Q2

DUNDEE REIT

SECOND QUARTER 2010

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Letter to unitholders

We continue to follow through on our strategy of growing our business, further diversifying our portfolio, providing sustainable returns to our unitholders and, with the company's market cap reaching $1 billion, making our stock more attractive to a broader range of investors. In the second quarter, we were able to make further improvements on each of these fronts.

Overall, we are very pleased with Dundee REIT's second quarter performance. The occupancy level of our portfolio remains high at 96.6%, and our total net operating income ("NOI") increased by 38%, largely due to our acquisitions in the second half of 2009 and the first six months of 2010. We are also continuing our long-lasting trend of recording year-over-year growth in comparative net operating income, which is a sign of the strong operating performance of our existing portfolio. Our adjusted funds from operations ("AFFO"), an important measure of the company's economic performance and an indicator of our ability to pay distributions, increased to $0.55 during the quarter, which is the highest result since the second quarter of 2009. The temporary decrease in previous quarters was primarily due to the dilutive impact of recent equity offerings. As the funds from these equity offerings are deployed, we expect further improvements in our AFFO on a per unit basis.

During the second quarter, we acquired $214 million of properties in Toronto, Ottawa, Regina and Edmonton. About half of these properties are downtown office buildings, with the balance located in the suburbs. These acquisitions further diversify our business. Subsequent to quarter-end, we bought properties for an additional $51 million, and have another $72 million under contract which are scheduled to close in the third quarter. Among these properties is our first reinvestment in the Province of Québec since the sale of our portfolio in Eastern Canada in 2007.

In order to finance our growth, we issued $115 million of equity at $24.40 during the second quarter, increasing the total equity raised in 2010 to over $333 million. All of the funds received in these transactions have already been used, or are currently committed to finance upcoming acquisitions. We are heading into the second half of 2010 with a strong balance sheet, sufficient liquidity and a conservative debt-to-gross book value.

With respect to the Canadian economy, our country continues to perform well, including strong job growth. Employment is an important factor in our business, since job creation typically means increased demand for office space. Oil prices have been relatively strong between $70 and $80 per barrel. Natural gas has also firmed up and drilling activity has been increasing. Overall, Canadian economic results and corporate results have been quite positive. However, there remains risk to the economic recovery which comes mostly from outside our borders, in particular the United States. With a slower than originally anticipated recovery in the developed world, there has been little pressure on interest rates, which is beneficial to our industry. All things considered, this environment is one that we can prosper in.

Dundee REIT is in an excellent competitive position. We have been able to execute our growth strategy as planned, and the market is supporting it. Our market cap has nearly doubled in the first six months of this year, due largely to equity issues closed in 2010 as well as stock price appreciation from $20.75 per unit to $25.55 per unit between the end of 2009 and July 31, 2010. We are confident that we will continue to generate good results by keeping our buildings occupied and strategically deploying our capital to pursue growth and to create long-term value for our unitholders.

MICHAEL J. COOPER
Vice Chairman and
Chief Executive Officer

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, 2009 and the interim financial statements for the period ended June 30, 2010.

This management’s discussion and analysis has been dated as at July 30, 2010, 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, Second 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, that 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 July 30, 2010, 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 June 30, 2010, approximately 9% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP"), including 9% of the REIT A Units and LP B Units. There is no equivalent program for the REIT B Units (see a description of Our Equity on page 5).

	Jul/09	Aug/09	Sept/09	Oct/09	Nov/09	Dec/09	Jan/10	Feb/10	Mar/10	**Apr/10**	**May/10**	**June/10**
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	$16.50	$19.30	$19.46	$19.25	$19.17	$20.75	$24.54	$25.14	$25.89	**$25.70**	**$24.14**	**$24.45**

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, as well as 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 meet its strategy and objectives includes:

Investing in high-quality office and industrial properties

Our portfolio is concentrated in Canada's key urban markets and is comprised of 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 those that closed during the first half of 2010, we have demonstrated our commitment to once again 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 the acquisition of office and industrial properties 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 Ottawa, Toronto, Saskatoon, Regina, Calgary, Edmonton, Vancouver and Yellowknife.

	Owned gross leasable area (sq. ft.)					
	June 30, 2010				December 31, 2009	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**519,828**	**—**	**519,828**	**6**	519,215	7
Alberta	**3,145,555**	**1,660,035**	**4,805,590**	**51**	4,537,837	61
Saskatchewan & NWT	**915,688**	**—**	**915,688**	**10**	848,575	12
Ontario	**2,976,720**	**114,724**	**3,091,444**	**33**	1,488,741	20
Total[1]	**7,557,791**	**1,774,759**	**9,332,550**	**100**	7,394,368	100
Percentage	**81%**	**19%**	**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 quarter-end, we have acquired approximately 604,000 square feet of office and industrial space in the Greater Toronto Area and Montréal, bringing our total gross leasable area to 9.9 million square feet.

Office rental properties

At June 30, 2010, our ownership interests included 53 office properties (70 buildings) comprising approximately 7.6 million square feet located in 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 96.6%, well ahead of the national industry average occupancy rate of 89.9% (CB Richard Ellis, Canadian Office MarketView, Second 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 second quarter, we acquired five office properties totalling 812,000 square feet in Toronto, Regina and Edmonton.

Industrial rental properties

At June 30, 2010, our industrial portfolio consisted of 35 prime suburban industrial properties (38 buildings) comprising approximately 1.8 million square feet, mainly concentrated in Calgary and Edmonton. The occupancy rate across our industrial portfolio is 96.8%. The average industry occupancy rates in Calgary and Edmonton, our two major industrial markets, were 95.4% and 96.5%, respectively (CB Richard Ellis, Calgary and Edmonton Industrial MarketView, Second Quarter 2010). During the second quarter, we also acquired a 115,000 square foot industrial building in Ottawa.

OUR EQUITY

				Unitholders' equity
		June 30, 2010		December 31, 2009
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**36,194,611**	**$ 614,301**	21,247,397	$ 312,743
REIT Units, Series B	**16,316**	**365**	16,316	362
LP Class B Units, Series 1	**3,468,469**	**90,732**	3,454,188	92,656
Cumulative foreign currency translation adjustment	**—**	**—**	—	(6,609)
Total	**39,679,396**	**$ 705,398**	24,717,901	$ 399,152

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 June 30, 2010, Dundee Corporation, directly and indirectly through its subsidiaries, held 949,922 REIT A Units and 3,468,469 LP B Units, for a total ownership interest of 11%.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Operations				
Occupancy rate (period-end)[1]	**96.6%**	94.2%		
In-place rent per square foot (office and industrial)[1]	**$ 15.43**	$ 15.47		
Operating results				
Rental properties revenue[2]	**$ 64,374**	$ 46,387	**$ 125,384**	$ 94,529
Net operating income ("NOI")[3]	**41,499**	30,168	**79,124**	60,316
Funds from operations ("FFO")[4]	**25,054**	17,138	**47,158**	34,062
Adjusted funds from operations ("AFFO")[5]	**20,101**	12,713	**36,737**	25,003
Distributions				
Declared distributions	**$ 20,037**	$ 11,395	**$ 37,505**	$ 22,759
Distributions paid in cash	**18,140**	10,714	**33,932**	21,361
DRIP participation ratio	**10%**	6%	**10%**	6%
Financing				
Weighted average interest rate (period-end)	**5.66%**	5.79%		
Interest coverage ratio	**2.7 times**	2.3 times	**2.7 times**	2.3 times
Per unit amounts				
Basic:				
FFO	**$ 0.69**	$ 0.82	**$ 1.40**	$ 1.62
Distributable income ("DI")	**0.62**	0.69	**1.23**	1.36
Distribution rate	**0.55**	0.55	**1.10**	1.10
Total distributions as a percentage of distributable income	**89%**	80%	**89%**	81%
AFFO	**$ 0.55**	$ 0.61	**$ 1.09**	$ 1.19
Diluted:[6]				
FFO	**$ 0.69**	$ 0.80	**$ 1.40**	$ 1.58
Distributable income	**0.62**	0.68	**1.24**	1.35

NOI, FFO, distributable income 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 30.

