average occupancy rate across our industrial portfolio is 96.9%, an increase of 6.3% over the fourth quarter of 2009, mainly reflecting properties acquired in Eastern Canada with higher occupancy and increased occupancy in the comparative properties for our Alberta industrial portfolio. The overall occupancy rates for industrial space in Calgary, Edmonton, Montréal and Halifax were 95.1%, 93.9%, 89.6% and 95.3%, respectively (CB Richard Ellis, Canadian Office and Calgary, Edmonton, Montréal and Halifax Industrial MarketViews, Fourth Quarter 2010). Our occupancy rates discussed in this report include occupied and committed space at December 31, 2010.

(percentage)	Total portfolio			Comparative properties		
	December 31, 2010	September 30, 2010	December 31, 2009	**December 31, 2010**	September 30, 2010	December 31, 2009
Office						
British Columbia	**96.0**	96.5	95.3	**95.7**	96.5	95.3
Alberta	**93.2**	94.9	95.2	**94.4**	94.8	95.2
Saskatchewan & NWT	**97.4**	97.5	98.7	**97.2**	97.3	98.7
Eastern Canada	**97.8**	98.0	99.1	**99.4**	99.2	99.1
Total office	**95.8**	96.6	96.7	**96.2**	96.5	96.7
Industrial						
Alberta	**94.7**	97.4	90.6	**94.7**	97.4	90.6
Eastern Canada	**99.2**	100.0	—	**—**	—	—
Total industrial	**96.9**	98.5	90.6	**94.7**	97.4	90.6
Overall(1)	**96.1**	97.1	95.4	**95.9**	96.7	95.4

(1) Excludes redevelopment properties and discontinued properties.

On a comparative basis, our office portfolio continues to demonstrate strong leasing activity, evidenced by strong occupancy quarter over quarter. Our comparative industrial portfolio occupancy decreased in the quarter from 97.4% to 94.7%, primarily as a result of a tenant occupying two spaces in September, while transitioning from a 50,000 square foot space to a 96,000 square foot space.

Vacancy schedule

In-place vacant space has remained steady since the beginning of the quarter. The following tables distinguish between space that is currently vacant and space that is committed for future occupancy, and provide a continuity for the vacant space component. During the fourth quarter, approximately 531,000 square feet of leases expired or were terminated, and we completed approximately 529,000 square feet of renewals and new leasing. On a year-to-date basis, approximately 1,832,000 square feet expired or were terminated, and we completed a significant number of renewals and new leasing of approximately 1,880,000 square feet. Of the vacant space at period-end, approximately 114,000 square feet, or 19.3%, is committed for future occupancy, leaving approximately 477,000 square feet available for lease.

(in square feet)	For the three months ended December 31, 2010 Office	Industrial	Total
Available for lease	270,913	43,313	314,226
Vacancy committed for future leases	139,455	31,511	170,966
Vacant space — October 1, 2010	410,368	74,824	485,192
Acquired vacancy	93,963	10,964	104,927
Vacant space — restated	504,331	85,788	590,119
Remeasurements	(987)	133	(854)
Expiries	338,353	124,213	462,566
Early terminations and bankruptcies	13,764	54,963	68,727
New leases	(186,390)	(55,037)	(241,427)
Renewals	(191,031)	(96,156)	(287,187)
Vacant space — December 31, 2010	478,040	113,904	591,944
Vacancy committed for future leases	100,530	13,924	114,454
Available for lease — December 31, 2010	377,510	99,980	477,490

(in square feet)	For the year ended December 31, 2010 Office	Industrial	Total
Available for lease	186,811	156,463	343,274
Vacancy committed for future leases	49,083	41,852	90,935
Vacant space — January 1, 2010	235,894	198,315	434,209
Acquired vacancy	182,911	10,964	193,875
Vacant space — restated	418,805	209,279	628,084
Remeasurements	12,900	(653)	12,247
Expiries	1,238,379	422,281	1,660,660
Early terminations and bankruptcies	92,004	79,363	171,367
New leases	(526,600)	(281,936)	(808,536)
Renewals	(757,448)	(314,430)	(1,071,878)
Vacant space — December 31, 2010	478,040	113,904	591,944
Vacancy committed for future leases	100,530	13,924	114,454
Available for lease — December 31, 2010	377,510	99,980	477,490

The following two tables detail our lease maturity profile by asset type and geographic segment as at December 31, 2010. The tables distinguish between lease maturities that have yet to be renewed or re-leased and maturities for which we have a leasing commitment. The uncommitted line should be referenced when considering future leasing risks or opportunities, and the committed line should be referenced when considering the impact of leasing activity.

For 2011, approximately 1,393,985 square feet of our leases will expire, of which approximately 365,171 square feet, or 26%, have been committed.

(in square feet)	Current vacancy	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023	Total
Office — uncommitted	377,510	5,507	846,111	872,511	1,250,345	795,840	4,334,062	8,481,886
Office — committed	—	—	321,648	50,209	—	—	161,522	533,379
Total office	377,510	5,507	1,167,759	922,720	1,250,345	795,840	4,495,584	9,015,265
Industrial — uncommitted	99,980	—	182,703	288,207	227,769	127,835	2,247,115	3,173,609
Industrial — committed	—	—	43,523	8,249	10,000	—	9,000	70,772
Total industrial	99,980	—	226,226	296,456	237,769	127,835	2,256,115	3,244,381
Total — uncommitted	477,490	5,507	1,028,814	1,160,718	1,478,114	923,675	6,581,177	11,655,495
Total — committed	—	—	365,171	58,458	10,000	—	170,522	604,151
Total	477,490	5,507	1,393,985	1,219,176	1,488,114	923,675	6,751,699	12,259,646

(in square feet)	Current vacancy	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023	Total
British Columbia — uncommitted	29,095	—	110,818	34,012	92,443	86,137	338,364	690,869
British Columbia — committed	—	—	14,113	—	—	—	15,289	29,402
Total British Columbia	29,095	—	124,931	34,012	92,443	86,137	353,653	720,271
Alberta — uncommitted	323,971	5,507	514,375	620,335	618,964	451,880	2,345,609	4,880,641
Alberta — committed	—	—	186,587	17,901	10,000	—	32,889	247,377
Total Alberta	323,971	5,507	700,962	638,236	628,964	451,880	2,378,498	5,128,018
Saskatchewan & NWT — uncommitted	24,164	—	57,159	171,516	116,433	65,628	436,669	871,569
Saskatchewan & NWT — committed	—	—	4,636	40,557	—	—	—	45,193
Total Saskatchewan & NWT	24,164	—	61,795	212,073	116,433	65,628	436,669	916,762
Eastern Canada — uncommitted	100,260	—	346,462	334,855	650,274	320,030	3,460,535	5,212,416
Eastern Canada — committed	—	—	159,835	—	—	—	122,344	282,179
Total Ontario & Québec	100,260	—	506,297	334,855	650,274	320,030	3,582,879	5,494,595
Total — uncommitted	477,490	5,507	1,028,814	1,160,718	1,478,114	923,675	6,581,177	11,655,495
Total — committed	—	—	365,171	58,458	10,000	—	170,522	604,151
Total	477,490	5,507	1,393,985	1,219,176	1,488,114	923,675	6,751,699	12,259,646

The following tables provide expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties as at December 31, 2010. Expiring rents and market rents represent base rates and do not include the impact of tenant inducements.

	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023
Expiring rents						
Office	$ 22.39	$ 16.01	$ 19.61	$ 18.65	$ 18.90	$ 18.39
Industrial	—	8.28	7.11	9.51	9.62	7.81
Portfolio average	22.39	14.63	16.50	17.24	17.62	14.98
Market rents(1)						
Office	$ 18.02	$ 16.68	$ 18.78	$ 16.48	$ 17.70	$ 18.03
Industrial	—	8.19	7.57	8.86	8.14	6.41
Market rent average	18.02	15.18	15.99	15.30	16.38	14.28

(1) Estimate only; based on current market rents with no allowance for increases in future years and subject to change with market conditions in each market segment.

	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023
Expiring rents						
Office						
British Columbia	$ —	$ 14.79	$ 14.77	$ 17.76	$ 13.32	$ 22.30
Alberta	22.39	16.59	20.93	22.03	18.80	20.10
Saskatchewan & NWT	—	22.50	22.62	21.12	27.62	17.82
Eastern Canada	—	14.51	17.19	16.24	18.71	16.52
Industrial						
Alberta	—	9.12	7.14	9.60	10.20	8.13
Eastern Canada	—	5.50	5.58	6.00	5.79	7.64
Portfolio average	22.39	14.63	16.50	17.24	17.62	14.98
Market rents(1)						
Office						
British Columbia	$ —	$ 16.08	$ 20.75	$ 14.65	$ 20.12	$ 22.25
Alberta	18.02	15.67	17.09	14.90	15.66	17.68
Saskatchewan & NWT	—	28.83	26.21	25.94	28.74	22.67
Eastern Canada	—	15.87	16.43	16.00	16.91	16.61
Industrial						
Alberta	—	8.86	7.59	8.94	8.47	7.29
Eastern Canada	—	6.00	6.00	6.00	6.00	5.93
Market rent average	18.02	15.18	15.99	15.30	16.38	14.28

(1) Estimate only; based on current market rents with no allowance for increases in future years and subject to change with market conditions in each market segment.

The average remaining lease term and other portfolio information as at year-end is detailed below.

December 31	2010[1]			2009[1]		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent[2] (per sq. ft.)**	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent[2] (per sq. ft.)
Office	**4.87**	**9,838**	**$ 16.95**	4.75	10,198	$ 17.34
Industrial	**8.62**	**14,424**	**6.99**	3.83	7,335	7.77
Portfolio average	**5.87**	**10,750**	**14.29**	4.54	9,414	15.30

(1) Excludes redevelopment properties.

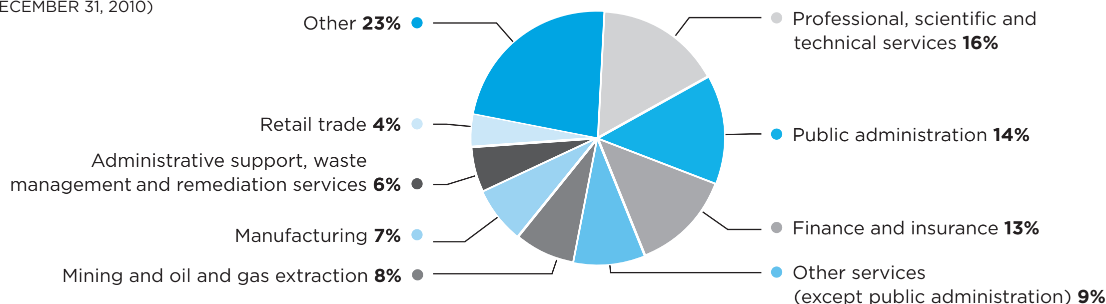
(2) Average in-place rents include straight-line rent adjustments.

Tenant base profile

Our tenant base includes a wide range of high-quality tenants such as municipal, provincial and federal governments, large international corporations and small entrepreneurial businesses across the country. With 1,096 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are 9,838 and 14,424 square feet, respectively. Effectively managing this diverse tenant base is one of our key strengths and has helped us maintain consistently high occupancy levels and to continually capitalize on rental rate uplifts.

