



## DUNDEE REIT REPORTS SOLID Q2 2013 RESULTS

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

**TORONTO, AUGUST 8, 2013, DUNDEE REIT (D.UN-TSX)** today announced its financial results for the three and six months ended June 30, 2013. Senior management will host a conference call to discuss the results tomorrow, August 9, 2013 at 9:00 a.m. (ET).

### HIGHLIGHTS

- **Strengthened capital structure** – completed a \$230 million equity offering at \$36.20 per unit, and issued \$175 million of 5 year, 3.424% senior unsecured debentures, rated BBB (low) by DBRS, the Trust's first as an investment grade rated entity. The debenture offering reflects the Trust's continued progress in strengthening its capital structure;
- **FFO and AFFO per unit in line with Q2 2012 with ~5% decrease in leverage** – maintained FFO and AFFO per unit at Q2 2012 levels, with a 5% decrease in leverage since that time;
- **\$360.1 million of acquisitions completed in the quarter** – 1.0 million square feet of well-leased office buildings added to the portfolio in key Canadian markets, including Vancouver, Calgary, Saskatoon and Toronto, strengthening the quality and stability of the portfolio. In addition, the Trust has \$140.3 million of pending acquisitions under contract;
- **1.2% growth in comparative properties net operating income ("NOI")** – comparative property NOI was up \$0.9 million, or 1.2%, over Q2 2012, with increases across most regions, driven by higher rental rates achieved on new leasing done over the past year and the benefit of step rents; and
- **Strong occupancy and rental rate increases** – occupancy rate remains strong at 94.9%, well ahead of the national average, with more than 690,000 square feet of new leasing commencing in the quarter and 258,000 square feet of vacancy committed for future occupancy, all at incrementally higher rental rates. Average in-place net rents approximately 11% below estimated market rents.

### SELECTED FINANCIAL INFORMATION

(unaudited)	Three Months Ended			Six Months Ended	
(\$000's except unit and per unit amounts)	June 30, 2013	March 31, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Investment properties revenue <sup>(1)</sup>	\$ 198,225	\$ 189,568	\$ 168,008	\$ 387,793	\$ 307,238
Net operating income ("NOI") <sup>(1)(2)</sup>	112,128	107,665	95,455	219,361	173,821
Comparative properties NOI	69,800	69,662	68,939	139,060	137,753
Funds from operations ("FFO") <sup>(3)</sup>	76,040	72,669	66,633	148,710	121,704
Adjusted funds from operations ("AFFO") <sup>(4)</sup>	64,880	61,615	55,961	126,495	102,614
Investment properties value <sup>(1)</sup>	7,144,652	6,695,410	6,639,139		
Debt <sup>(1)</sup>	3,470,657	3,326,521	3,648,702		
Debt-to-GBV	46.4%	47.3%	51.2%		
<b>Per unit data (basic)</b>					
FFO	\$ 0.72	\$ 0.72	\$ 0.72	\$ 1.43	\$ 1.46
AFFO	0.61	0.61	0.61	1.22	1.23
Distributions	0.56	0.55	0.55	1.11	1.10
<b>Units (period end)</b>					
REIT Units, Series A	104,609,576	97,910,460	96,587,015		
REIT Units, Series B	-	16,316	16,316		
LP Class B Units, Series 1	3,538,457	3,534,432	3,517,370		
Total number of units	108,148,033	101,461,208	100,120,701		
Portfolio gross leasable area (square feet) <sup>(5)</sup>	24,246,403	23,327,935	27,582,915		
Occupied and committed space	94.9%	94.7%	95.6%		

See footnotes on page 4.

"We've assembled a portfolio that is not easy to replicate and, in the process, have become the largest landlord of office space in the Greater Toronto Area with a significant presence in other key markets across the country. We are pleased with our diversified portfolio of central business district assets and our strong balance sheet, which reflects our ongoing strategy of building a high-quality business with increasingly stable and reliable cash flows. Our ability to access the unsecured debt market at attractive rates this quarter reflects these efforts," said Michael Cooper, Vice Chairman and CEO of Dundee REIT.

## PORTFOLIO INVESTMENT ACTIVITY

In keeping with its acquisition strategy to intensify in the central business districts of major Canadian markets, Dundee REIT completed office property acquisitions comprising 1.0 million square feet for approximately \$360.1 million during the quarter. The properties have a weighted average occupancy rate of 99.5% and a weighted average lease term of 5.7 years. These acquisitions are located in key business districts in Vancouver, Saskatoon, Calgary and Toronto, and continue to enhance the quality and diversification of the Trust's portfolio.