[4] FFO — the reconciliation of FFO to net income can be found on page 17.

[5] AFFO — the reconciliation of AFFO to distributable income can be found on page 21.

[6] Diluted amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures.

FINANCIAL OVERVIEW

Dundee REIT has continued to pursue its strategic objectives of growing its business to diversify the portfolio, maintaining occupancy and increasing cash flow on a per unit basis. In the second quarter, we were able to make improvements on each of these fronts.

For the quarter, AFFO increased by $7.4 million or 58% over the comparative period. On a per unit basis, AFFO increased to $0.55, our highest result in the past four quarters. Details of our FFO, Distributable Income and AFFO begin on page 17.

In the second quarter, we acquired $214.1 million of properties comprising 812,000 square feet of high-quality office space located in Edmonton, Regina and Toronto, together with 115,000 square feet of industrial space in Ottawa. The acquisitions provide our portfolio with greater geographic diversification and set the stage for continued AFFO growth in the remainder of 2010.

Our operations remain strong, with continued year-over-year growth in rental property revenue and NOI. In the second quarter, rental property revenue increased by 39% to $64.4 million, and NOI increased by 38% to $41.5 million, mainly reflecting the impact of acquisitions completed in 2009 and 2010. Comparative property results also improved, increasing 2% over both the first quarter of 2010 and the second quarter of 2009. Our average in-place rents increased this quarter and remain below market rents, which is a positive indicator of future growth. Details of our NOI begin on page 30.

Overall occupancy increased to 96.6% from 94.2% year-over-year. Occupancy across our office portfolio increased to 96.6% compared to 96.0%, and our industrial portfolio has improved from 89.3% to 96.8%. Our comparative property occupancy declined by approximately 50 basis points from our all-time high in the first quarter of 2010, but we believe that the occupancy is showing very good stability. The market rental rates in the Calgary office segment have declined over the past year; however, at 94.5%, our Alberta office portfolio occupancy remains well above the industry average. Details of our leasing profile begin on page 8.

In the second quarter, we completed another equity offering for gross proceeds of $115.0 million. We issued 4,715,000 REIT A Units at a price of $24.40. Costs related to the offering were approximately $5.2 million. Since the beginning of the year, we have raised over $333 million in new equity. These issuances, along with the increase in the price of our units, have nearly doubled our market capitalization. All of the proceeds have been deployed or are committed to be deployed. With respect to our mortgage debt, we made $7.7 million of principal repayments and further reduced the weighted average interest rate to 5.66%, down slightly from 5.75% in the prior year. Details of financing activity and debt begin on page 24.

OUTLOOK

During the second quarter, Dundee REIT continued to grow and further diversify its portfolio, adding another $214 million of properties in Toronto, Ottawa, Regina and Edmonton. With an additional $51 million closing after quarter-end, and another $72 million under contract, we will likely exceed our acquisition targets for 2010.

We are also very pleased with Dundee REIT's operating performance. The occupancy level of the overall portfolio remains high and we continue our trend of year-over-year growth in comparative NOI, which is a sign of the strong performance of the Trust's existing portfolio. Our AFFO per unit continues to improve as a result of deploying capital raised during the year, and we expect continued growth as we realize the benefit of properties acquired or under contract subsequent to quarter-end. We also continue to benefit from increases in occupancy and in-place rental rates across the majority of our portfolio, which will be impacted by known tenant departures. We continue to realize the benefit of our diversification strategy and increasing the predictability of our cash flows over the long term.

Overall, Dundee REIT is in an excellent position. In addition to growing and diversifying the business through acquisitions, the growth imbedded in the Trust's existing portfolio reflects the success of our operations. The current economic environment, while not without risk, continues to be an environment in which Dundee REIT can prosper. We continue to execute our growth strategy as planned and the market is supporting it. As we head into the second half of 2010, we are confident that we will continue to generate strong results by strategically raising and deploying our capital to pursue growth and create long-term value for our investors.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

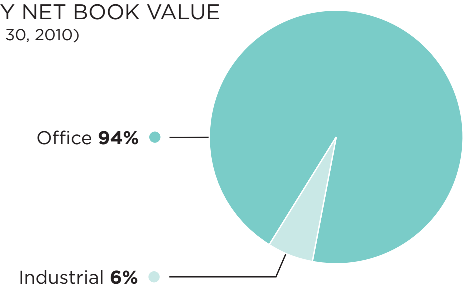
Rental properties

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

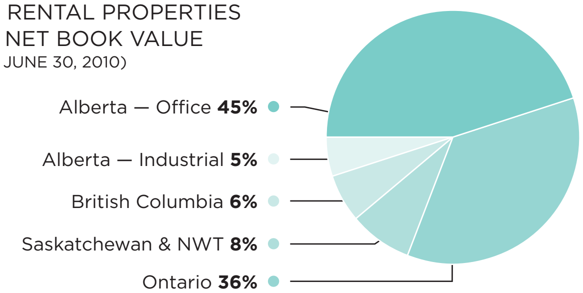
			June 30, 2010[1]		December 31, 2009[1]	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**$ 98,910**	**$ —**	**$ 98,910**	**6**	$ 99,834	9
Alberta	**714,126**	**89,814**	**803,940**	**50**	736,517	62
Saskatchewan & NWT	**118,859**	**—**	**118,859**	**8**	107,754	9
Ontario	**561,910**	**10,720**	**572,630**	**36**	235,195	20
Total	**$1,493,805**	**$ 100,534**	**$1,594,339**	**100**	$ 1,179,300	100
Percentage	**94%**	**6%**	**100%**			
Total as at December 31, 2009	$1,088,990	$ 90,310	$ 1,179,300			
Percentage	92%	8%	100%			

[1] Excludes $8.4 million related to redevelopment properties (December 31, 2009 — excludes $18.8 million related to discontinued properties and $1.8 million related to other redevelopment properties).

PORTFOLIO ASSET TYPE BY NET BOOK VALUE
(AT JUNE 30, 2010)



GEOGRAPHIC DISTRIBUTION OF RENTAL PROPERTIES BY NET BOOK VALUE
(AT JUNE 30, 2010)



Leasing profile

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

Performance indicators	**June 30, 2010**	December 31, 2009
Operating activities (office and industrial average)[1]		
Occupancy level	**96.6%**	95.4%
Tenant maturity profile — average term to maturity (years)	**4.9**	4.5
In-place rental rates	**$ 15.43**	$ 15.30

[1] Excludes redevelopment properties and discontinued properties.

Throughout the quarter, we continued to capture rental rate increases across most of our markets with the exception of Calgary. The overall average in-place rent was reduced in the quarter due to the lower average rental rates for properties acquired in Ontario; however, they are still approximately 4% below existing market rates.