The following chart illustrates the diversity of our tenant base, broken down by the percentage contribution to total contract rent. Tenants have been classified according to their North American Industry Classification System ("NAICS") codes. NAICS is a system used for classifying the industry in which tenants operate.

TENANT BASE BY PERCENTAGE CONTRIBUTION TO TOTAL CONTRACT RENT
(AT DECEMBER 31, 2010)



The diversity of our tenant base helps to ensure that those segments that undergo greater than average stress do not unduly impact us. Much of the Alberta economy is influenced by the oil and gas sector; therefore, our greatest area of vulnerability for this segment of our portfolio is not necessarily specific to an industry sector as much as it is to the impact of the oil and gas sector on the general economy of Alberta. In 2010, we acquired 29 properties outside of Alberta, improving the geographic diversification of our portfolio, and reduced our exposure to the Calgary office market from 51% at the beginning of the year to 31% at the end of the year, based on NOI. We are very proactive in analyzing our portfolio and tenancies, and are focused on tenant retention and leasing.

The stability and quality of our cash flow is enhanced by the fact that government and government agencies contribute 15.3% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable high-quality businesses. The following table outlines their contributions to our rental revenues.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Average remaining lease term (years)
Government of Ontario	434,135	3.5	4.3	6.2
Government of Canada	336,187	2.7	3.4	3.0
TELUS Communications	311,253	2.5	3.4	5.0
Aviva	342,771	2.8	3.0	5.5
Enbridge Pipelines Inc.	189,232	1.5	2.9	9.7
Loyalty Management Group	183,014	1.5	2.1	6.8
Government of British Columbia	178,646	1.5	1.9	5.2
State Street Trust Company	122,344	1.0	1.7	10.6
Government of Saskatchewan	200,720	1.7	1.7	6.8
Government of Northwest Territories	114,465	1.0	1.6	2.2
Total	2,412,767	19.7	26.0	5.8

Liquidity and capital resources

Dundee REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, and equity and debt issues. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal and interest payments, and property acquisitions. We expect to meet all our ongoing obligations through current cash and cash equivalents, cash flows from operations, conventional mortgage refinancings and, as growth requires and when appropriate, new equity or debt issues.

During 2010, only $5.2 million of our mortgage debt matured, of which $2.7 million matured in the fourth quarter. During 2011, a further $79.7 million is scheduled to mature, representing 6.2% of our total debt. Further discussion and information is provided on page 31 under Financing Activities.

The following table details the change in cash and cash equivalents.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Cash generated from operating activities	**$ 19,591**	$ 11,342	**$ 79,383**	$ 59,507
Cash utilized in investing activities	**(211,416)**	(85,750)	**(747,321)**	(104,977)
Cash generated (utilized) from financing activities	**199,343**	(22,940)	**773,022**	(11,577)
Increase (decrease) in cash and cash equivalents	**$ 7,518**	$ (97,348)	**$ 105,084**	$ (57,047)

At December 31, 2010, cash and cash equivalents were $117.3 million, an increase of $105.1 million since December 31, 2009, mainly reflecting $566.7 million of net proceeds from equity offerings and $307.0 million in proceeds of mortgage financings completed in 2010, less $732.0 million utilized to fund acquisitions.

For the quarter, cash and cash equivalents increased by $7.5 million over the third quarter of 2010, mainly reflecting $110.3 million of net proceeds from equity offerings and $120.5 million of proceeds from mortgage financing, less $199.3 million utilized to fund acquisitions. We also have a further $36.1 million, less letters of guarantee, available through our revolving credit facility, and 15 unencumbered properties that can be leveraged. Subsequent to year-end, we acquired two additional unencumbered properties.

All of the cash on hand at December 31, 2010, was used to purchase properties subsequent to year-end. See discussion under Acquisitions on page 29.

Operating activities

The following table details the cash generated from operating activities.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420
Non-cash items:				
Depreciation of rental properties	**11,342**	7,075	**40,656**	28,283
Amortization of market rent adjustments on acquired leases	**(2,335)**	(2,297)	**(10,820)**	(10,276)
All other depreciation and amortization	**12,868**	5,828	**40,402**	23,043
Loss (gain) on disposal of rental properties	**499**	662	**(2,296)**	7,258
Deferred unit compensation expense	**582**	220	**1,547**	858
Future income taxes	**—**	(2,623)	**—**	(3,739)
Straight-line rent adjustment	**(857)**	(412)	**(3,771)**	(1,053)
	27,821	15,059	**92,708**	57,794
Leasing costs incurred	**(3,368)**	(1,273)	**(8,265)**	(4,296)
Change in non-cash working capital	**(4,862)**	(2,444)	**(5,060)**	6,009
Cash generated from operating activities	**$ 19,591**	$ 11,342	**$ 79,383**	$ 59,507

Cash generated from operations for the quarter and for the year increased relative to the comparative period, reflecting growth from acquired properties, net of leasing costs incurred and fluctuations in non-cash working capital.

The amortization of market rent adjustments on acquired leases mainly represents the impact of leases with below-market rents, largely related to certain properties acquired since 2006. Below-market leases are recorded as intangible liabilities and are amortized to rental property revenue over the terms of the related leases.

The straight-line rent adjustment represents the difference between the straight-line method of rental revenue recognition and the cash rents received. Any cumulative difference is included in amounts receivable.

Leasing costs include fees, commissions, tenant inducements and related costs. Tenant inducements are amortized on a straight-line basis over the term of the applicable lease to rental property revenue, while other leasing costs are amortized on a straight-line basis to amortization expense.

Leasing costs and tenant improvements

Leasing costs include leasing fees and related costs, broker commissions and tenant inducements. Tenant improvements include costs incurred to make leasehold improvements. Leasing costs and tenant improvement expenditures are dependent on asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases, and leasing costs associated with office space are generally higher than costs associated with industrial space.

During 2010, we incurred $17.2 million for leasing costs and tenant improvements, of which $3.2 million related to prior year leasing activity or leases that will commence in 2011. We incurred $13.9 million for leasing costs and tenant improvements related to approximately 1.9 million square feet of space that was leased and occupied during 2010, representing an average per square foot cost of $8.42 for office space and $5.24 for industrial space. The leasing costs for our office portfolio are higher than our estimates due to leasing of an additional 0.6 million square feet of space, and mostly pertaining to acquisitions for which the leasing costs were factored into our underwriting decision of the properties on purchase. Similarly, industrial leasing costs are higher than our estimates due to acquisitions as well as $1.0 million incurred for the leasing of 0.1 million square feet at an Edmonton property, which is now 100% committed until 2025.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)[1]	9,015,265	3,244,381	12,259,646
Occupied and committed	95.8%	96.9%	96.1%
Square footage leased and occupied in 2010	1,284,048	596,366	1,880,414
Leasing costs	$ 4,897	$ 1,608	$ 6,505
Tenant improvements	$ 5,921	$ 1,516	$ 7,437

(1) Excludes redevelopment properties.

Commitments and contingencies

We are contingently liable with respect to guarantees that are issued in the normal course of business and with respect to litigation and claims that may 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 our consolidated financial statements.

Our future minimum commitments under operating and capital leases are as follows:

For the years ending December 31	Operating lease payments	Capital lease payments
2011	$ 1,012	$ 133
2012	865	133
2013	727	132
2014	16	—
Total	$ 2,620	$ 398

Effective February 1, 2010, we entered into three fixed price contracts to purchase electricity for 14 office properties in Calgary. The contracted volumes are based on historical electricity consumption of each of the buildings and allow us to effectively manage our operating expenses. The contracts expire on January 31, 2013, and commit the Trust to total minimum payments of $2.2 million for each of 2011 and 2012, and $0.2 million for 2013.

Effective September 1, 2009, we entered into three fixed price contracts to purchase natural gas with respect to 14 office properties in Calgary. The contracts expire on December 31, 2012, and commit the Trust to total minimum payments of $0.6 million annually for 2011 and 2012.

Funds from operations

Management believes FFO is an important measure of our operating performance. This non-GAAP measurement is a commonly used measure of performance of real estate operations; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420
Add (deduct):				
Depreciation of rental properties	**11,342**	7,075	**40,656**	28,283
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	5,683	**39,685**	22,583
Loss (gain) on disposal of rental properties	**499**	662	**(2,296)**	7,258
Future income taxes	**—**	(2,623)	**—**	(3,739)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(54)**	(40)	**(204)**	(172)
Leasing costs and intangibles expensed on lease termination	**240**	—	**240**	—
FFO	**$ 30,381**	$ 17,363	**$ 105,071**	$ 67,633
FFO per unit — basic	**$ 0.66**	$ 0.70	**$ 2.71**	$ 3.04
FFO per unit — diluted	**$ 0.66**	$ 0.69	**$ 2.71**	$ 3.00

FFO per unit was $0.66 for the quarter, down 6% compared to $0.70 in 2009, mainly as a result of the timing of financings and deployment of capital during the year. Total FFO increased by 75% to $30.4 million in the quarter, driven by NOI growth from accretive acquisitions and comparative properties. Additionally, we recognized $1.5 million of termination income in the quarter. Above- and below-market rents, which result in a non-cash amortization to our operating results, contributed $2.3 million to FFO in the quarter.

FFO per unit was $2.71 for the year, down 11% compared to $3.04 in 2009, mainly as a result of timing of financings and deployment of capital during the year. Total FFO increased by $37.4 million in the year, driven by NOI growth from accretive acquisitions and comparative properties, and $1.5 million of termination income. Above- and below-market rents, which result in a non-cash amortization to our operating results, contributed $10.8 million in the year.

Diluted FFO, distributable income and AFFO per unit amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures. The weighted average number of units outstanding for basic and diluted FFO calculations for the quarter are 46,054,582 and 49,596,634, respectively. Diluted FFO includes interest and amortization adjustments related to convertible debentures of $2.4 million for the quarter and $9.3 million for the year. Year-to-date, the weighted average number of units outstanding for the calculation of basic and diluted FFO are 38,757,113 and 42,280,715, respectively. The basic and diluted weighted average number of units outstanding include 127,329 vested deferred trust units for the quarter and 106,107 for the year.

Distributions and distributable income

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of distributable income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining distributable income. We also exclude the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. Additionally, we exclude the impact of the amortization of deferred financing and non-recoverable costs that were incurred prior to the formation of the Trust, but deduct amortization of non-real estate assets such as software, office equipment and building improvement costs incurred after the formation of the Trust. We include the impact of vendor head lease income that has not been recognized in net income.