Acquisitions during the quarter included the following properties in addition to those previously announced:

- 212 King Street West – a six storey, 73,000 square foot office building situated on the west side of the financial district in Toronto, across the street from Roy Thompson Hall. The property is fully leased with a weighted average lease term of approximately 4.9 years. Cambridge FX, the Toronto Symphony Orchestra and the Toronto Argonauts are among the largest tenants in this property. The site is also well-suited for future intensification.
- 100 Yonge Street – a 17 storey, 242,000 square foot Class A office building in the financial district adjacent and connected to Scotia Plaza. The property is 99% leased with the Bank of Nova Scotia occupying nearly half of the space and a number of tenants in the financial and banking industries occupying much of the remainder. The weighted average lease term is 5.6 years. Dundee REIT acquired 67% of the leasehold interest in the property with a partner acquiring the balance. The Trust assumed its proportionate share of a \$34.9 million, 3.40% mortgage due January 2018.

Acquisitions completed during the quarter are set out below:

<b>Three months ended June 30, 2013</b>	<b>Interest Acquired</b>	<b>Approx. GLA (sq. ft.)</b>	<b>Occupancy</b>	<b>Purchase price (\$000's)*</b>	<b>Date</b>
887 Great Northern Way, Vancouver	100%	164,364	100.0%	\$ 66,135	April 8, 2013
T&T Portfolio, Saskatoon and Calgary	100%	191,147	99.1%	61,850	April 12, 2013
20 Toronto Street and 137 Yonge Street, Toronto	100%	422,990	99.4%	140,775	April 30, 2013
212 King Street West, Toronto	100%	73,277	100.0%	37,000	May 24, 2013
100 Yonge Street, Toronto	67%	161,525	99.4%	54,339	June 26, 2013
<b>Total in Q2 2013</b>		<b>1,013,303</b>	<b>99.5%</b>	<b>\$ 360,099</b>	

\*Purchase price excludes transaction costs

Acquisitions currently under contract are set out below:

<b>Under contract</b>	<b>Interest Acquired</b>	<b>Approx. GLA (sq. ft.)</b>	<b>Occupancy</b>	<b>Purchase price (\$000's)*</b>	<b>Expected Closing Date</b>
IBM Corporate Park, Calgary	67%	238,171	98.1%	\$ 125,000	August 2013
4561 Parliament Avenue, Regina	100%	38,975	100.0%	15,300	September 2013
<b>Total under contract to date in 2013</b>		<b>277,146</b>	<b>98.4%</b>	<b>\$ 140,300</b>	

\*Purchase price excludes transaction costs

- IBM Corporate Centre, Calgary - a 357,000 square foot institutional quality, Class A office campus consisting of three buildings in Calgary's Beltline constructed in three phases between 2002 and 2008. The complex, in which the Trust has held a 33% ownership interest and managed since 2008, is over 98% occupied, with an average weighted lease term of over 5 years and in-place rents that are approximately 5-10% below market rents. Key tenants include Newalta, IBM, Intact Insurance and Jardine Lloyd Thompson.
- 4561 Parliament Avenue, Regina - a 39,000 square foot, three storey office building nearing completion in suburban Regina just south of the airport. Upon completion, the building is expected to obtain a LEED Silver environmental certification. The building offers ample surface parking and is 100% pre-leased to two tenants, KGS Group (a regional engineering firm) and Dundee Realty Corporation. Both leases are for ten years and are at market rental rates.

## OPERATIONAL HIGHLIGHTS

- **Portfolio occupancy remains strong at 94.9%** – The overall percentage of occupied and committed space across the Trust's portfolio remained strong at 94.9% and well ahead of the national industry average of 91.3%. Occupancy increased from 94.7% at March 31, 2013 as a result of acquisitions completed during the quarter that were over 99% occupied.
- **Leasing activity** – During the quarter, leases totalling approximately 690,000 square feet of GLA expired or were terminated and leasing activity included 280,000 square feet of new leases and 412,000 square feet of renewals. To date, the Trust has leased 57% of the remaining 2,197,000 square feet of expiries in 2013, and with 2013 expiring rents being approximately 7% below market, the Trust is confident it will capture rent increases as leasing is completed.
- **Average in-place net rents 11% below market rents** – The Trust continues to capture rental rate gains in connection with leasing activity. At the end of Q2, the portfolio average in-place rent was \$17.43 per square foot, up from \$17.26 at March 31, 2013 and \$17.22 at December 31, 2012, yet they remain approximately 11% below estimated market rents.