		June 30, 2010	December 31, 2009
	In-place rent	**Market rent**	In-place rent
Office			
British Columbia	**$ 16.91**	**$ 19.50**	$ 16.38
Alberta	**18.29**	**16.49**	18.69
Saskatchewan & NWT	**18.46**	**24.66**	18.41
Ontario	**15.95**	**17.24**	14.56
Total office	**17.28**	**18.00**	17.34
Industrial			
Alberta	**7.54**	**7.73**	7.77
Ontario	**8.17**	**7.67**	—
Total industrial	**7.58**	**7.73**	7.77
Overall	**$ 15.43**	**$ 16.04**	$ 15.30

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

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(percentage)	**2010**	2010	2009	2009	2009	2009[1]	2008[1]	2008	2008
Office	**96.6**	97.0	96.7	95.9	96.0	96.4	96.6	97.6	97.4
Industrial	**96.8**	97.0	90.6	92.0	89.3	91.1	87.0	90.9	94.1
Overall[2]	**96.6**	97.0	95.4	94.9	94.2	95.0	94.0	95.8	96.5

[1] 7102 Barlow Trail has been restated as continuing operations.

[2] Excludes redevelopment properties and properties held for sale.

The overall percentage of occupied and committed space across our rental properties portfolio was 96.6% at quarter-end, a slight decrease of 0.4% over Q1 2010, however, a substantial increase of 2.4% year-over-year due to leasing activity and the acquisition of fully occupied buildings. Our existing assets continue to maintain very strong occupancy levels, and all our acquired properties have very good occupancy, averaging 98%. The average occupancy rate across our office portfolio is 96.6% and remains well above the national industry average of 89.9%. The average occupancy rate across our industrial portfolio is 96.8%, which is in line with Q1 2010 and 7.5% above Q2 2009. The overall occupancy rates for industrial space in Calgary and Edmonton were 95.4% and 96.5%, respectively (CB Richard Ellis, Canadian Office and Calgary and Edmonton Industrial MarketViews, Second Quarter 2010). Our occupancy rates discussed in this report include occupied and committed space at June 30, 2010.

			Total portfolio			Comparative properties
(percentage)	**June 30, 2010**	December 31, 2009	June 30, 2009	**June 30, 2010**	December 31, 2009	June 30, 2009
Office						
British Columbia	**96.1**	95.3	96.2	**96.1**	95.3	96.2
Alberta	**94.5**	95.2	95.1	**94.4**	95.2	95.1
Saskatchewan & NWT	**98.0**	98.7	99.3	**97.8**	98.7	99.3
Ontario	**98.3**	99.1	95.7	**100.0**	99.6	99.6
Total office	**96.6**	96.7	96.0	**95.9**	96.4	96.5
Industrial						
Alberta	**96.6**	90.6	89.3	**96.6**	90.6	88.5
Ontario	**100.0**	—	—	**—**	—	—
Total industrial	**96.8**	90.6	89.3	**96.6**	90.6	88.5
Overall[1]	**96.6**	95.4	94.2	**96.1**	94.9	94.5

[1] Excludes redevelopment properties.

Vacancy schedule

The tables below 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 second quarter, approximately 442,000 square feet of leases expired or were terminated, and we completed approximately 407,000 square feet of renewals and new leasing. On a year-to-date basis, approximately 826,000 square feet expired or were terminated, and we completed approximately 802,000 square feet of renewable and new leasing. Of the vacant space at period-end, approximately 218,000 square feet, or 41%, is committed for future occupancy, leaving approximately 318,000 square feet available for lease. During the quarter, we renewed 55% of expiring leases; however, taking into account sublease space, tenant retention is approximately 68%.

	For the three months ended June 30, 2010		
(in square feet)	Office	Industrial	Total
Available for lease	205,202	50,144	255,346
Vacancy committed for future leases	90,337	101,053	191,390
Vacant space — April 1, 2010	295,539	151,197	446,736
Acquired vacancy	51,886	—	51,886
Vacant space — restated	347,425	151,197	498,622
Remeasurements	1,857	(3)	1,854
Expiries	360,150	44,530	404,680
Early terminations and bankruptcies	18,157	18,880	37,037
New leases	(167,667)	(16,750)	(184,417)
Renewals	(192,479)	(29,890)	(222,369)
Vacant space — June 30, 2010	367,443	167,964	535,407
Vacancy committed for future leases	106,859	110,838	217,697
Available for lease — June 30, 2010	260,584	57,126	317,710

	For the six months ended June 30, 2010		
(in square feet)	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	69,433	—	69,433
Vacant space — restated	305,327	198,315	503,642
Remeasurements	7,707	(74)	7,633
Expiries	573,299	194,310	767,609
Early terminations and bankruptcies	34,028	24,400	58,428
New leases	(214,423)	(106,337)	(320,760)
Renewals	(338,495)	(142,650)	(481,145)
Vacant space — June 30, 2010	367,443	167,964	535,407
Vacancy committed for future leases	106,859	110,838	217,697
Available for lease — June 30, 2010	260,584	57,126	317,710

The following two tables detail our lease maturity profile by asset type and geographic segment as at June 30, 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.

We have a long and successful track record in managing our lease rollovers. During the remainder of 2010, approximately 6% of our leases will expire. For the remainder of 2010, approximately 3% of our expiring leases have not yet been committed.

(in square feet)	Current vacancy	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023	Total
Office — uncommitted	260,584	24,294	194,029	784,527	738,101	1,099,415	3,935,342	7,036,292
Office — committed	—	—	225,375	98,238	44,122	15,999	137,765	521,499
Total office	260,584	24,294	419,404	882,765	782,223	1,115,414	4,073,107	7,557,791
Industrial — uncommitted	57,126	1,800	74,129	209,070	343,344	211,622	732,451	1,629,542
Industrial — committed	—	—	101,008	16,500	5,369	—	22,340	145,217
Total industrial	57,126	1,800	175,137	225,570	348,713	211,622	754,791	1,774,759
Total — uncommitted	317,710	26,094	268,158	993,597	1,081,445	1,311,037	4,667,793	8,665,834
Total — committed	—	—	326,383	114,738	49,491	15,999	160,105	666,716
Total	317,710	26,094	594,541	1,108,335	1,130,936	1,327,036	4,827,898	9,332,550

(in square feet)	Current vacancy	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023	Total
British Columbia — uncommitted	20,059	2,494	16,000	98,816	30,109	62,276	288,288	518,042
British Columbia — committed	—	—	1,786	—	—	—	—	1,786
Total British Columbia	20,059	2,494	17,786	98,816	30,109	62,276	288,288	519,828
Alberta — uncommitted	229,616	23,600	214,608	659,773	671,668	595,485	2,042,851	4,437,601
Alberta — committed	—	—	259,696	61,598	8,934	—	37,761	367,989
Total Alberta	229,616	23,600	474,304	721,371	680,602	595,485	2,080,612	4,805,590
Saskatchewan & NWT — uncommitted	18,350	—	11,461	74,646	173,784	126,230	444,658	849,129
Saskatchewan & NWT — committed	—	—	21,366	4,636	40,557	—	—	66,559
Total Saskatchewan & NWT	18,350	—	32,827	79,282	214,341	126,230	444,658	915,688
Ontario — uncommitted	49,685	—	26,089	160,362	205,884	527,046	1,891,996	2,861,062
Ontario — committed	—	—	43,535	48,504	—	15,999	122,344	230,382
Total Ontario	49,685	—	69,624	208,866	205,884	543,045	2,014,340	3,091,444
Total — uncommitted	317,710	26,094	268,158	993,597	1,081,445	1,311,037	4,667,793	8,665,834
Total — committed	—	—	326,383	114,738	49,491	15,999	160,105	666,716
Total	317,710	26,094	594,541	1,108,335	1,130,936	1,327,036	4,827,898	9,332,550

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 June 30, 2010. Expiring rents and market rents represent base rates and do not include the impact of tenant inducements.