Distributable income

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Funds from operations	**$ 30,381**	$ 17,363	**$ 105,071**	$ 67,633
Add (deduct):				
Amortization of marked-to-market adjustments on acquired debt	**(175)**	(182)	**(764)**	(800)
Amortization of financing costs incurred prior to June 30, 2003	**410**	327	**1,481**	1,260
Deferred compensation expense	**582**	220	**1,547**	858
Straight-line rent	**(857)**	(412)	**(3,771)**	(1,053)
Amortization of above-market rent	**607**	126	**1,581**	421
Amortization of below-market rent	**(2,942)**	(2,423)	**(12,401)**	(10,697)
Amortization of tenant inducements	**98**	57	**268**	256
Amortization of financing costs incurred subsequent to June 30, 2003	**(391)**	(315)	**(1,393)**	(1,193)
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	**(10)**	(14)	**(42)**	(46)
Vendor head lease income	**171**	—	**608**	—
Revenue supplement from vendor on acquisition	**—**	—	**1,122**	—
	$ 27,874	$ 14,747	**$ 93,307**	$ 56,639
Distributable income per unit — basic	**$ 0.61**	$ 0.59	**$ 2.41**	$ 2.55
Distributable income per unit — diluted	**$ 0.61**	$ 0.60	**$ 2.43**	$ 2.57
Distributions per unit	**$ 0.55**	$ 0.55	**$ 2.20**	$ 2.20

For the quarter ended December 31, 2010, distributable income per unit was $0.61 and declared distributions per unit were $0.55, representing a 90% payout ratio. In the prior year comparative period, distributable income per unit was $0.59 and declared distributions per unit were $0.55, representing a 93% payout ratio. Distributable income exceeded distributions paid and payable by $2.1 million for the quarter. For the year ended December 31, 2010, basic and diluted distributable income per unit was $2.41 and $2.43, respectively, representing a 91% payout ratio. In the prior year, basic and diluted distributable income per unit was $2.55 and $2.57, respectively, representing an 86% payout ratio. Distributable income exceeded distributions paid and payable by $6.9 million for the year. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

Distributable income is not defined by GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. In compliance with the Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles distributable income to cash generated from operating activities.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Cash generated from operating activities	**$ 19,591**	$ 11,342	**$ 79,383**	$ 59,507
Add (deduct):				
Leasing costs incurred	**3,368**	1,273	**8,265**	4,296
Amortization of financing costs incurred prior to June 30, 2003	**20**	12	**88**	67
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**(11)**	(12)	**(43)**	(45)
Amortization of tenant inducements	**98**	56	**268**	255
Leasing costs and intangibles expensed on lease termination	**240**	—	**240**	—
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(54)**	(41)	**(203)**	(172)
Amortization of financing costs	**(411)**	(327)	**(1,481)**	(1,260)
Change in non-cash working capital	**4,862**	2,444	**5,060**	(6,009)
Vendor head lease income	**171**	—	**608**	—
Revenue supplement from vendor on acquisition	**—**	—	**1,122**	—
Distributable income	**$ 27,874**	$ 14,747	**$ 93,307**	$ 56,639

Distributions

The distributions presented in the table below comprise $78.7 million relating to REIT Units and $7.6 million relating to LP B Units.

	Declared distributions	4% bonus distributions	Total
2010 distributions			
Paid in cash or reinvested in units	$ 77,009	$ 291	$ 77,300
Payable at December 31, 2010	9,039	34	9,073
Total distributions	$ 86,048	$ 325	$ 86,373
2010 reinvestment			
Reinvested to December 31, 2010	$ 7,269	$ 291	$ 7,560
Reinvested on January 15, 2011	1,128	34	1,162
Total distributions reinvested	$ 8,397	$ 325	$ 8,722

Distributions paid in cash	$ 77,651
Reinvestment to distribution ratio	9.8%
Cash distribution payout ratio	90.2%

Distributions declared for the year ended December 31, 2010, totalled $86.0 million, an increase of $37.6 million over the comparative period. Distributions declared for the quarter ended December 31, 2010, were $25.7 million, an increase of $12.1 million over the prior year comparative quarter. The increase reflects a larger number of units outstanding as a result of the equity issues completed in 2010 as well as distributions reinvested in additional units and vested deferred trust units exchanged for REIT A Units. Of the distributions declared for the year, $8.4 million, or approximately 9.8 %, were reinvested in additional units resulting in a cash payout ratio of 90.2%.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flow from operating activities and cash distributions as well as the differences between net income and cash distributions in accordance with the guidelines.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420
Cash flow from operating activities	**19,591**	11,342	**79,383**	59,507
Distributions paid and payable	**25,785**	13,594	**86,373**	48,566
Excess (shortfall) of cash flow from operating activities over distributions paid and payable	**(6,194)**	(2,252)	**(6,990)**	10,941

Distributions paid and payable exceeded cash flow from operations by $6.2 million for the quarter and by $7.0 million for the year. In establishing distribution payments, we do not take fluctuations in working capital into consideration and use a normalized amount as a proxy for leasing costs. Distributions paid and payable exceeded net income by $20.1 million for the quarter and by $59.4 million for the year. This excess was mainly a result of a non-cash depreciation and amortization expense, which are not considered in determining our cash distribution policy.

Adjusted funds from operations

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Distributable income	**$ 27,874**	$ 14,747	**$ 93,307**	$ 56,639
Adjusted for:				
Normalized leasing costs and tenant improvements	**2,554**	1,514	**9,435**	6,056
Normalized non-recoverable recurring capital expenditures	**75**	200	**300**	800
AFFO	**$ 25,245**	$ 13,033	**$ 83,572**	$ 49,783
AFFO per unit — basic	**$ 0.55**	$ 0.52	**$ 2.16**	$ 2.24

Management believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-GAAP measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs. Please see our description of distributable income on page 25, which reconciles distributable income to cash flow from operating activities.

Our calculation of AFFO starts with distributable income adjusted for an estimated amount of normalized non-recoverable maintenance capital expenditures, leasing costs and tenant improvements that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of normalized leasing costs and tenant improvements are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2010, adjusted for properties that have been acquired or sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

AFFO per unit was $0.55 for the quarter, an increase of 6% compared to $0.52 in 2009, mainly due to the impact of acquisitions completed in 2009 and 2010. AFFO per unit was $2.16 for the year, a decrease of 4% compared to $2.24 in 2009, mainly due to equity issues late in the year for which cash had not yet been deployed.

Investing activities

The following table details our cash utilized in investing activities.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Investment in rental properties	**$ (5,771)**	$ (2,699)	**$ (13,864)**	$ (5,921)
Investment in tenant improvements	**(2,807)**	(1,300)	**(8,936)**	(6,121)
Acquisition of rental properties	**(199,323)**	(68,045)	**(731,974)**	(94,526)
Acquisition deposit on rental properties	**(3,515)**	(13,755)	**(3,750)**	(13,755)
Net proceeds from disposal of rental properties	**—**	(10)	**10,850**	14,927
Change in restricted cash, net	**—**	59	**353**	419
Cash utilized in investing activities	**$ (211,416)**	$ (85,750)	**$ (747,321)**	$ (104,977)

Key performance indicators in the management of our investing activities are:

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Investing activities				
Acquisition of rental properties	**$ 282,682**	$ 96,939	**$ 922,171**	$ 122,887
Building improvements	**2,094**	1,993	**8,397**	5,410
Development	**3,876**	626	**6,706**	734

Acquisitions

During 2010, we completed the following acquisitions:

For the year ended December 31, 2010	Property type	Interest acquired (%)	Acquired GLA [1] (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Date acquired
Adelaide Place, Toronto	office	100	654,249	98	$ 217,708	January 18, 2010
Aviva Corporate Centre, Toronto	office/redevelopment	100	436,704	99[2]	45,660	February 10, 2010
10130-103 Street, Edmonton	office	100	265,625	95	90,007	April 16, 2010
2340 St. Laurent Boulevard, Ottawa	industrial	100	114,724	100	11,344	April 26, 2010
4915-52 Street, Yellowknife	land	100	—	—	678	April 30, 2010
Financial Building, Regina	office	100	65,763	100	14,222	May 4, 2010
30 Eglinton Avenue West, Mississauga	office	100	164,987	90	38,543	May 31, 2010
625 Cochrane Drive, Markham	office	100	161,997	100	29,917	June 18, 2010
Valleywood Corporate Centre, Markham	office	100	154,116	98	31,645	June 18, 2010
275 Wellington Street East, Aurora	industrial	100	317,000	100	25,438	July 30, 2010
8000 av Blaise-Pascal, Montréal	industrial	100	206,305	100	11,296	July 30, 2010
6509 Airport Road, Mississauga	office	100	60,000	100	12,295	August 3, 2010
3035 Orlando Drive, Mississauga	office	100	16,754	86	2,410	August 3, 2010
2075 Kennedy Road, Toronto	office	100	201,730	96	31,750	August 12, 2010
1421 Rue Ampère, Boucherville	industrial	100	457,875	100	29,381	September 2, 2010
1313 Autoroute Chomedey, Laval	industrial	100	184,493	100	12,716	September 2, 2010
150 Metcalfe Street, Ottawa	office	100	109,374	91	34,540	September 16, 2010
236 Brownlow Avenue, Dartmouth	office	100	60,739	95	7,455	October 5, 2010
970 Fraser Drive, Burlington	industrial	100	95,444	100	7,090	October 19, 2010
2200 & 2204 Walkley Road, Ottawa	office	100	156,551	100	23,653	November 2, 2010
2625 Queensview Drive, Ottawa	office	100	46,156	100	8,656	November 5, 2010
30 Simmonds Drive, Dartmouth	industrial	100	37,240	88	1,621	November 22, 2010
105 Akerley Boulevard, Dartmouth	industrial	100	57,524	88	3,101	November 22, 2010
4259-4299 Canada Way, Burnaby	office	100	118,536	96	26,280	December 15, 2010
2665 Renfrew Street, Vancouver	office	100	81,662	100	34,649	December 21, 2010
AFIAA Portfolio, Toronto, Mississauga and Calgary	office	100	198,392	95	45,348	December 21, 2010
10250-101 Street, Edmonton	office	100	296,961	79	84,619	December 22, 2010
100 Gough Road, Toronto	office	100	111,840	100	30,475	December 30, 2010
580 Industrial Road, London	industrial	100	113,595	100	9,674	December 30, 2010
Total			4,946,336	97	$ 922,171	

[1] Gross leasable area (“GLA”).

[2] Excludes redevelopment component of the property.

The Trust assumed mortgages with a fair value of $159 million on nine properties acquired in 2010.

During 2009, we completed the following acquisitions:

For the year ended December 31, 2009	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Date acquired
720 Bay Street, Toronto	office	50	123,870	100	$ 25,948	September 1, 2009
1125-1145 Innovation Drive, Ottawa	office	100	118,563	100	16,679	December 16, 2009
6655-6725 Airport Road, Mississauga	office	100	329,728	100	50,637	December 18, 2009
Gateway Business Park, Ottawa	office	100	120,600	91	14,700	December 30, 2009
2645 Skymark Avenue, Mississauga	office	100	142,487	100	14,923	December 30, 2009
Total			835,248	99	$ 122,887	

The Trust assumed mortgages with a fair value of $27 million on one property acquired in 2009.

Acquisitions completed during the fourth quarter

On October 5, 2010, we completed the purchase of Brownlow Centre in Dartmouth, Nova Scotia, for approximately $7.5 million. The property comprises 60,739 square feet of office space and is located in an office park in the greater Halifax area. At the time of acquisition, the property was 95% occupied and had an average remaining lease term of 3.6 years.

On October 19, 2010, we completed the purchase of 970 Fraser Drive in Burlington, Ontario, for approximately $7.1 million. The property comprises 95,444 square feet of industrial space and is located in the west end of the Greater Toronto Area. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 17.3 years.