## FINANCIAL HIGHLIGHTS

- **Comparative property NOI up \$0.9 million, or 1.2%** – Comparative property NOI was up \$0.9 million, or 1.2%, over Q2 2012, with increases across most regions driven by higher rental rates achieved on new leasing completed over the past year and the benefit of step rents. Total NOI over Q2 2012 is up \$5.0 million, or 5%, driven largely by the effect of acquisitions in the current and prior year.
- **AFFO and FFO in line at 61 cents and 72 cents per unit, respectively** – FFO and AFFO per unit are steady on both a sequential basis and compared to the same period in the prior year, reflecting comparative property NOI growth, accretion from acquisitions and savings on refinancing of maturing debt, offset by the effects of continued deleveraging of the Trust's balance sheet.

## CAPITAL INITIATIVES

Over the past fifteen months, the Trust has been focused on increasing balance sheet strength which, in Management's view, increases the stability and quality of the Trusts cash flows and should ultimately result in a lower relative cost of capital. The effect of this has been demonstrated by the Trust's ability to continue to refinance debt at competitive rates, including accessing the unsecured debt market for the first time as an investment grade rated BBB (low) issuer. The Trust continues to strategically review its overall debt profile and identify areas where it can repay high-interest bearing debt and, where appropriate, enter into new or refinancing arrangements where it takes advantage of longer terms at lower interest rates. When compared to Q4 2012, the Trust's overall debt metrics have continued to improve.

Key performance metrics	June 30, 2013	December 31, 2012
<b>Financing activities<sup>(6)</sup></b>		
Weighted average face interest rate	<b>4.35%</b>	4.50%
Level of debt (debt-to-gross book value) <sup>(7)</sup>	<b>46.4%</b>	48.0%
Interest coverage ratio <sup>(8)</sup>	<b>2.9 times</b>	2.7 times
Proportion of total debt due in current year	<b>4.3%</b>	10.5%
Debt — average term to maturity (years)	<b>4.8 years</b>	5.1 years
Variable rate debt as percentage of total debt	<b>3.3%</b>	4.3%

See footnotes on page 4

## CONFERENCE CALL

Senior management will host a conference call to discuss the results tomorrow, August 9, 2013 at 9:00 a.m. (ET). To access the call, please dial: (647) 317-3471 or toll free at 1-866-551-3680 and use passcode 44853576#. To access the conference call via webcast, please go to Dundee REIT's website at [www.dundeereit.com](http://www.dundeereit.com) and click on the link for News & Events, then click on Calendar of Events. A taped replay of the conference call and the webcast will be available 90 days.

## Other information

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

Dundee REIT is an unincorporated, open-ended real estate investment trust. Dundee REIT is focused on owning, acquiring, leasing and managing well-located, high-quality central business district and suburban office properties. Its portfolio currently comprises approximately 24.3 million square feet of gross leasable area in major urban centres across Canada. Dundee REIT's portfolio is well diversified by geographic location and tenant mix. For more information, please visit [www.dundereit.com](http://www.dundereit.com).

## FOOTNOTES

- (1) Metrics include results and balances of equity accounted investments and exclude discontinued operations.
- (2) NOI – net rental income, exclude net rental income from properties held for sale and discontinued operations.
- (3) FFO - net income, adjusted for items including fair value adjustments on investment properties and financial instruments, gains on sale, and amortization of equipment.
- (4) AFFO – FFO adjusted for amortization of debt costs, deferred unit compensation expense, straight line rent and the Trust's estimates of normalized leasing costs and normalized non-recoverable recurring capital expenditures.
- (5) Excludes development and redevelopment properties and properties held for sale, and the prior period also excludes discontinued operations – industrial properties.
- (6) The key performance indicators for December 31, 2012, exclude the results of operations and the debt of discontinued operations.
- (7) Level of debt is determined as total debt, including debt related to equity accounted investments, divided by total assets (including total assets of equity accounted investments and adjusted for accumulated amortization on property and equipment).
- (8) The interest coverage ratio for the period, including results from equity accounted investments, is calculated as net rental income plus interest and fee income, less general and administrative expenses, all divided by interest expense on debt.

## Non-IFRS supplemental measures

NOI, FFO and AFFO are key measures of performance used by real estate operating companies; however, they are not defined by International Financial Reporting Standards ("IFRS"), do not have standard meanings and may not be comparable with other industries or income trusts.

## Forward looking information

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

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