	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023
Expiring rents						
Office	$ 13.91	$ 18.36	$ 17.50	$ 20.47	$ 18.59	$ 18.39
Industrial	7.25	10.44	8.36	6.74	9.63	8.43
Portfolio average	13.45	16.17	15.57	16.11	17.15	16.76
Market rents[1]						
Office	$ 20.24	$ 16.21	$ 17.14	$ 19.50	$ 16.83	$ 18.00
Industrial	9.00	9.78	8.60	7.38	9.00	7.18
Market rent average	19.46	14.43	15.34	15.65	15.57	16.22

[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	2010	2011	2012	2013	2014 to 2023
Expiring rents						
Office:						
British Columbia	$ 15.00	$ 10.13	$ 15.13	$ 15.52	$ 17.13	$ 19.36
Albert	13.79	20.31	17.92	20.97	20.75	20.47
Saskatchewan & NWT	—	21.68	22.76	22.51	20.41	18.05
Ontario	—	11.45	15.36	18.67	16.76	16.64
Industrial	7.25	10.44	8.36	6.74	9.63	8.43
Portfolio average	13.45	16.17	15.57	16.11	17.15	16.76
Market rents[1]						
Office:						
British Columbia	$ 15.00	$ 16.14	$ 17.47	$ 21.45	$ 14.95	$ 21.18
Alberta	20.84	15.74	15.10	16.75	14.77	17.22
Saskatchewan & NWT	—	31.43	29.34	26.15	25.64	23.08
Ontario	—	12.10	16.97	17.97	16.45	16.89
Industrial	9.00	9.78	8.60	7.38	9.00	7.18
Market rent average	19.46	14.43	15.34	15.65	15.57	16.22

[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.

Actual market rents may differ from management's estimates, particularly in Calgary. As a comparison, the CB Richard Ellis, Canadian Office MarketView for the second quarter of 2010 lists market rents in the Calgary downtown market at $28.10 and $16.76 per square foot for Class A and Class B office properties, respectively. In the Calgary suburban market, market rents are listed at $19.62 and $14.00, respectively.

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

	June 30, 2010[1]			December 31, 2009[1]		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**[2]	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)[2]
Office	**4.79**	**10,336**	**$ 17.28**	4.75	10,198	$ 17.34
Industrial	**5.29**	**8,719**	**7.58**	3.83	7,335	7.77
Portfolio average	**4.89**	**9,983**	**15.43**	4.54	9,414	15.30

(1) Excludes redevelopment properties.

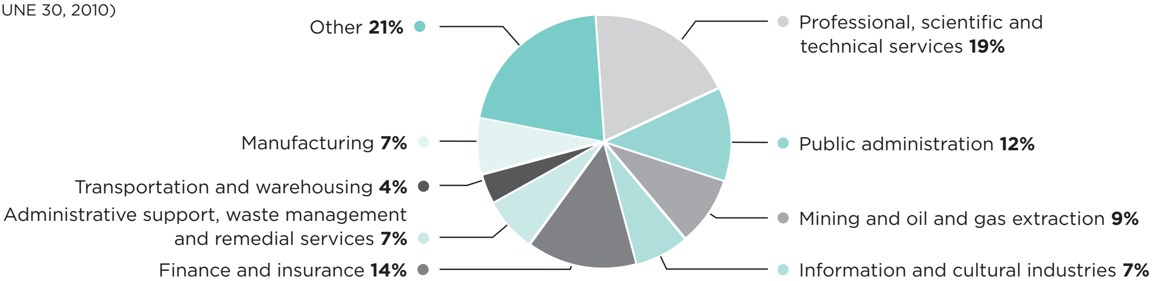
[2] Average in-place rents include straight-line rent adjustments.

Tenant base profile

Our tenant base includes a wide range of high-quality tenants such as the government, large international corporations and small entrepreneurial businesses across the country. With 903 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 10,300 and 8,700 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 JUNE 30, 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 with respect to a specific industry sector as much as it is to the impact of the oil and gas sector on the general economy of Alberta. In the fourth quarter of 2009, we completed four acquisitions in Ontario and, in the first half of 2010, we completed five acquisitions in the Greater Toronto Area and one in Edmonton, Regina and Ottawa, respectively. The addition of these properties improves the geographic diversification of our portfolio and reduced our exposure to the Calgary market to 45% from 63% at the end of the third quarter of 2009 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 15.7% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable and high-quality businesses. The table below outlines their contributions to our rental revenues.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
TELUS Communications	311,253	3.3	4.5	2013—2016
Government of Ontario	247,743	2.7	3.9	2014
Government of Canada	328,540	3.5	3.9	2010—2019
Aviva	316,006	3.4	3.4	2016
Loyalty Management Group	183,014	2.0	2.8	2017
Government of British Columbia	178,646	1.9	2.5	2011—2019
Enbridge Pipelines Inc.	192,031	2.1	2.5	2020
State Street Trust Company	122,344	1.3	2.3	2022
Government of Northwest Territories	114,465	1.2	2.1	2010—2014
Winners Merchants International	178,418	1.9	1.9	2010—2015
Total	2,172,460	23.3	29.8	

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 of 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.

There were no mortgage maturities in the second quarter of 2010. We repaid $2.6 million of a mortgage loan that matures in 2013 but is adjusted annually to adhere to loan-to-value requirements. There will not be any maturities until the fourth quarter of 2010, when $11.7 million of mortgage debt related to three properties will mature. Further discussion and information is provided on page 24 under Financing Activities.

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

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Cash generated from operating activities	**$ 16,007**	$ 14,807	**$ 37,036**	$ 32,192
Cash utilized in investing activities	**(162,581)**	(2,344)	**(373,747)**	(5,215)
Cash generated from (utilized in) financing activities	**84,995**	(2,472)	**394,240**	(16,920)
Increase (decrease) in cash and cash equivalents	**$ (61,579)**	$ 9,991	**$ 57,529**	$ 10,057

At June 30, 2010, cash and cash equivalents were $69.7 million, an increase of $57.5 million since December 31, 2009, reflecting $318.5 million of net proceeds from equity offerings completed in the first half of 2010, $119.3 million in proceeds of mortgage financing, less $375.9 million utilized to fund acquisitions.

We are confident that we have adequate capital resources for 2010 and beyond. At June 30, 2010, we had over $69 million in cash, of which approximately $50.7 million was used to purchase properties in the Greater Toronto Area and Montréal subsequent to quarter-end. See discussion under Acquisitions and Dispositions on page 22. We also have a further $36.1 million, less letters of guarantee, available through our revolving credit facility and ten unencumbered properties that can be leveraged. Subsequent to quarter-end, we acquired four additional unencumbered properties.

Operating activities

The following table details the cash generated from operating activities.