On November 2, 2010, we completed the purchase of 2200 & 2204 Walkley Road in Ottawa, Ontario, for approximately $23.7 million. The properties comprise 156,551 square feet of office space and are located in the Ottawa east office node. At the time of acquisition, the properties were 100% leased and had an average remaining lease term of 4.6 years.

On November 5, 2010, we completed the purchase of 2625 Queensview Drive in Ottawa, Ontario, for approximately $8.7 million. The property comprises 46,156 square feet of office space and is located in the west end of Ottawa. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 6.6 years.

On November 22, 2010, we completed the purchase of 30 Simmonds Drive and 105 Akerley Boulevard in Dartmouth, Nova Scotia, for approximately $4.7 million. The properties comprise 94,764 square feet of flex-industrial space and are located in the greater Halifax area. At the time of acquisition, the properties were 88% leased and had an average remaining lease term of 1.9 years.

On December 15, 2010, we completed the purchase of 4259-4299 Canada Way in Burnaby, British Columbia, for approximately $26.3 million. The property comprises 118,536 square feet of office space and is located in the greater Vancouver area. At the time of acquisition, the property was 96% leased and had an average remaining lease term of 3.9 years.

On December 21, 2010, we completed the purchase of 2665 Renfrew Street in Vancouver, British Columbia, for approximately $34.6 million. The property comprises 81,662 square feet of office space and is located in the east end of Vancouver. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 9.5 years.

On December 21, 2010, we completed the purchase of the AFIAA Portfolio in Toronto, Mississauga and Calgary for approximately $45.3 million. The properties comprise 198,392 square feet of office space and are located in the Toronto, Mississauga and Calgary. At the time of acquisition, the properties were 95% leased and had an average remaining lease term of 5.3 years.

On December 22, 2010, we completed the purchase of 10250–101 Street in Edmonton, Alberta, for approximately $84.6 million. The property comprises 296,961 square feet of office space and is located in the central business district of Edmonton. At the time of acquisition, the property was 80% leased and had an average remaining lease term of 4.6 years.

On December 30, 2010, we completed the purchase of 100 Gough Road in Toronto, Ontario, for approximately $30.5 million. The property comprises 111,840 square feet of data centre space and is located in the north end of the Greater Toronto Area. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 5.8 years.

On December 30, 2010, we completed the purchase of 580 Industrial Road in London, Ontario, for approximately $9.7 million. The property comprises 113,595 square feet of industrial space and is located near Dundas Street and Airport Road in London. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 6.3 years.

Acquisitions completed subsequent to year-end

Effective February 8, 2011, the Trust completed the acquisition of Realex. Realex owned interests in 24 office and industrial assets in Ontario and Alberta, consisting of approximately 1.8 million square feet. The Trust acquired all 18,712,663 outstanding common shares of Realex for $8.25 per common share, for approximately $154.4 million, and assumed mortgages of approximately $210.0 million.

Effective January 17, 2011, the Trust completed the acquisition of an office building in Ottawa, Ontario, consisting of approximately 175,000 square feet. The purchase price of the property, excluding transaction costs, was approximately $38.3 million.

Effective January 4, 2011, the Trust completed the acquisition of an office building in Saskatoon, Saskatchewan, consisting of approximately 210,000 square feet. The purchase price of the property, excluding transaction costs, was approximately $50 million.

Building improvements

During 2010, we incurred $8.4 million of expenditures related to improvements to our properties of which $7.7 million related to expenditures that will be recovered from tenants.

The table below represents amounts paid and accrued during the year.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Building improvements:				
Recurring recoverable	**$ 1,892**	$ 1,774	**$ 7,653**	$ 5,102
Recurring non-recoverable	**—**	—	**175**	32
Non-recurring	**202**	219	**569**	276
Total	**$ 2,094**	$ 1,993	**$ 8,397**	$ 5,410

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. Recurring recoverable expenditures of $7.7 million and $1.9 million for the year and quarter, respectively, included elevator modernization, roofing upgrades, lighting, and fire panel upgrades. Non-recurring building improvements represent expenditures for major capital additions that generally would not be expected to recur over the useful life of the building.

Development

During 2010, we incurred $6.7 million of expenditures related to buildings being developed, of which $6.3 million for the year and $3.6 million for the quarter relate to the construction of an office building in Yellowknife.

We have agreed to construct an office building in Yellowknife that is fully leased to the Government of Canada for a ten-year term. Construction costs are estimated to be $20.0 million (excluding financing costs) and will be funded by cash on hand and our line of credit.

Financing activities

We finance the ownership of our assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures. Our debt strategy includes managing our maturity schedule to help mitigate interest rate risk and limit exposure in any given year as well as fixing the rates and

extending loan terms as long as possible when interest rates are favourable. In the fourth quarter, we placed $121.8 million of new mortgage financing at a weighted average interest rate of 4.27% and an average term to maturity of eight years and assumed an additional $77.2 million at a weighted average interest rate of 4.96% and an average term to maturity of four years. During 2010, we placed $309.6 million of new mortgage financing at a weighted average interest rate of 4.63% and an average term to maturity of seven years and assumed an additional $156.8 million of mortgage debt at a weighted average rate of 5.17% and an average term to maturity of six years on acquisition of nine properties. We also made scheduled payments of $6.2 million and a lump sum payment of $2.7 million related to mortgage debt for the fourth quarter, and scheduled repayments of $21.5 million and a lump sum repayment of $5.2 million for the year.

The following table details our cash generated from financing activities.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Mortgages placed, net of costs	**$ 120,541**	$ (255)	**$ 306,977**	$ 35,993
Mortgage principal repayments	**(6,154)**	(3,937)	**(21,496)**	(15,498)
Mortgage lump sum repayments	**(2,657)**	(5,958)	**(5,224)**	(54,496)
Term debt principal repayments	**(26)**	(30)	**(103)**	(126)
Distributions paid on Units	**(22,613)**	(12,797)	**(73,806)**	(44,730)
Units issued, net of costs	**110,252**	37	**566,674**	67,280
Cash generated from (utilized in) financing activities	**$ 199,343**	$ (22,940)	**$ 773,022**	$ (11,577)

Debt

The key performance indicators in the management of our debt are:

December 31	**2010**	2009
Financing activities		
Average interest rate	**5.43%**	5.75%
Level of debt (debt-to-gross book value)	**51.9%**	59.3%
Interest coverage ratio[(1)]	**2.8 times**	2.3 times
Debt-to-EBITDA (years)[(2)]	**7.48**	9.43
Proportion of total debt due in current year	**8.4%**	3.4%
Debt — average term to maturity (years)	**4.8**	4.9
Variable rate debt as percentage of total debt	**2.2%**	3.7%

(1) The interest coverage ratio is calculated as NOI from continuing operations plus interest and fee income, less general and administrative expense from continuing operations, divided by interest expense.

(2) Debt-to-EBITDA is calculated as total debt divided by annualized EBITDA for the current quarter. EBITDA is calculated as net income less non-cash items included in revenue plus interest expense, depreciation, amortization and a provision for income taxes.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. Our current interest coverage ratio is 2.8 times for the year and 2.9 times for the quarter, and reflects our ability to cover interest expense requirements. We also monitor our debt-to-EBITDA ratio to gauge our ability to pay off existing debt. Our current debt-to-EBITDA ratio is 7.48 years and reflects the approximate amount of time to pay off all debt. Our average interest rate as at December 31, 2010, was 5.43%, down slightly from the start of the year, mainly reflecting the impact of new and assumed mortgage financing completed at a weighted average rate of 4.81% and 4.54% for the year and the quarter, respectively. After accounting for market adjustments and financing costs, the weighted average effective interest rate is 4.79% and 4.35% for the year and the quarter, respectively.

Variable rate debt as a percentage of total debt decreased to 2.2% as a result of fixed term mortgage financing placed and assumed in the year.

December 31			**2010**			2009
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 1,136,906**	**$ 28,737**	**$ 1,165,643**	$ 695,608	$ 31,293	$ 726,901
Term debt	**341**	**—**	**341**	219	—	219
6.5% Debentures	**3,192**	**—**	**3,192**	3,293	—	3,293
5.7% Debentures	**7,752**	**—**	**7,752**	7,743	—	7,743
6.0% Debentures	**119,923**	**—**	**119,923**	118,904	—	118,904
Total	**$ 1,268,114**	**$ 28,737**	**$ 1,296,851**	$ 825,767	$ 31,293	$ 857,060
Percentage	97.8%	2.2%	100.0%	96.3%	3.7%	100.0%

Mortgages payable include $3.6 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2009 — $2.7 million). Amounts recorded as at December 31, 2010, for the 6.5%, 5.7% and 6.0% Debentures are net of $1.4 million of premiums allocated to their conversion features (December 31, 2009 — $1.7 million). The fair value adjustments and premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activity

New and assumed mortgage financing:

				For the three months ended December 31, 2010
		Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective rate (%) [1]
New mortgages placed	$ 121,800	7.92	4.27	4.46
New mortgages assumed on rental property acquisitions	77,236	4.42	4.96	4.18
Overall	$ 199,036	6.56	4.54	4.35

				For the year ended December 31, 2010
		Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective rate (%) [1]
New mortgages placed	$ 309,562	7.24	4.63	4.79
New mortgages assumed on rental property acquisitions	156,836	5.54	5.17	4.79
Overall	$ 466,398	6.67	4.81	4.79

(1) After accounting for the impact of financing costs and marked-to-market of mortgages assumed.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40.0 million, generally bearing interest at the bank prime rate (3.0% as at December 31, 2010) plus 1.5%, or bankers' acceptance rates, plus 3.0%. As at December 31, 2010, the formula-based amount available is $36.1 million. The facility is now secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. Currently, $1.5 million of the facility is being utilized in the form of letters of guarantee.

At December 31, 2010, we had $117.3 million in cash (all of which was used subsequent to quarter-end to acquire approximately 385,000 square feet of space in Saskatoon and Ottawa and an additional 1.8 million square feet for Realex, as discussed on page 8), a revolving credit facility and 15 unencumbered properties, which may be leveraged to provide additional financing.

Changes in debt levels are as follows:

For the three months ended December 31, 2010				
	Mortgages	Term debt	Convertible debentures	Total
Debt as at September 30, 2010	$ 974,723	$ 367	$ 130,662	$ 1,105,752
New debt assumed on rental property acquisitions	77,236	—	—	77,236
New debt placed	121,800	—	—	121,800
Scheduled repayments	(6,154)	(26)	—	(6,180)
Lump sum repayments	(2,657)	—	—	(2,657)
Conversion to unit equity	—	—	(99)	(99)
Amortization and other adjustments	695	—	304	999
Debt as at December 31, 2010	$ 1,165,643	$ 341	$ 130,867	$ 1,296,851

For the year ended December 31, 2010				
	Mortgages	Term debt	Convertible debentures	Total
Debt as at December 31, 2009	$ 726,901	$ 219	$ 129,940	$ 857,060
New debt assumed on rental property acquisitions	156,836	—	—	156,836
New debt placed	309,562	225	—	309,787
Scheduled repayments	(21,496)	(103)	—	(21,599)
Lump sum repayment	(5,224)	—	—	(5,224)
Conversion to unit equity	—	—	(174)	(174)
Amortization and other adjustments	(936)	—	1,101	165
Debt as at December 31, 2010	$ 1,165,643	$ 341	$ 130,867	$ 1,296,851

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2011	$ 79,692	$ 29,521	$ 109,213	8.3	5.78	6.42
2012	116,087	27,907	143,994	11.1	5.31	5.46
2013	99,914	24,890	124,804	9.6	5.10	5.48
2014	191,398	23,446	214,844	16.5	6.72	5.96
2015	205,882	20,030	225,912	17.3	4.82	4.75
2016 and thereafter	448,028	36,039	484,067	37.2	5.31	5.28
Total	$ 1,141,001	$ 161,833	1,302,834	100.0		5.41
Fair value adjustments			2,216			
Transaction costs			(8,199)			
Total			$ 1,296,851			

Convertible debentures

With respect to the 6.0% Debentures, the total principal outstanding at January 31, 2011, was $125 million and is convertible into approximately 3,018,478 REIT A Units. For the 5.7% Debentures, the total principal outstanding at January 31, 2011, was $7.8 million and is convertible into approximately 260,200 REIT A Units. For the 6.5% Debentures, the total principal outstanding was $3.3 million and is convertible into approximately 133,040 REIT A Units.

