



## DUNDEE REIT JUNE 30, 2004 FINANCIAL RESULTS

### FOR IMMEDIATE RELEASE

Toronto, August 9, 2004, DUNDEE REIT (D.UN-TSX) today reported its financial results for the quarter ended, June 30, 2004.

SELECTED FINANCIAL INFORMATION (unaudited) (\$000's except unit and per unit amounts)	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003
Rental property revenues	\$ 46,282	\$ 35,052
Net operating income ("NOI") <sup>(1)</sup>	25,833	17,050
Funds from operations ("FFO") <sup>(2)</sup>	15,705	6,813
FFO excluding straight-line rent	14,419	6,726
Net income (loss)	(12,173)	2,077
Distributable income <sup>(3)</sup>	13,612	n/a
Book value of rental properties	1,071,212	811,339
Debt	704,433	505,592
<b>Per unit data</b>		
FFO	0.65	n/a
FFO (excluding straight-line rent)	0.60	n/a
Net income (loss)	(0.50)	n/a
Distributable income	0.56	n/a
Cash distributions	0.55	n/a
<b>Units</b>		
REIT Units, Series A outstanding	16,727,655	
LP Class B Units, Series 1 outstanding	7,564,418	
Total number of units outstanding	<u>24,292,073</u>	
Occupancy rate	94.2%	

Michael Cooper, President and Chief Executive Officer and Jeff Barnes, Executive Vice-President and Chief Financial Officer will be holding a conference call to discuss the results on Tuesday, August 10, 2004 at 11:00 a.m. (ETN). To access the conference call please dial (416) 620-2013 in Toronto and overseas or 1-800-289-6406 elsewhere in Canada and the United States. A taped replay of the call will be available from August 10, 2004 at 1:00 p.m. (ETN) to August 16, 2004 at 11:59 p.m. (ETN). Please dial (416) 626-4100 and enter pass code 21203981.

### FINANCIAL HIGHLIGHTS

#### refinancings

- **Rental properties revenue up \$11.2 million to \$46.3 million** - Increased revenue on the three-month basis over the prior year mainly reflects the impact of acquisitions completed in 2003 and 2004. Acquisitions completed in 2004 account for approximately \$1.2 million of the growth. The Montréal portfolio acquisition was completed on June 21, 2004 and will have a greater impact on revenue in the third quarter, as it will contribute for the full period.
- **Rental properties NOI up \$8.8 million to \$25.8 million** – Net operating income for the three months ended June 30, 2004 grew by \$8.8 million or 52% compared to the same quarter last year due primarily to contributions from acquisitions completed in late 2003 and in 2004. On a same store basis, NOI to June 30, 2004 was consistent for the comparative periods.

- **FFO excluding straight-line rent increased \$7.7 million to \$14.4 million** – The significant growth in FFO is largely the result of acquisitions completed over the past three quarters as well as improved occupancy rates. Including the impact of straight-line rent, FFO increased by \$8.9 million to \$15.7 million. FFO on a per unit basis is \$0.60 (including straight-line rent - \$0.65).
- **Distributable income (“DI”) was \$13.6 million** – During the three month period, Dundee REIT generated \$13.6 million of distributable income, representing \$0.56 per REIT Unit, Series A. The Trust paid out \$0.55 per REIT Unit, Series A.
- **Distribution Reinvestment and Unit Purchase Plan (“DRIP”) enrolment is high** – In connection with the distributions paid to all unitholders for the month of June, 40% of the total amount of units outstanding were reinvested in the DRIP.

## PORTFOLIO

- **Overall percentage of occupied and committed space increased to 94.2%** - Occupancy across Dundee REIT’s office portfolio was 94.6% (March 31, 2004 – 93.3%), the stabilized industrial portfolio was 94.1% (March 31, 2004 – 94.1%), and retail was 92.8% (March 31, 2004 – 92.1%). Improved occupancy rates resulted primarily from acquisitions completed during the quarter as well as leasing activity. Total space available for lease at June 30, 2004 was approximately 762,000 square feet. During the quarter approximately 964,000 square feet of leasing was completed representing a net decrease in available space of approximately 77,000 square feet.
- **Overall average in-place net rent increased to \$9.21** – At June 30, 2004, average in-place rents in our office, industrial and retail portfolios were \$14.42, \$5.75 and \$10.32 per square foot respectively (March 31, 2004 - \$14.09, \$5.49, \$11.56 respectively).

## OPERATIONAL HIGHLIGHTS

### *Acquisition Activity*

- **Acquired a 50% interest in 720 Bay Street, Toronto** – On May 5, 2004, the Trust completed the acquisition of a 50% interest in 720 Bay Street, an 11 storey Class A office building, for approximately \$26.0 million. The building is fully leased until 2009 and contains a total leasable area of approximately 248,000 square feet.
- **Acquired the Geo-X Building in Calgary** – On May 12, 2004, the Trust completed the acquisition of the Geo-X building, a 36,428 square foot flex industrial building located adjacent to the Calgary airport. The purchase price for this acquisition was approximately \$6.6 million. The building is fully leased to Geo-X until 2010.
- **Acquired a Montreal office portfolio totaling approximately 323,000 square feet** – On June 21, 2004 the Trust completed the acquisition of a 13-building portfolio totalling 323,000 square feet of office, laboratory and flex space in Technoparc Saint-Laurent adjacent to Dorval Airport in Montréal for approximately \$64.5 million. The portfolio is fully occupied on long-term leases by 17 high-quality tenants, including AstraZeneca, Theratechnologies, MethylGene and Thales Avionics, all of who have made significant investments in their state-of-the-art premises. The average age of the buildings in the portfolio is about four years and the average remaining lease term is about seven years.