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Net income (loss)	**$ 7,003**	$ (4,772)	**$ 14,614**	$ (913)
Non-cash items:				
Depreciation of rental properties	**9,632**	7,095	**18,167**	14,187
Amortization of market rent adjustments on acquired leases	**(2,489)**	(2,616)	**(5,798)**	(5,393)
All other depreciation and amortization	**8,660**	5,909	**17,594**	11,736
(Gain) loss on disposal of rental properties	**9**	10,564	**(2,792)**	10,564
Deferred unit compensation expense	**394**	221	**614**	419
Future income taxes	**—**	(1,493)	**—**	(1,204)
Straight-line rent adjustment	**(1,178)**	(187)	**(1,350)**	(400)
	22,031	14,721	**41,049**	28,996
Leasing costs incurred	**(2,821)**	(1,012)	**(3,418)**	(1,857)
Change in non-cash working capital	**(3,203)**	1,098	**(595)**	5,053
Cash generated from operating activities	**$ 16,007**	$ 14,807	**$ 37,036**	$ 32,192

Cash generated from operations for the quarter increased relative to the comparative period, reflecting growth in NOI from acquired properties offsetting 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 from 2006 to present. Below-market leases are recorded as intangible liabilities and are amortized to rental property revenue over the terms of the related leases.

Dundee REIT distributes all taxable earnings to unitholders and as such, under current legislation, the obligation to pay tax rests with each unitholder and no current tax provision is required on the majority of Dundee REIT's income. Previously, certain of our Canadian and U.S. subsidiaries were taxable and any tax-related costs were reflected in the consolidated balance sheets and consolidated statements of net income and comprehensive income. On December 31, 2009, we effected the transfer of our interest in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. In addition, on February 5, 2010, we sold 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.

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 accounts receivable.

Leasing costs include fees, commissions, tenant inducements, tenant improvements 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.

For the first six months of the year, 802,000 square feet were leased and occupied, and we incurred $6.5 million in leasing costs and tenant improvements representing an average per square foot of $9.51 for office space and $4.97 for industrial space. The leasing costs are currently in line with our estimates. Industrial leasing costs include the leasing of 65,000 square feet at an Edmonton property that is now 100% committed.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)	7,557,791	1,774,759	9,332,550
Occupied and committed	96.6%	96.8%	96.6%
Square footage leased and occupied in 2010	552,918	248,987	801,905
Leasing costs	$ 2,490	$ 928	$ 3,418
Tenant improvements	$ 2,766	$ 309	$ 3,075

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
2010	$ 550	$ 66
2011	979	133
2012	837	133
2013	697	133
2014	5	—
Total	$ 3,068	$ 465

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 $1.1 million during the remainder of 2010, $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 guarantee total minimum payments of $0.6 million annually for each of the years 2010, 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 June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Net income (loss)	**$ 7,003**	$ (4,772)	**$ 14,614**	$ (913)
Add (deduct):				
Depreciation of rental properties	**9,632**	7,095	**18,167**	14,187
Amortization of leasing costs, tenant improvements and intangibles	**8,464**	5,779	**17,267**	11,523
(Gain) loss on disposal of rental properties	**9**	10,564	**(2,792)**	10,564
Future income taxes	**—**	(1,493)	**—**	(1,203)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(54)**	(35)	**(98)**	(96)
FFO	**$ 25,054**	$ 17,138	**$ 47,158**	$ 34,062
FFO per unit — basic	**$ 0.69**	$ 0.82	**$ 1.40**	$ 1.62
FFO per unit — diluted	**$ 0.69**	$ 0.80	**$ 1.40**	$ 1.58

FFO per unit was $0.69 for the quarter, down 16% compared to $0.82 in 2009, mainly as a result of the timing of financings and deployment of capital during the year. Total FFO increased by 46% to $25.1 million in the quarter driven by NOI growth from comparative properties and accretive acquisitions. Above- and below-market rents, which result in a non-cash amortization to our operating results, contributed $2.5 million to FFO in the quarter.

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 36,418,168 and 39,871,032, respectively. Diluted FFO includes interest and amortization adjustments related to convertible debentures of $2.3 million for the quarter and $4.6 million for the six months ended June 30, 2010. Year-to-date, the weighted average number of units outstanding for the calculation of basic and diluted FFO are 33,580,928 and 37,034,702, respectively. The basic and diluted weighted average number of units outstanding include 103,500 vested deferred trust units for the quarter and 93,528 for the six-month period.

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 deferred 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 June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Funds from operations	**$ 25,054**	$ 17,138	**$ 47,158**	$ 34,062
Amortization of marked-to-market adjustments on acquired debt	**(168)**	(196)	**(374)**	(418)
Amortization of deferred financing costs incurred prior to June 30, 2003	**364**	326	**701**	631
Deferred compensation expense	**394**	221	**614**	419
Straight-line rent	**(1,178)**	(187)	**(1,350)**	(400)
Amortization of above-market rent	**239**	99	**506**	198
Amortization of below-market rent	**(2,728)**	(2,715)	**(6,304)**	(5,591)
Amortization of tenant inducements	**55**	58	**104**	139
Amortization of deferred financing costs incurred subsequent to June 30, 2003	**(344)**	(305)	**(653)**	(588)
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	**(12)**	(12)	**(21)**	(21)
Vendor head lease income	**171**	—	**266**	—
Revenue supplement from vendor on acquisition	**616**	—	**616**	—
	$ 22,463	$ 14,427	**$ 41,263**	$ 28,431
Distributable income per unit — basic	**$ 0.62**	$ 0.69	**$ 1.23**	$ 1.36
Distributable income per unit — diluted	**$ 0.62**	$ 0.68	**$ 1.24**	$ 1.35
Distributions per unit	**$ 0.55**	$ 0.55	**$ 1.10**	$ 1.10

For the quarter ended June 30, 2010, distributable income per unit was $0.62 and declared distributions per unit were $0.55, representing an 89% payout ratio. In the prior year comparative period, distributable income per unit was $0.69 and declared distributions per unit were $0.55, representing an 80% payout ratio. Distributable income exceeded distributions paid and payable by $2.3 million for the quarter. 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 June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Cash generated from operating activities	**$ 16,007**	$ 14,807	**$ 37,036**	$ 32,192
Add (deduct):				
Leasing costs incurred	**2,821**	1,012	**3,418**	1,857
Amortization of financing costs incurred prior to June 30, 2003	**20**	21	**48**	44
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**(12)**	(12)	**(21)**	(21)
Amortization of tenant inducements	**55**	58	**104**	139
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(54)**	(35)	**(98)**	(96)
Amortization of financing costs	**(364)**	(326)	**(701)**	(631)
Change in non-cash working capital	**3,203**	(1,098)	**595**	(5,053)
Vendor head lease income	**171**	—	**266**	—
Revenue supplement from vendor on acquisition	**616**	—	**616**	—
Distributable income	**$ 22,463**	$ 14,427	**$ 41,263**	$ 28,431

Distributions

The distributions presented in the table below comprise $33.8 million relating to REIT Units and $3.8 million relating to LP B Units.