Financing commitments

As of December 31, 2010, we had entered into agreements for new mortgage financing totalling approximately $4.85 million, which closed January 14, 2011. Currently we have another $90.7 million under negotiation.

Equity

The following table summarizes the changes in our outstanding equity.

	REIT A Units	REIT B Units	LP B Units	Total
Units issued and outstanding on December 31, 2009	21,247,397	16,316	3,454,188	24,717,901
Units issued pursuant to DRIP	278,950	—	27,545	306,495
Units issued pursuant to the Unit Purchase Plan	15,739	—	—	15,739
Units issued pursuant to Deferred Unit Incentive Plan	19,463	—	—	19,463
Units issued pursuant to public offering	24,328,250	—	—	24,328,250
Conversion of debentures	6,404	—	—	6,404
Total units outstanding on December 31, 2010	45,896,203	16,316	3,481,733	49,394,252
Percentage of all units	92.9%	0.1%	7.0%	100.0%
Units issued pursuant to DRIP on January 15, 2011	34,960	—	2,024	36,984
Units issued pursuant to Unit Purchase Plan	985	—	—	985
Conversion of debentures	920	—	—	920
Units issued pursuant to public offering	4,749,500	—	—	4,749,500
Total units outstanding on February 4, 2011	50,682,568	16,316	3,483,757	54,182,641
Percentage of all units	93.5%	0.1%	6.4%	100%

Public offering of units

On December 21, 2010, the Trust completed a public offering of 3,864,000 REIT A Units at a price of $29.85 per unit, for gross proceeds of $115.3 million. Costs related to the offering totalled $5.2 million and were charged directly to unitholders' equity.

On September 2, 2010, the Trust completed a public offering of 5,669,500 REIT A Units at a price of $25.40 per unit, for gross proceeds of $144.0 million. Costs related to the offering totalled $6.3 million and were charged directly to unitholders' equity.

On June 2, 2010, the Trust completed a public offering of 4,100,000 REIT A Units at a price of $24.40 per unit, for gross proceeds of $100.0 million. On June 17, 2010, the Trust issued an additional 615,000 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriter for gross proceeds of approximately $15.0 million. Costs related to the offering totalled $5.2 million and were charged directly to unitholders' equity.

On March 16, 2010, the Trust completed a public offering of 3,965,000 REIT A Units at a price of $25.25 per unit, for gross proceeds of $100.0 million. On March 26, 2010, the Trust issued an additional 594,750 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriter for gross proceeds of approximately $15.0 million. Costs related to the offering totalled $5.2 million and were charged directly to unitholders' equity.

On January 7, 2010, the Trust completed a public offering of 5,520,000 REIT A Units at a price of $18.75 per unit, for gross proceeds of $103.5 million. Costs related to the offering totalled $4.7 million and were charged directly to unitholders' equity.

Public offering completed subsequent to year-end

On February 4, 2011, the Trust completed a public offering of 4,749,500 units at a price of $30.30 per unit, for gross proceeds of $143.9 million. Costs related to the offering totalled $5.8 million and were charged directly to unitholders' equity.

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on November 3, 2010, and will remain in effect until the earlier of November 2, 2011, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 4,010,675 REIT A Units (representing 10% of the REIT's public float of 40,106,751 REIT A Units at the time of renewal through the facilities of the TSX). As of December 31, 2010, no purchases had been made. Based on the closing price of REIT A Units on December 31, 2010, the Trust may purchase up to $121.1 million worth of REIT A Units.

For the year ended December 31, 2009, the Trust did not purchase any REIT A Units pursuant to its previous bid, which expired on September 25, 2010.

OUR RESULTS OF OPERATIONS

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Revenues				
Rental properties revenue	**$ 81,162**	$ 50,156	**$ 279,352**	$ 192,083
Interest and fee income	**537**	409	**1,577**	1,676
	81,699	50,565	**280,929**	193,759
Expenses				
Rental properties operating expenses	**32,678**	19,365	**106,954**	71,129
Interest	**16,271**	12,190	**59,732**	49,736
Depreciation of rental properties	**11,342**	7,025	**40,656**	27,512
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	5,665	**39,685**	22,231
General and administrative	**2,625**	1,608	**9,317**	6,706
	75,548	45,853	**256,344**	177,314
Income before income taxes	**6,151**	4,712	**24,585**	16,445
Income taxes				
Current income taxes	**3**	2	**13**	12
Future income taxes	**—**	(2,232)	**—**	(1,768)
	3	(2,230)	**13**	(1,756)
Income before discontinued operations	**6,148**	6,942	**24,572**	18,201
Discontinued operations	**(426)**	(336)	**2,418**	(4,781)
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420

Income statement results

Rental properties revenue

Revenues include net rental income from rental properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions completed in the second half of 2009 and throughout 2010 and comparative property growth were the primary drivers of the $31.0 million, or 62%, increase in rental property revenue over the comparative quarter and $87.3 million, or 45%, for the year.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management, including management, construction and leasing fees, and interest earned on bank accounts and related fees. These revenues are not necessarily of a recurring nature and the amounts will vary from quarter to quarter and year-over-year. The $0.1 million decrease over the prior year is mainly a result of investing underdeployed cash at lower rates in the first two quarters of 2010. The $0.1 million increase over the comparative quarter is mainly a result of interest earned on cash balances that were used to acquire properties early in the first quarter of 2011.

Rental properties operating expenses

Operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, realty taxes, and repairs and maintenance. Expenses increased $13.3 million, or 69%, for the quarter and $35.8 million, or 50%, for the year, reflecting the additional costs associated with properties acquired and higher recoverable operating costs.

Interest expense

Interest expense increased $4.1 million, or 33%, for the quarter, and $10.0 million, or 20%, for the year, mainly reflecting the additional mortgage debt related to acquired properties as well as new financing entered into over 2010. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, remains strong at 2.8 times.

Depreciation of rental properties

Acquisitions completed in 2009 and 2010 resulted in a $4.3 million, or 61%, increase in depreciation over the comparative quarter, and $13.1 million, or 48%, over the prior year.

Amortization of leasing costs, tenant improvements and intangibles

Amortization increased $7.0 million, or 123%, over the comparative quarter, and $17.5 million, or 79%, over the prior year, largely due to acquisitions.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations. Expenses for the quarter were $2.6 million, an increase of $1.0 million, or 63%, over the comparative quarter, mostly due an increase in asset management fees as a result of acquisitions and $0.2 million of non-cash deferred unit incentive plan expenses. Expenses for the year were $9.3 million, an increase of $2.6 million, or 39%, over the prior year, mostly due to an increase in asset management fees as a result of acquisitions.

Income tax expense

Dundee REIT distributes or designates all taxable earnings to unitholders, and as such, under current legislation, the obligation to pay tax rests with each unitholder and no tax provision is currently required on the majority of Dundee REIT's income. Certain of our Canadian and U.S. subsidiaries were taxable and any tax-related costs are reflected in the consolidated balance sheets and consolidated statements of income. On December 31, 2009, we effected the transfer of our interest in a property held in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. In addition, on February 5, 2010, we disposed of our interest in the U.S. subsidiary. As a result of these transactions, we are no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates.

Discontinued operations

Discontinued operations include assets that have been sold or classified as held for sale and meet specific criteria as discontinued assets in accordance with GAAP. These operations are disclosed separately on the consolidated statements of net income. Further information is provided in Note 20 to the consolidated financial statements.

Related-party transactions

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms and as disclosed in Note 19 to the consolidated financial statements. During the quarter, we received $0.5 million related to the DRC Services Agreement. Other costs recovered from DRC include $1.3 million for operating and administrative costs of regional offices. We paid $3.9 million related to the Asset Management Agreement. During the year, we received $2.1 million related to the DRC Services Agreement. Other costs recovered from DRC include $4.2 million for operating and administrative costs of regional offices. We paid $12.5 million related to the Asset Management Agreement.

Net operating income

Net operating income is an important measure used by management to evaluate the operating performance of the properties; however, it is not defined by GAAP, does not have a standard meaning and may not be comparable with other income trusts. Below is our reconciliation of NOI to net income.

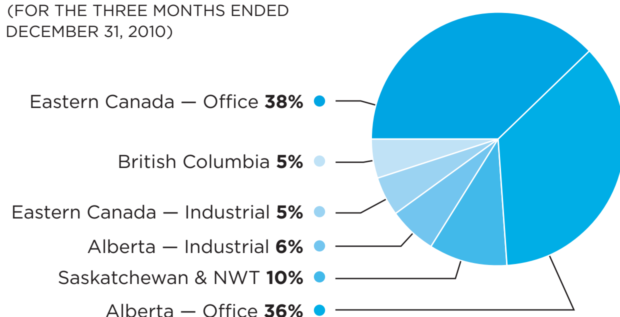
	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420
Add (deduct):				
Interest expense	**16,271**	12,190	**59,732**	49,736
Depreciation of rental properties	**11,342**	7,025	**40,656**	27,512
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	5,665	**39,685**	22,231
General and administrative expenses	**2,625**	1,608	**9,317**	6,706
Interest and fee income	**(537)**	(409)	**(1,577)**	(1,676)
Income taxes	**3**	(2,230)	**13**	(1,756)
Depreciation, amortization, interest, gain on disposal of rental properties and future income taxes, included in discontinued operations	**499**	402	**(2,296)**	7,043
NOI including discontinued operations	**$ 48,557**	$ 30,857	**$ 172,520**	$ 123,216

We define NOI as the total of rental property revenues, including property management income, less rental property operating expenses. NOI, before discontinued operations, increased 57% for the quarter and 43% for the year over the comparative periods. The increase is mainly attributable to income generated by properties acquired in 2009 and 2010 along with modest comparable property growth and a lease termination fee of $1.5 million received in the fourth quarter of 2010. The quarterly impact of the terminated lease is a decrease in NOI of $0.2 million. The space is expected to be leased by the third quarter of 2011.