All of the properties acquired compliment Dundee REIT’s existing portfolio and align with its strategy of owning and managing office and industrial properties in Montréal, Ottawa, Toronto, Calgary and Edmonton. As with the other acquisitions completed over the past year, the properties add to the REIT’s current holdings its key markets, improve the overall quality of its portfolio, lengthen the average lease term, increase the overall occupancy and average net rent, and build upon its existing management platform.

### *Disposition Activity*

An important component of our strategy includes the continuous and active analysis of the performance of our properties - identifying strengths and weaknesses of individual properties and our portfolio as a whole; identifying properties for capital improvements or properties for disposal that no longer fit with our investment strategy.

- **Sold 6500 Kitimat Road, Mississauga, Ontario** – On June 30, 2004 the Trust completed the sale of 6500 Kitimat Road, a 59,600 square foot single tenant industrial warehouse in Mississauga, Ontario. The Trust took advantage of this opportunity to sell the property to the existing sub-tenant at a favourable price. The transaction was completed on June 30, 2003 and, after repayment of debt, the Trust received net proceeds of \$3.0 million and recorded a net gain of approximately \$2.4 million.
- **Sold 2000 rue Halpern, Montreal, Quebec** - On July 22, 2004, subsequent to quarter end, the Trust sold its 20% interest in 2000 rue Halpern, a 527,000 square foot single tenant industrial building in Montréal, Québec for approximately \$3.4 million. The proceeds will be used to retire approximately \$2.3 million of debt and the Trust will record a net gain of approximately \$0.5 million in the third quarter. The sale was consistent with our long-term asset strategy.
- **Northgate Mall, Regina, Saskatchewan under contract for sale** – The Trust has agreed to sell Northgate Mall, a 331,000 square foot regional mall in Regina, Saskatchewan. The sale of this retail asset is consistent with our business strategy to focus on mid-sized urban and suburban office and industrial properties in our Canadian target markets. The Trust will receive proceeds of approximately \$44.8 million and will use approximately \$35.0 million to retire outstanding debt. An impairment provision of \$19.7 million was recorded in the period to reflect the expected loss on disposition of the asset.

## CAPITAL INITIATIVES

- **Convertible Unsecured Debenture Issue** – On June 21, 2004, the Trust completed a public offering of \$75 million principal amount of convertible unsecured debentures (the “Debentures”). The Debentures bear interest at 6.5% per annum, payable semi-annually on June 30th and December 31st each year, and mature on June 30, 2014. The debentures were sold at par on a bought-deal basis through a syndicate of underwriters led by TD Securities Inc. and Scotia Capital Inc. The syndicate also included CIBC World Markets Inc., Dundee Securities Corporation, BMO Nesbitt Burns Inc., National Bank Financial Inc., Trilon Securities Corporation and HSBC Securities (Canada) The Debentures are convertible into 40 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of \$25.00 per unit. On or after June 30, 2008, but prior to June 30, 2010, the Debentures may be redeemed at par plus accrued and unpaid interest, provided that the market price for the Trust’s units is not less than \$31.25.
- **Significant refinancing initiatives were completed during the quarter** - Dundee REIT’s weighted average interest rate as at June 30, 2004 was 6.63% (December 31, 2003 – 6.93%, June 30, 2003 – 7.19%). The weighted average term to maturity of debt increased to 5.8 years (December 31, 2003 – 4.5 years; June 30, 2003 – 4.5 years). Variable rate debt was reduced to 4.2% of total debt (December 31, 2003 – 5.7%).

## OUTLOOK

Although the operating environment and stock market are not optimal, we continue to see the results of our work in maintaining and increasing our occupancy level and cash flow. We hope that we will see on-going improvements in the business environment, but in the meantime we are running our business on the basis that the current environment will continue.

Dundee REIT is an unincorporated, open-ended real estate investment trust. We are a provider of high quality, affordable business premises. We focus on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties in Canada. Our diversified portfolio consists of approximately 13.2 million square feet of gross leasable area, located primarily in our target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton. Our portfolio is well diversified by asset type, geographic location and tenant mix. For more information, please visit [www.dundeereit.com](http://www.dundeereit.com).

Information appearing in this news release is a select summary of results. The financial statements and management’s discussion and analysis for the Trust, as well as its Supplementary Information Package will be available at [www.dundeereit.com](http://www.dundeereit.com) by the end of business today.

## FOOTNOTES

- (1) NOI - revenue less operating expenses. NOI in 2004 includes straight-line rents, as required by new accounting standards.
- (2) FFO - net income, adjusted for future income tax, depreciation and amortization, and gain (loss) on sale and provision for impairment in value of assets. FFO in 2004 includes straight-line rents, as required by new accounting standards.
- (3) Distributable income is not a measure defined by generally accepted accounting principles and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust.

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

*All statements in this press release that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent Dundee Real Estate Investment Trust's intentions, plans, expectations, and beliefs, and are subject to risks, uncertainties, and other factors, of which many are beyond the control of the Trust. These factors could cause actual results to differ materially from such forward-looking statements. Dundee Real Estate Investment Trust disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.*

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For further information, please contact:

Michael J. Cooper  
President and Chief Executive Officer  
(416) 365-5145  
mcooper@dundeereit.com

Jeff B. Barnes  
Executive Vice-President and Chief Financial Officer  
(416) 365-3543  
jbarnes@dundeereit.com