	Declared distributions	4% bonus distributions	Total
2010 distributions			
Paid in cash or reinvested in units	$ 30,244	$ 118	$ 30,362
Payable at June 30, 2010	7,261	25	7,286
Total distributions	$ 37,505	$ 143	$ 37,648
2010 reinvestment			
Reinvested to June 30, 2010	$ 2,939	$ 118	$ 3,057
Reinvested on July 15, 2010	634	25	659
Total distributions reinvested	$ 3,573	$ 143	$ 3,716
Distributions paid in cash	$ 33,932		
Reinvestment to distribution ratio	9.5%		
Cash distribution payout ratio	90.5%		

Distributions declared in the period ended June 30, 2010, totalled $37.5 million, up $14.7 million over the comparative period. The increase reflects a larger number of units outstanding as a result of the equity issues completed year-to-date, and in September 2009, as well as distributions reinvested in additional units and vested deferred trust units exchanged for REIT A Units. Of this amount, $3.6 million, or approximately 9.5%, was reinvested in additional units resulting in a cash payout ratio of 90.5%.

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 June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Net income (loss)	**$ 7,003**	$ (4,772)	**$ 14,614**	$ (913)
Cash flow from operating activities	**16,007**	14,807	**37,036**	32,192
Distributions paid and payable	**20,118**	11,421	**37,648**	22,814
Excess (shortfall) of cash flow from operating activities over distributions paid and payable	**(4,111)**	3,386	**(612)**	9,378

For the quarter, distributions paid and payable exceeded cash flow from operations as a result of changes in non-cash working capital and leasing costs incurred. 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 $13.1 million for the quarter. 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 June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Distributable income	**$ 22,463**	$ 14,427	**$ 41,263**	$ 28,431
Adjusted for:				
Normalized leasing costs and tenant improvements	**2,287**	1,514	**4,376**	3,028
Normalized non-recoverable recurring capital expenditures	**75**	200	**150**	400
AFFO	**$ 20,101**	$ 12,713	**$ 36,737**	$ 25,003
AFFO per unit — basic	**$ 0.55**	$ 0.61	**$ 1.09**	$ 1.19

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 18, 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 2009, adjusted for properties that have been 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, down 10% compared to $0.61 in 2009, mainly due to the dilutive impact of the uninvested proceeds from equity offerings completed in the third quarter of 2009 and first half of 2010.

Investing activities

The following table details our cash utilized in investing activities.

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Investment in rental properties	**$ (3,154)**	$ (1,351)	**$ (5,108)**	$ (2,031)
Investment in tenant improvements	**(1,333)**	(1,644)	**(3,075)**	(3,452)
Acquisition of rental properties	**(158,194)**	—	**(375,914)**	—
Acquisition deposit on rental properties	**100**	—	**(500)**	—
Net proceeds from disposal of rental properties	**—**	—	**10,850**	—
Change in restricted cash, net	**—**	651	**—**	268
Cash utilized in investing activities	**$ (162,581)**	$ (2,344)	**$ (373,747)**	$ (5,215)

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

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Investing activities				
Acquisition of rental properties	**$ 214,112**	$ —	**$ 477,480**	$ —
Building improvements	**3,064**	1,292	**4,958**	2,329

Acquisitions and dispositions

During the first six months of 2010, we completed the following acquisitions:

For the six months ended June 30, 2010	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Adelaide Place, Toronto	office	100	654,249	98	$ 217,461	$ —	January 18, 2010
Aviva Corporate Centre, Toronto	office/ redevelopment	100	436,704	99[1]	45,907	30,321	February 10, 2010
10130-103 Street, Edmonton	office	100	265,625	95	87,780	27,794	April 16, 2010
2340 St. Laurent Boulevard, Ottawa	industrial	100	114,724	100	11,344	—	April 26, 2010
4915-52 Street, Yellowknife	redevelopment	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	38,526	21,496	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
Total			2,018,165	98	$477,480	$ 79,611	

[1] Excludes redevelopment component of the property.

We did not acquire any properties during the first six months of 2009.

Acquisitions completed during the period

On April 16, 2010, we purchased 10130–103 Street in Edmonton for $87.8 million. This Class A office building contains approximately 266,000 square feet of office space. On acquisition, the property was 95% occupied with an average remaining lease term of 6.6 years and approximately 4% and 13% of the space scheduled to expire in 2010 and 2011, respectively. On acquiring the building, we received a space revenue deficiency of $1.1 million relating to a rent-free period, ending August 31, 2010, of a committed lease contract. We have accounted for these payments as a reduction to the purchase price in accordance with GAAP. For the purpose of computing distributable income and AFFO, we have included the space revenue deficiency in our calculations to accurately reflect the acquisition underwriting.

On April 26, 2010, we acquired 2340 St. Laurent Boulevard in Ottawa for $11.3 million. The 115,000 square foot industrial property is 100% occupied, with a remaining lease term of 15.0 years.

On May 4, 2010, we acquired the Financial Building in Regina for $14.2 million. The 66,000 square foot office property is 100% occupied, with an average remaining lease term of 5.3 years. Approximately 10% of the space is scheduled to expire in 2011 and the remainder in 2015.

On May 31, 2010, we acquired 30 Eglinton Avenue West in Mississauga for $38.5 million. The property is comprised of an eight-storey office tower with two ground-floor retail wings and three free-standing retail pads totalling 165,000 square feet. On acquisition, the property was 90% occupied, with an average remaining lease term of 4.4 years. Approximately 5% and 21% of the space is scheduled to expire in 2010 and 2011, respectively.

On June 18, 2010, we acquired 625 Cochrane Drive in Markham for $29.9 million. This Class A suburban office property containing 162,000 square feet of space is located in the Highway 404 and Highway 7 office node in the Greater Toronto Area, providing excellent visibility from the two major routes. On acquisition, the property was 100% occupied, with an average remaining lease term of 5.3 years. Approximately 4% and 1% of the space is scheduled to expire in 2010 and 2011, respectively.

On June 18, 2010, we acquired Valleywood Corporate Centre in Markham for $31.6 million. This Class A suburban office property containing 154,000 square feet of space is located in the Highway 404 and Highway 7 office node in the Greater Toronto Area, providing excellent visibility from Highway 404. The property has excess lands of approximately 7.4 acres located to the south of the existing building and is one of the few remaining prime developable office parcels in the area with frontage on Highway 404. On acquisition, the property was 98% occupied, with an average remaining lease term of 5.2 years. Approximately 15% of the space is scheduled to expire in 2011.

Building improvements

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Building improvements				
Recurring recoverable	**$ 2,322**	$ 1,183	**$ 3,679**	$ 2,132
Recurring non-recoverable	**69**	—	**175**	31
Non-recurring	**673**	109	**1,104**	166
Total	**$ 3,064**	$ 1,292	**$ 4,958**	$ 2,329

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. During the quarter, recurring recoverable expenditures of $2.3 million 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. These expenditures represent major structural improvements, development and re-development costs. Non-recurring capital expenditures of $0.7 million are largely for the development of an office building in Yellowknife.

Construction obligation

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 and will be funded by cash on hand and our line of credit. To date, we have incurred $1.3 million of costs for this project.

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. During the first six months of 2010, we made scheduled payments of $9.6 million and a lump sum payment of $2.6 million related to mortgage debt.

The following table details our cash generated from financing activities.