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Office	**$ 43,065**	$ 27,854	$ 15,211	55	**$ 156,676**	$ 109,823	$ 46,853	43
Industrial	**5,419**	2,937	2,482	85	**15,722**	11,131	4,591	41
NOI	**48,484**	30,791	17,693	57	**172,398**	120,954	51,444	43
Discontinued operations	**73**	66	7		**122**	2,262	(2,140)	
NOI including discontinued operations	**$ 48,557**	$ 30,857	$ 17,700	57	**$ 172,520**	$ 123,216	$ 49,304	40

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,724**	$ 2,493	$ 231	9	**$ 10,413**	$ 10,010	$ 403	4
Alberta	**20,470**	19,584	886	5	**81,063**	78,461	2,602	3
Saskatchewan & NWT	**4,674**	4,394	280	6	**18,345**	17,227	1,118	6
Eastern Canada	**20,616**	4,320	16,296	377	**62,577**	15,256	47,321	310
NOI	**48,484**	30,791	17,693	57	**172,398**	120,954	51,444	43
Discontinued operations	**73**	66	7		**122**	2,262	(2,140)	
NOI including discontinued operations	**$ 48,557**	$ 30,857	$ 17,700	57	**$ 172,520**	$ 123,216	$ 49,304	40

NOI BY REGION
(FOR THE THREE MONTHS ENDED DECEMBER 31, 2010)



NOI comparative portfolio

NOI shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2009. Discontinued operations contributing to NOI in comparative periods are shown separately to conform to the required income statement presentation. Comparative NOI and acquisitions exclude GAAP adjustments that relate to straight-line rents and amortization of market rent adjustments on acquired leases. Additionally, it excludes lease termination fees.

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Office	**$ 24,569**	$ 24,518	$ 51	—	**$ 98,717**	$ 97,791	$ 926	1
Industrial	**3,098**	2,906	192	7	**11,926**	11,007	919	8
Comparative properties	**27,667**	27,424	243	1	**110,643**	108,798	1,845	2
Lease termination fees	**1,519**	46	1,473		**1,689**	223	1,466	
Acquisitions	**16,445**	753	15,692		**45,986**	911	45,075	
GAAP adjustments	**2,853**	2,568	285		**14,080**	11,022	3,058	
NOI	**48,484**	30,791	17,693	57	**172,398**	120,954	51,444	43
Discontinued operations	**73**	66	7		**122**	2,262	(2,140)	
NOI including discontinued operations	**$ 48,557**	$ 30,857	$ 17,700	57	**$ 172,520**	$ 123,216	$ 49,304	40

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,514**	$ 2,418	$ 96	4	**$ 9,923**	$ 9,512	$ 411	4
Alberta	**17,229**	17,394	(165)	(1)	**69,129**	69,086	43	0
Saskatchewan & NWT	**4,319**	4,306	13	—	**17,283**	16,866	417	2
Eastern Canada	**3,605**	3,306	299	9	**14,308**	13,334	974	7
Comparative properties	**27,667**	27,424	243	1	**110,643**	108,798	1,845	2
Lease termination fees	**1,519**	46	1,473		**1,689**	223	1,466	
Acquisitions	**16,445**	753	15,692		**45,986**	911	45,075	
GAAP adjustments	**2,853**	2,568	285		**14,080**	11,022	3,058	
NOI	**48,484**	30,791	17,693	57	**172,398**	120,954	51,444	43
Discontinued operations	**73**	66	7		**122**	2,262	(2,140)	
NOI including discontinued operations	**$ 48,557**	$ 30,857	$ 17,700	57	**$ 172,520**	$ 123,216	$ 49,304	40

Overall, NOI from comparative properties increased by 1% to $27.7 million in the fourth quarter and by 2% to $110.6 million for the year. Industrial comparative properties grew by 7% and 8% for the quarter and the year, respectively, primarily as a result of increased occupancy. Comparative office NOI remained consistent with the prior year comparative periods. Properties acquired in 2009 and 2010 contributed $15.7 million to NOI growth in the quarter and $45.1 million in the year. In the quarter, a lease was terminated at State Street Financial Centre in downtown Toronto, resulting in lease termination fees of $1.5 million being recognized.

Comparative office portfolio

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,514**	$ 2,418	$ 96	4	**$ 9,923**	$ 9,512	$ 411	4
Alberta	**14,131**	14,488	(357)	(2)	**57,203**	58,079	(876)	(2)
Saskatchewan & NWT	**4,319**	4,306	13	—	**17,283**	16,866	417	2
Eastern Canada	**3,605**	3,306	299	9	**14,308**	13,334	974	7
Comparative properties	**24,569**	24,518	51	—	**98,717**	97,791	926	1
Lease termination fees	**1,514**	46	1,468		**1,683**	223	1,460	
Acquisitions	**14,251**	753	13,498		**42,549**	911	41,638	
GAAP adjustments	**2,731**	2,537	194		**13,727**	10,898	2,829	
Office NOI	**$ 43,065**	$ 27,854	$ 15,211	55	**$ 156,676**	$ 109,823	$ 46,853	43

NOI from our comparative office portfolio was $24.6 million for the quarter and $98.7 million for the year, an increase of $0.1 million and $0.9 million over the comparative periods. While we continue to experience occupancy declines in our Calgary region, this has been mitigated by an upside experience in our British Columbia and Eastern Canada office markets. In Eastern Canada (comparative properties consist of three buildings in downtown Toronto) NOI increased $0.3 million for the quarter and $1.0 million for the year, or 9% and 7%, respectively. This was a result of increases in average in-place rents. British Columbia continues to provide comparable property growth because of increases in average in-place rents at a building in Vancouver for the quarter. Year-over-year, we had a 40 basis point increase in occupancy and increases in in-place rents in British Columbia.

Comparative industrial portfolio

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Alberta	**$ 3,098**	$ 2,906	$ 192	7	**$ 11,926**	$ 11,007	$ 919	8
Comparative properties	**3,098**	2,906	192	7	**11,926**	11,007	919	8
Lease termination fees	**5**	—	5		**6**	—	6	
Acquisitions	**2,194**	—	2,194		**3,437**	—	3,437	
GAAP adjustments	**122**	31	91		**353**	124	229	
Industrial NOI	**$ 5,419**	$ 2,937	$ 2,482	85	**$ 15,722**	$ 11,131	$ 4,591	41

We experienced growth in our industrial portfolio in both the three- and 12-month comparative prior year periods, contributing $0.2 million and $0.9 million, respectively, to the overall comparative property growth. This is primarily a result of increased occupancy in our Calgary properties.

NOI prior quarter comparison

The comparative properties disclosed in the following tables are properties acquired prior to July 1, 2010. Comparative property NOI increased by $0.6 million, or 1%, over the third quarter of 2010.

	For the three months ended			
			Growth	
	December 31, 2010	September 30, 2010	Amount	%
Office	**$ 36,691**	$ 36,264	$ 427	1
Industrial	**3,325**	3,162	163	5
Comparative properties	**40,016**	39,426	590	1
Lease termination fees	**1,519**	8	1,511	
Acquisitions	**4,096**	1,171	2,925	
GAAP adjustments	**2,853**	4,185	(1,332)	
NOI	**48,484**	44,790	3,694	8
Discontinued operations	**73**	—	73	
NOI including discontinued operations	**$ 48,557**	$ 44,790	$ 3,767	8

	For the three months ended			
			Growth	
	December 31, 2010	September 30, 2010	Amount	%
British Columbia	**$ 2,514**	$ 2,497	$ 17	1
Alberta	**19,005**	18,347	658	4
Saskatchewan & NWT	**4,601**	4,618	(17)	—
Eastern Canada	**13,896**	13,964	(68)	—
Comparative properties	**40,016**	39,426	590	1
Lease termination fees	**1,519**	8	1,511	
Acquisitions	**4,096**	1,171	2,925	
GAAP adjustments	**2,853**	4,185	(1,332)	
NOI	**48,484**	44,790	3,694	8
Discontinued operations	**73**	—	73	
NOI including discontinued operations	**$ 48,557**	$ 44,790	$ 3,767	8

NOI from the office portfolio grew by $0.4 million, or 1%, over the prior quarter primarily from an increase in comparative property NOI due to the expiration of free rent periods of tenants in certain Edmonton and Toronto properties of $0.6 million. Offsetting this the Trust incurred $0.3 million of non-recoverable expenses in the quarter. The industrial portfolio also experienced growth during this period of $0.2 million, or 5%, resulting from a decrease in non-recoverable expenses over the prior quarter.

SELECTED ANNUAL INFORMATION

The following table provides selected financial information for the past three years:

December 31	**2010**	2009	2008
Revenues	**$ 280,929**	$ 193,759	$ 183,442
Income before discontinued operations	**24,572**	18,201	9,461
Net income	**26,990**	13,420	10,460
Total assets	**2,316,824**	1,335,242	1,315,987
Debt	**1,296,851**	857,060	883,695
Distributions declared	**86,048**	48,450	45,756
Per unit amounts:			
Basic income from continuing operations	**$ 0.64**	$ 0.82	$ 0.45
Basic net income	**0.70**	0.60	0.50
Diluted income from continuing operations	**0.64**	0.82	0.45
Diluted net income	**0.70**	0.60	0.50

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2009.

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenues								
Rental properties revenue	**$ 81,162**	$ 72,806	$ 64,374	$ 61,010	$ 50,156	$ 47,398	$ 46,387	$ 48,142
Interest and fee income	**537**	357	415	268	409	299	491	477
	81,699	73,163	64,789	61,278	50,565	47,697	46,878	48,619
Expenses								
Rental properties operating expenses	**32,678**	28,016	22,875	23,385	19,365	17,551	16,219	17,994
Interest	**16,271**	15,234	14,509	13,718	12,190	12,487	12,552	12,507
Depreciation of rental properties	**11,342**	11,147	9,632	8,535	7,025	6,935	6,767	6,785
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	9,786	8,464	8,803	5,665	5,338	5,608	5,620
General and administrative	**2,625**	2,326	2,301	2,065	1,608	1,667	1,710	1,721
	75,548	66,509	57,781	56,506	45,853	43,978	42,856	44,627
Income before income and large corporations taxes	**6,151**	6,654	7,008	4,772	4,712	3,719	4,022	3,992
Income taxes (recovery)								
Current income and large corporations taxes	**3**	3	3	4	2	4	—	6
Future income taxes	**—**	—	—	—	(2,232)	87	137	240
Income tax expense (recovery)	**3**	3	3	4	(2,230)	91	137	246
Income before discontinued operations	**6,148**	6,651	7,005	4,768	6,942	3,628	3,885	3,746
Discontinued operations	**(426)**	3	(2)	2,843	(336)	4,099	(8,657)	113
Net income (loss)	**$ 5,722**	$ 6,654	$ 7,003	$ 7,611	$ 6,606	$ 7,727	$ (4,772)	$ 3,859
Net income (loss) per unit								
Basic	**$ 0.12**	$ 0.16	$ 0.19	$ 0.25	$ 0.26	$ 0.35	$ (0.23)	$ 0.18
Diluted[1]	**$ 0.12**	$ 0.16	$ 0.19	$ 0.25	$ 0.26	$ 0.35	$ (0.23)	$ 0.18

[1] Excludes impact of 6.5%, 5.7% and 6.0% Debentures, which are currently not dilutive to net income.