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Mortgages placed, net of costs	**$ 60**	$ 36,346	**$ 119,288**	$ 36,269
Mortgage principal repayments	**(5,167)**	(3,843)	**(9,622)**	(7,669)
Mortgage lump sum repayments	**(2,567)**	(24,233)	**(2,567)**	(24,233)
Term debt principal repayments	**—**	(28)	**(20)**	(66)
Distributions paid on Units	**(17,272)**	(10,718)	**(31,371)**	(21,220)
Units issued, net of costs	**109,941**	4	**318,532**	(1)
Cash generated from (utilized in) financing activities	**$ 84,995**	$ (2,472)	**$ 394,240**	$ (16,920)

Debt

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

	June 30, 2010	December 31, 2009
Financing activities		
Average interest rate	**5.66%**	5.75%
Level of debt (debt-to-gross book value)	**52.5%**	59.3%
Interest coverage ratio[1]	**2.7 times**	2.3 times
Proportion of total debt due in current year	**2.2%**	3.4%
Debt — average term to maturity (years)	**4.6**	4.9
Variable rate debt as percentage of total debt	**2.8%**	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.

We currently use cash flow performance indicators, including the interest coverage ratio, 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 2.7 times, and reflects our ability to cover interest expense requirements. Our average interest rate as at June 30, 2010, was 5.66%, down slightly from the start of the year, mainly reflecting the impact of lower interest rates achieved on the financing of Adelaide Place.

Variable rate debt as a percentage of total debt decreased to 2.8% as a result of fixed term mortgage financing placed and assumed year-to-date.

			June 30, 2010			December 31, 2009
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 884,673**	**$ 28,732**	**$ 913,405**	$ 695,608	$ 31,293	$ 726,901
Term debt	**199**	**—**	**199**	219	—	219
6.5% Debentures	**3,311**	**—**	**3,311**	3,293	—	3,293
5.7% Debentures	**7,747**	**—**	**7,747**	7,743	—	7,743
6.0% Debentures	**119,415**	**—**	**119,415**	118,904	—	118,904
Total	**$ 1,015,345**	**$ 28,732**	**$1,044,077**	$ 825,767	$ 31,293	$ 857,060
Percentage	**97.2%**	**2.8%**	**100%**	96.3%	3.7%	100%

Mortgages payable include $2.2 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2009 — $2.7 million). Amounts recorded as at June 30, 2010, for the 6.5%, 5.7% and 6.0% Debentures are net of $1.6 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

During the quarter, we made repayments of $7.7 million on mortgages. We assumed $49.0 million in mortgages upon the acquisition of two properties. Upon the acquisition of 10130-103 Street in Edmonton, we assumed a $27.8 million mortgage with a face rate of 5.47%, and in connection with acquiring 30 Eglinton Avenue West in Mississauga, we assumed a $21.2 million mortgage with a face rate of 5.39% and a six-year term.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40.0 million, bearing interest generally at the bank prime rate (2.50% as at June 30, 2010) plus 1.5%, or bankers' acceptance rates, plus 3.0%. As at June 30, 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 June 30, 2010, we had $69.7 million in cash (of which approximately $50.7 million was used subsequent to quarter-end to acquire approximately 604,000 square feet of space in the Greater Toronto Area and Montréal), a revolving credit facility and ten unencumbered properties which may be leveraged to provide additional financing.

Changes in debt levels are as follows:

			For the three months ended June 30, 2010	
	Mortgages	Term debt	Convertible debentures	Total
Debt as at March 31, 2010	$ 872,130	$ 199	$ 130,184	$ 1,002,513
New debt assumed on rental property acquisitions	49,031	—	—	49,031
Scheduled repayments	(5,167)	—	—	(5,167)
Lump sum repayment	(2,567)	—	—	(2,567)
Amortization and other adjustments	(22)	—	289	267
Debt as at June 30, 2010	$ 913,405	$ 199	$ 130,473	$1,044,077

			For the six months ended June 30, 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	79,600	—	—	79,600
New debt placed	120,000	—	—	120,000
Scheduled repayments	(9,622)	(20)	—	(9,642)
Lump sum repayment	(2,567)	—	—	(2,567)
Amortization and other adjustments	(907)	—	533	(374)
Debt as at June 30, 2010	$ 913,405	$ 199	$ 130,473	$1,044,077

	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 %
2010	$ 11,690	$ 11,471	$ 23,161	2.2	5.38	5.38
2011	71,987	22,098	94,085	9.0	6.01	6.79
2012	99,994	20,352	120,346	11.5	5.57	5.46
2013	99,914	17,266	117,180	11.1	4.99	5.38
2014	191,572	15,605	207,177	19.7	6.72	5.96
2015 and thereafter	463,081	25,569	488,650	46.5	5.38	5.31
Total	$ 938,238	$ 112,361	1,050,599	100		5.58

Fair value adjustments	585
Transaction costs	(7,107)
Total	$1,044,077

Convertible debentures

With respect to the 6.0% Debentures, the total principal outstanding at July 31, 2010 was $125 million and is convertible into approximately 3,019,323 REIT A Units. For the 5.7% Debentures, the total principal outstanding at July 31, 2010 was $7.8 million and is convertible into approximately 260,000 REIT A Units. For the 6.5% Debentures, the total principal outstanding was $3.4 million and is convertible into approximately 136,520 REIT A Units.

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	129,604	—	14,281	143,885
Units issued pursuant to Unit Purchase Plan	3,397	—	—	3,397
Units issued pursuant to Deferred Unit Incentive Plan	19,463	—	—	19,463
Units issued pursuant to public offering	14,794,750	—	—	14,794,750
Total units outstanding on June 30, 2010	36,194,611	16,316	3,468,469	39,679,396
Percentage of all units	91.2%	0.1%	8.7%	100%
Units issued pursuant to DRIP on July 15, 2010	24,053	—	2,394	26,447
Units issued pursuant to Unit Purchase Plan	7,875	—	—	7,875
Conversion of 6.5% Debentures	3,000	—	—	3,000
Total units outstanding on July 30, 2010	36,229,539	16,316	3,470,863	39,716,718
Percentage of all units	91.2%	0.1%	8.7%	100%

Public offering of units

On June 2, 2010, we completed a public offering of 4,100,000 REIT A Units at a price of $24.40 per unit for gross proceeds of $100 million. On June 17, 2010, we issued an additional 615,000 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriters for gross proceeds of $15.0 million. Costs related to the offering were approximately $5.2 million.

On March 16, 2010, we completed a public offering of 3,965,000 REIT A Units at a price of $25.25 per unit for gross proceeds of $100.1 million. On March 26, 2010, we issued an additional 594,750 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriters for gross proceeds of $15.0 million. Costs related to the offering were approximately $5.2 million.

On January 7, 2010, we 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 were approximately $4.9 million.

Normal course issuer bid

We have a normal course issuer bid which commenced on September 26, 2009. Under the bid, we have the ability to purchase for cancellation up to a maximum of 1,648,026 REIT A Units (representing 10% of the REIT's public float, comprising 16,480,260 REIT A Units on September 17, 2009) through the facilities of the TSX. The bid will remain in effect until the earlier of September 25, 2010, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Based on the closing price of the REIT A Units on June 30, 2010, the Trust may purchase up to $40.3 million worth of REIT A Units. No units were acquired in 2010 pursuant to this bid.