Calculation of funds from operations and distributable income

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Net income (loss)	**$ 5,722**	$ 6,654	$ 7,003	$ 7,611	$ 6,606	$ 7,727	$ (4,772)	$ 3,859
Add (deduct):								
Depreciation of rental properties	**11,342**	11,147	9,632	8,535	7,075	7,021	7,095	7,092
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	9,786	8,464	8,803	5,683	5,377	5,779	5,744
Future income taxes	**—**	—	—	—	(2,623)	87	(1,493)	290
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(54)**	(52)	(54)	(44)	(40)	(35)	(35)	(61)
Gain on disposal of rental properties and land held for sale	**499**	(3)	9	(2,801)	662	(3,967)	10,564	—
Leasing costs and intangibles expensed on lease termination	**240**	—	—	—	—	—	—	—
Funds from operations	**$ 30,381**	$ 27,532	$ 25,054	$ 22,104	$ 17,363	$ 16,209	$ 17,138	$ 16,924
Funds from operations per unit								
Basic[(1)]	**$ 0.66**	$ 0.66	$ 0.69	$ 0.72	$ 0.70	$ 0.74	$ 0.82	$ 0.81
Diluted	**$ 0.66**	$ 0.66	$ 0.69	$ 0.71	$ 0.69	$ 0.73	$ 0.80	$ 0.79
Funds from operations	**$ 30,381**	$ 27,532	$ 25,054	$ 22,104	$ 17,363	$ 16,209	$ 17,138	$ 16,924
Add (deduct):								
Amortization of marked-to-market adjustment on acquired debt	**$ (175)**	$ (215)	$ (168)	$ (206)	$ (182)	$ (198)	$ (196)	$ (222)
Amortization of deferred financing costs incurred prior to June 30, 2003	**410**	370	364	337	327	301	326	305
Deferred compensation expense	**582**	351	394	220	221	220	221	197
Straight-line rent	**(857)**	(1,564)	(1,178)	(172)	(411)	(241)	(187)	(213)
Amortization of above-market rent	**607**	468	239	267	126	97	99	99
Amortization of below-market rent	**(2,942)**	(3,155)	(2,728)	(3,576)	(2,426)	(2,684)	(2,715)	(2,876)
Amortization of tenant inducements	**98**	66	55	49	57	59	58	81
Amortization of deferred financing amortization costs incurred subsequent to June 30, 2003	**(391)**	(349)	(344)	(309)	(315)	(291)	(305)	(282)
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	**(10)**	(11)	(12)	(9)	(13)	(11)	(12)	(9)
Vendor head lease income and revenue supplement	**171**	677	787	95	—	—	—	—
Distributable income	**$ 27,874**	$ 24,170	$ 22,463	$ 18,800	$ 14,747	$ 13,461	$ 14,427	$ 14,004
Distributable income per unit								
Basic[(1)]	**$ 0.61**	$ 0.58	$ 0.62	$ 0.61	$ 0.59	$ 0.62	$ 0.69	$ 0.67
Diluted	**$ 0.61**	$ 0.59	$ 0.62	$ 0.62	$ 0.60	$ 0.62	$ 0.68	$ 0.67
Distributable income	**$ 27,874**	$ 24,170	$ 22,463	$ 18,800	$ 14,747	$ 13,461	$ 14,427	$ 14,004
Adjusted for:								
Normalized leasing cost and tenant improvements	**2,554**	2,505	2,287	2,089	1,514	1,514	1,514	1,514
Normalized non-recoverable recurring capital expenditures	**75**	75	75	75	200	200	200	200
Adjusted funds from operations	**$ 25,245**	$ 21,590	$ 20,101	$ 16,636	$ 13,033	$ 11,747	$ 12,713	$ 12,290
AFFO per unit								
Basic[(1)]	**$ 0.55**	$ 0.52	$ 0.55	$ 0.54	$ 0.52	$ 0.54	$ 0.61	$ 0.59
Weighted average units outstanding for FFO and DI								
Basic	**46,054,582**	41,627,961	36,418,168	30,713,775	24,967,255	21,883,358	21,018,003	20,956,343
Diluted	**49,596,634**	45,106,887	39,871,032	34,175,445	28,417,078	25,312,351	24,456,839	24,392,013

(1) The LP Class B Units, Series 1, are included in the calculation of basic FFO per unit and basic DI per unit.

SECTION III — DISCLOSURE CONTROLS AND PROCEDURES

For the December 31, 2010, financial year-end, the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), together with other members of management, have evaluated the design and operational effectiveness of Dundee REIT's disclosure controls and procedures, as defined in National Instrument 52-109. The Certifying Officers have concluded that the disclosure controls and procedures for recording, processing and summarizing material information are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures by Dundee REIT and its consolidated subsidiary entities, within the required time periods.

The internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Using the framework established in "Risk Management and Governance: Guidance on Control (COCO Framework)", published by CICA, the Certifying Officers, together with other members of management, have evaluated and concluded that the design and operation of Dundee REIT's internal controls over financial reporting are effective for the financial year-end December 31, 2010.

There were no changes in the internal controls over financial reporting during the financial year-end December 31, 2010, which have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

SECTION IV — RISKS AND OUR STRATEGY TO MANAGE

Dundee REIT is exposed to various risks and uncertainties. Risks and uncertainties inherent in an investment in our units include, but are not limited to, the following:

REAL ESTATE OWNERSHIP

Real estate ownership is generally subject to numerous risks, including changes in general economic conditions, such as the availability and cost of mortgage funds, local economic conditions, such as an oversupply of office, industrial and retail properties or a reduction in demand for real estate in the area, the attractiveness of properties to potential tenants or purchasers, competition of others with available space, the ability of the owner to provide adequate maintenance at an economic cost and other factors.

Our portfolio of properties generates income through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. Our financial position would be adversely affected if a number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties could not be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting our investment may be incurred. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of the lease of such tenant and, thereby, cause a reduction in the cash flow available to us.

ILLIQUIDITY OF REAL ESTATE INVESTMENTS

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession, we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions. We manage our portfolio actively and are attentive to market conditions and property values. We review our properties on an ongoing basis to identify strengths and weaknesses of individual properties and our portfolio as a whole, allowing us to quickly reposition assets when warranted or identify non-core or underperforming assets for disposition.

COMPETITION IN THE OFFICE AND INDUSTRIAL REAL ESTATE MARKET

We compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the commercial office and industrial properties of our competitors are newer, better located or better capitalized than our properties. Certain of these competitors have greater financial and other resources, and greater operating flexibility compared to us. The existence of competing managers and owners could have a material adverse effect on our ability to lease space in our properties and on the rents we are able to charge, and could adversely affect our revenues and our ability to meet our obligations. We strive to deliver a level of service that meets or exceeds tenant expectations. We believe that providing a consistent, high level of service puts us in a better position to re-lease space to existing tenants and helps to attract new tenants to lease vacant space quickly and cost-effectively.

ENVIRONMENTAL RISK

As an owner of real property, we are subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental audit to be conducted. Although such an audit provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to obtain a Phase I Environmental Site Assessment, conducted by an independent and qualified environmental consultant, before acquiring any real property or any interest therein.

FINANCING RISK

Upon the expiry of the term of the financing of any particular property, operating or acquisition debt facility, refinancing may not be available in the amounts required or may be available only on terms less favourable to us than existing financing. We may require additional financing in order to grow and expand our operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. Future financing may take many forms, including debt or equity financing, which could alter the current debt-to-equity ratio or which could be dilutive to our unitholders. It is our intent to reduce the interest rate risk associated with refinancing by ensuring that debt maturities are scheduled over several years, with limited exposure in any given year.

INSURANCE

We carry general liability, umbrella liability and excess liability insurance with a total limit of $76.0 million. For the property risks, we carry “All Risks” property insurance, including but not limited to, flood, earthquake and loss of rental income insurance (with a 24-month indemnity period). We also carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) that are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. We currently self-insure against terrorism risk for the entire Canadian portfolio. We have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of the properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. Additionally, we generally have owners’ title insurance policies with respect to our properties located in the United States. However, the amount of coverage under such policies may be less than the full value of such properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

JOINT VENTURE, PARTNERSHIP AND CO-OWNERSHIP AGREEMENTS

We are a participant in joint ventures and partnerships with third parties in respect of three properties. A joint venture or partnership involves certain additional risks, including:

(i) the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with ours or take actions contrary to our instructions or requests or to our policies or objectives with respect to our real estate investments;

(ii) the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on us to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by us or for which we will be liable and/or result in our suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions;

(iii) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject us to liability; and

(iv) the need to obtain co-venturers'/partners' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to rights of first refusal or first offer and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not desire to sell but may be forced to do so because we do not have the cash to purchase the other party's interests. Such rights may also inhibit our ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis we desire.

Our investment in properties through joint venture and partnership agreements is subject to the investment guidelines set out in our Declaration of Trust.

SECTION V — CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

Management of Dundee REIT believes the policies outlined below are those most subject to estimation and management's judgment.

Impairment of long-lived assets

Under GAAP, management is required to write down to fair value any long-lived asset that is determined to have been impaired. Dundee REIT's long-lived assets consist of rental properties, intangible assets and liabilities, and leasing costs and tenant improvements relating to those properties. The fair value of rental properties and their associated leasing costs and tenant improvements is dependent upon anticipated future cash flows from operations over the anticipated holding period.

The review of anticipated cash flows involves subjective assumptions of estimated occupancy, rental rates and a residual value. In addition to reviewing anticipated cash flows, management assesses changes in business climates and other factors that may affect the ultimate value of the property. These assumptions are subjective and may not ultimately be achieved.

In the event these factors result in a carrying value that exceeds the sum of the undiscounted cash flows expected to result from the direct use and eventual disposition of the property, an impairment loss would be recognized.

CHANGES IN ACCOUNTING POLICIES

Future changes in accounting policies

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes accounting standards for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". The section prospectively applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes accounting standards for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IAS 27, "Consolidated and Separate Financial Statements".

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. Dundee REIT will not be adopting these policies prior to January 1, 2011.

International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") will become mandatory for Canadian public companies for financial periods beginning on or after January 1, 2011. The Trust will report under IFRS, commencing with its interim financial statements for the three months ending March 31, 2011. These financial statements will also include comparative results for the three months ended March 31, 2010.

IFRS conversion plan

The Trust has followed a three-phase IFRS conversion plan that addresses changes in accounting policies, the restatement of comparative periods, various education and training sessions on the adoption of IFRS as well as required changes to business processes and internal controls. The transition process consists of three primary phases: the scoping and diagnostic phase; the impact analysis, evaluation and design phase; and the implementation and review phase.

The diagnostic phase of the project was completed in 2008, which included identifying major accounting differences for their relevance and formulating key IFRS conversion issues to be resolved in the second phase of the project. We have provided IFRS education to key employees responsible for financial reporting. The impact analysis, evaluation and design phase of the project was completed in August 2010. The implementation and review phase includes implementing recommendations that were approved during the second phase. Phase three will ensure that all policies that require changes are properly implemented and that training is provided to all stakeholders. Phase three activities are substantially complete.

New controls are being put into place to address certain unique IFRS accounting and disclosure requirements; however, the Trust does not anticipate comprehensive changes to its current accounting and consolidation systems, its internal controls, or its disclosure control process as a result of the conversion to IFRS, except for new processes around the valuation of rental properties.

Impact of adoption of IFRS

The International Financial Reporting Standards are premised on a conceptual framework similar to GAAP, although significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have an impact on the Trust's reported net cash flows, it will have a material impact on its consolidated balance sheets and statement of comprehensive income; the Trust is continuing to evaluate the impact of IFRS to the presentation and classification in its consolidated statements of cash flow. In particular, the Trust's opening consolidated balance sheet will reflect the revaluation of all investment properties to fair value. In addition, the Trust's intangible assets and liabilities will no longer be separately recognized. Also, the Trust's joint venture properties, which are currently proportionately consolidated, will be recorded as investments, accounted for using the equity method. Finally, the LP B Units, deferred trust units and the conversion feature attributed to the convertible debentures will be presented as liabilities because of the redemption feature of REIT Units. The Trust currently expects that the impact of all these differences on its January 1, 2010 opening balance sheet under IFRS compared to its December 31, 2009 balance sheet under GAAP will result in an increase in unitholders' equity from $399 million to approximately $502 million.

IFRS 1: First-Time Adoption of IFRS

The Trust's adoption of IFRS will require the application of IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity applies all IFRS effective at the end of its first IFRS reporting period, retrospectively. However, IFRS 1 does require certain mandatory exceptions, and permits limited optional exemptions. The following is the optional exemption available under IFRS 1, which is significant to the Trust and which the Trust expects to apply in preparation of its first financial statements under IFRS:

Foreign currency translation adjustments

International Accounting Standards ("IAS") 21, "The Effects of Changes in Foreign Exchange Rates", requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows foreign currency translation adjustments for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. The Trust will elect to deem all foreign currency translation adjustments totalling $6.6 million at January 1, 2010, to be zero on transition to IFRS.

Business combinations

The Trust has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. The Trust has determined that property acquisitions completed to date do not meet the definition of a business combination.

IFRS 1 allows for certain other optional exemptions; however, the Trust does not expect such exemptions to be significant to its adoption of IFRS.

Impact of IFRS on financial position

The following paragraphs quantify and describe the expected impact of significant differences between the Trust's December 31, 2009 balance sheet under GAAP and its January 1, 2010 opening balance sheet under IFRS. This discussion has been prepared using the standards and interpretations currently issued and expected to be effective at the end of the Trust's first annual IFRS reporting period. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and, as a result, the impact of the Trust's conversion to IFRS may be different than its current expectation. The amounts have not been audited or subject to review by the Trust's external auditor. The underlying values presented below are prepared using the procedures and assumptions that the Trust intends to follow in preparing its opening balance sheet upon adoption of IFRS.

Rental properties

The Trust considers its rental properties to be investment properties under IAS 40, "Investment Property" ("IAS 40"). Investment property includes land and buildings held primarily to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or for sale in the ordinary course of business. Similar to GAAP, investment property is initially recorded at cost under IAS 40. However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for its investment property. The Trust has elected to use the fair value model when preparing its financial statements under IFRS. As at January 1, 2010, the Trust expects the fair value of its rental property portfolio, including joint venture properties previously proportionately consolidated, to be approximately $176 million greater than their carrying value under GAAP, inclusive of corresponding intangible assets and liabilities recorded under GAAP. The offsetting adjustment is recorded directly to opening equity. However, this increase will be offset by the deconsolidation of certain of the Trust's joint venture properties that are discussed further below (see Investments in Joint Ventures on page 53).

As at January 1, 2011, the Trust expects the fair value of its rental property portfolio, including joint venture properties previously proportionately consolidated, to be approximately $412 million greater than their carrying value under GAAP, inclusive of corresponding intangible assets and liabilities recorded under GAAP. The offsetting adjustment comprises the opening valuation adjustment of $176 million, which is recorded directly to opening equity at January 1, 2010, and the balance of $236 million will be disclosed as a fair value adjustment, increasing net income for the year ended December 31, 2010.

For the valuation prepared at January 1, 2010, the Trust determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at January 1, 2010, less future cash outflows in respect of such leases. Fair values were determined using the discounted cash flow method and/or the direct capitalization method. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates ranging between 8.0% and 10.5% and terminal capitalization rates ranging between 7.25% and 9.75%. The direct capitalization method applies a capitalization rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.75% to 9.50%. The weighted average capitalization rate for our property portfolio at January 1, 2010, is 8.00%.

For the valuation prepared at January 1, 2011, the Trust determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at January 1, 2011, less future cash outflows in respect of such leases. Fair values were determined using the discounted cash flow method and/or by the direct capitalization method. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates ranging between 6.75% and 10.50% and terminal capitalization rates ranging between 6.25% and 9.75%. The direct capitalization method applies a capitalization rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.00% to 9.50%. The weighted average capitalization rate for our property portfolio at January 1, 2011, is 7.25%.

Investments in joint ventures

The Trust expects to have investments in joint ventures at January 1, 2010, of approximately $94.8 million under IFRS, inclusive of $30.0 million of fair value adjustments and net of liabilities reclassified to investments in joint ventures. These investments relate to investments in properties held through limited partnership structures that are proportionately consolidated under GAAP that will be equity accounted under IFRS and accordingly included in the investment in joint ventures account.

Intangible assets and liabilities

With the adoption of IFRS, the Trust will derecognize its intangible assets and liabilities that relate to assets or obligations otherwise considered in the determination of fair value of investment properties at January 1, 2010. The Trust expects this will result in a decrease to intangible assets and liabilities of $58 million and $35 million, respectively.

Debt

The Trust expects the reported balances of property-specific mortgages at January 1, 2010, to decrease by approximately $100 million under IFRS compared to balances reported in accordance with GAAP. The decrease primarily relates to the deconsolidation of debt related to investments in properties that are proportionately consolidated under GAAP that will be equity accounted under IFRS.

Subsidiary redeemable units

The Trust will be required under IAS 32, "Financial Instruments Presentation", to present the LP B Units as a liability measured at amortized cost upon initial adoption of IFRS. The Trust expects to have subsidiary redeemable units at January 1, 2010, of approximately $72 million under IFRS. The presentation is required because each LP B Unit is exchangeable for a REIT Unit that, except for the available exemption under IAS 32, would normally be presented as a liability because of the redemption feature attached to the REIT Units. The LP B Units are presented as a component of unitholders' equity under GAAP.

Conversion feature of convertible debentures

The Trust will be required under IAS 32, "Financial Instruments: Presentation", to present the conversion feature of the convertible debentures as a liability measured at fair value upon initial adoption of IFRS. The Trust expects the value of the conversion liability at January 1, 2010, to be approximately $5 million under IFRS. The presentation is required because the conversion feature permits the holder to convert the debenture into a REIT A Unit that, except for the available exemption under IAS 32, would normally be presented as a liability because of the redemption feature attached to the Trust Units. The conversion features were previously included as a component of unitholders' equity under GAAP.

Deferred trust units

The Trust will be required under IAS 32, "Financial Instruments: Presentation", to present deferred trust units as a liability measured at fair value upon initial adoption of IFRS. The Trust expects the value of this liability at January 1, 2010, to be approximately $3 million under IFRS. The presentation is required because the deferred trusts units are exchangeable for a REIT A Unit that, except for the available exemption under IAS 32, would normally be presented as a liability because of the redemption feature attached to the REIT Units. The vested deferred trust units were previously included as a component of unitholders' equity under GAAP.

Assets held for sale

The Trust expects assets held for sale to increase by $6.6 million as a result the Trust's IFRS 1 election deeming foreign currency translation adjustments to be zero on transition to IFRS. The increase relates to the provision for the foreign currency translation adjustment associated with the investment in the net assets of the related property.

Impact of IFRS on consolidated statements of net income and comprehensive income

The following paragraphs highlight the significant differences between GAAP and IFRS that will affect net income. This discussion has been prepared on a basis consistent with all known IFRS to GAAP differences using the accounting policies expected to be applied by the Trust on its adoption of IFRS using the standards anticipated to be in effect at December 31, 2011. Consequently, to the extent the accounting policies expected to be applied by the Trust on adoption of IFRS change, new standards are issued that are required to be adopted by the Trust, or to the extent the Trust identifies additional differences as it finalizes its assessment of IFRS, the discussion below may be impacted.

Fair value changes of investment property

The Trust has elected to measure investment property using the fair value model under IAS 40, "Investment Property", which requires a gain or loss arising from a change in the fair value of investment property in the period to be recognized in income. Net income during any given period may be greater or less than as determined under GAAP depending on whether an increase or decrease in fair value occurs during the period of measurement.

Depreciation and amortization expense

Under the fair value model, depreciation of investment properties is not recorded. Additionally, the transition to IFRS in conjunction with the use of the fair value model will result in historic intangible balances established under GAAP in respect of asset acquisitions to no longer be separately recognized, and accordingly, not amortized under IFRS. The impact of no longer amortizing historic intangible balances along with no longer recording depreciation expense on the Trust's rental properties would result in an increase to net income.

Revenue recognition

IFRS requires rental revenue to be determined on a straight-line basis considering all rentals from the inception of the lease, whereas GAAP only required rental income to be recognized on a straight-line basis prospectively, commencing January 1, 2004. The Trust expects that this difference, applied retrospectively, would be insignificant. Also, as the Trust will no longer separately account for intangible assets and liabilities relating to acquired above- and below-market tenant leases, the related amortization of these balances to rental property revenue will be eliminated under IFRS. Finally, tenant improvements will be amortized over their lease terms as a reduction of revenue; however, because tenant improvements are included in the fair value of the property, there is a corresponding offset to the fair value adjustment.

Distributions on subsidiary redeemable units

IFRS requires that the LP B Units be presented as a liability. Because of this requirement, distributions on the LP B Units will be presented as interest expense on subsidiary redeemable units and included in the statements of net income. Under GAAP, these distributions were included directly in unitholders' equity.

Subsidiary redeemable units

The Trust will be required under IAS 39, "Financial Instruments Recognition and Measurement", to measure the liability related to the LP B Units at amortized cost at each reporting period, which will effectively result in a gain or loss arising from a change in the fair value of the LP B Units in the period to be recognized in income. Net income during any given period may be greater or less than as determined under GAAP depending on whether an increase or decrease in fair value occurs during the period of measurement.

Conversion feature of convertible debentures

The Trust will be required under IAS 39, "Financial Instruments Recognition and Measurement", to measure the liability related to the conversion feature of the convertible debentures at fair value at each reporting period, and will require a gain or loss arising from a change in the fair value of the liability in the period to be recognized in income. Net income during any given period may be greater or less than as determined under GAAP depending on whether an increase or decrease in fair value occurs during the period of measurement.

Deferred trust units

The Trust will be required under IAS 39, "Financial Instruments Recognition and Measurement", to measure the liability related to the deferred trust units over their vesting period and thereafter at fair value at each reporting period and will require any gain or loss arising from a change in the fair value of the liability in the period to be recognized in income as compensation expense. Net income during any given period may be greater or less than as determined under GAAP depending on whether an increase or decrease in fair value occurs during the period of measurement.

For a more detailed project plan and interim assessment of the impact on reporting, please refer to our 2009 Annual Report.

Additional information relating to Dundee REIT, including the latest annual information form of Dundee REIT, is available on SEDAR at www.sedar.com.