OUR RESULTS OF OPERATIONS

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Revenues				
Rental properties revenue	**$ 64,374**	$ 46,387	**$ 125,384**	$ 94,529
Interest and fee income	**415**	491	**683**	968
	64,789	46,878	**126,067**	95,497
Expenses				
Rental properties operating expenses	**22,875**	16,219	**46,260**	34,213
Interest	**14,509**	12,552	**28,227**	25,059
Depreciation of rental properties	**9,632**	6,767	**18,167**	13,552
Amortization of leasing costs, tenant improvements and intangibles	**8,464**	5,608	**17,267**	11,228
General and administrative	**2,301**	1,710	**4,366**	3,431
	57,781	42,856	**114,287**	87,483
Income before income taxes	**7,008**	4,022	**11,780**	8,014
Income taxes				
Current income taxes	**3**	—	**7**	6
Future income taxes	**—**	137	**—**	377
	3	137	**7**	383
Income before discontinued operations	**7,005**	3,885	**11,773**	7,631
Discontinued operations	**(2)**	(8,657)	**2,841**	(8,544)
Net income (loss)	**$ 7,003**	$ (4,772)	**$ 14,614**	$ (913)

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 in 2010 and comparative property growth were the primary drivers of the $18.0 million, or 39%, increase in rental property revenue over the comparative quarter.

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 on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary from quarter to quarter. The $0.1 million decrease over the comparative quarter is mainly a result of investing undeployed cash at generally lower interest rates.

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, taxes, and repairs and maintenance. Expenses for the quarter increased $6.7 million, or 41%, reflecting higher recoverable operating costs and the additional costs associated with properties acquired.

Interest expense

Interest expense for the quarter increased $2.0 million, or 16%, over the comparative quarter, mainly reflecting the additional mortgage debt related to acquired properties. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, remains strong at 2.7 times.

Depreciation of rental properties

Acquisitions completed in 2009 and 2010 resulted in a $2.9 million, or 42%, increase in depreciation over the comparative period.

Amortization of leasing costs, tenant improvements and intangibles

Amortization increased $2.9 million, or 51%, over the comparative quarter, largely due to acquired properties and asset write-offs from early lease terminations.

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 $2.3 million, an increase of $0.6 million, or 35%, over the comparative period, mostly due to costs related to the IFRS conversion, and 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 18 to the interim 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 17 to the interim consolidated financial statements. During the quarter, we received $0.5 million related to the DRC Services Agreement. Other costs recovered from DRC include $1.0 million for operating and administrative costs of regional offices. We paid $2.5 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. Provided below is our reconciliation of NOI to net income.

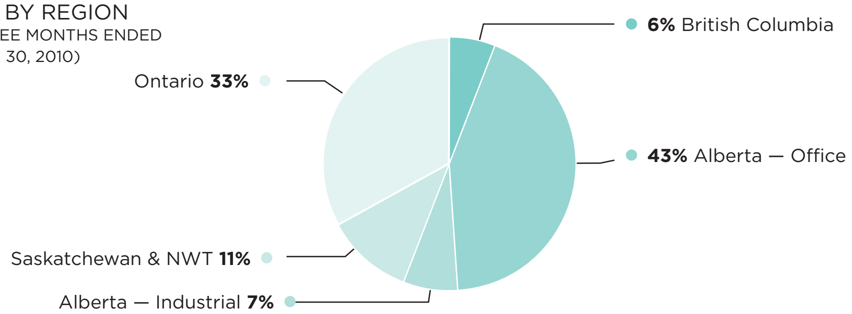
	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Net income (loss)	**$ 7,003**	$ (4,772)	**$ 14,614**	$ (913)
Add (deduct):				
Interest expense	**14,509**	12,552	**28,227**	25,059
Depreciation of rental properties	**9,632**	6,767	**18,167**	13,552
Amortization of leasing costs, tenant improvements and intangibles	**8,464**	5,608	**17,267**	11,228
General and administrative expenses	**2,301**	1,710	**4,366**	3,431
Interest and fee income	**(415)**	(491)	**(683)**	(968)
Income taxes	**3**	137	**7**	383
Depreciation, amortization, interest, gain on disposal of rental properties and future income taxes, included in discontinued operations	**9**	9,734	**(2,792)**	10,479
NOI including discontinued operations	**$ 41,506**	$ 31,245	**$ 79,173**	$ 62,251

We define NOI as the total of rental property revenues, including property management income, less rental property operating expenses. NOI, before discontinued operations, increased 38% for the quarter over the comparative period. The increase is mainly attributable to income generated by properties acquired in 2009 and 2010 along with modest comparable property growth.

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Office	**$ 38,323**	$ 27,523	$ 10,800	39	**$ 72,975**	$ 55,063	$ 17,912	33
Industrial	**3,176**	2,645	531	20	**6,149**	5,253	896	17
NOI	**41,499**	30,168	11,331	38	**79,124**	60,316	18,808	31
Discontinued operations	**7**	1,077	(1,070)		**49**	1,935	(1,886)	
NOI including discontinued operations	**$ 41,506**	$ 31,245	$ 10,261	33	**$ 79,173**	$ 62,251	$ 16,922	27

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,588**	$ 2,499	$ 89	4	**$ 5,113**	$ 4,978	$ 135	3
Alberta	**20,473**	19,728	745	4	**39,994**	39,790	204	1
Saskatchewan & NWT	**4,612**	4,301	311	7	**8,967**	8,456	511	6
Ontario	**13,826**	3,640	10,186	280	**25,050**	7,092	17,958	253
NOI	**41,499**	30,168	11,331	38	**79,124**	60,316	18,808	31
Discontinued operations	**7**	1,077	(1,070)		**49**	1,935	(1,886)	
NOI including discontinued operations	**$ 41,506**	$ 31,245	$ 10,261	33	**$ 79,173**	$ 62,251	$ 16,922	27

NOI BY REGION
(THREE MONTHS ENDED
JUNE 30, 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.

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Office	**$ 25,016**	$ 24,815	$ 201	1	**$ 49,639**	$ 49,433	$ 206	—
Industrial	**2,954**	2,606	348	13	**5,884**	5,203	681	13
Comparative properties	**27,970**	27,421	549	2	**55,523**	54,636	887	2
Acquisitions	**9,917**	—	9,917		**16,560**	—	16,560	
GAAP adjustments	**3,612**	2,747	865		**7,041**	5,680	1,361	
NOI	**41,499**	30,168	11,331	38	**79,124**	60,316	18,808	31
Discontinued operations	**7**	1,077	(1,070)		**49**	1,935	(1,886)	
NOI including discontinued operations	**$ 41,506**	$ 31,245	$ 10,261	33	**$ 79,173**	$ 62,251	$ 16,922	27

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,501**	$ 2,389	$ 112	5	**$ 4,912**	$ 4,724	$ 188	4
Alberta	**17,306**	17,395	(89)	(1)	**34,815**	34,978	(163)	—
Saskatchewan & NWT	**4,345**	4,215	130	3	**8,626**	8,279	347	4
Ontario	**3,818**	3,422	396	12	**7,170**	6,655	515	8
Comparative properties	**27,970**	27,421	549	2	**55,523**	54,636	887	2
Acquisitions	**9,917**	—	9,917		**16,560**	—	16,560	
GAAP adjustments	**3,612**	2,747	865		**7,041**	5,680	1,361	
NOI	**41,499**	30,168	11,331	38	**79,124**	60,316	18,808	31
Discontinued operations	**7**	1,077	(1,070)		**49**	1,935	(1,886)	
NOI including discontinued operations	**$ 41,506**	$ 31,245	$ 10,261	33	**$ 79,173**	$ 62,251	$ 16,922	27

Overall, NOI from comparative properties increased by 2% to $28.0 million in the second quarter. Comparative office NOI increased by 1%, mainly reflecting the benefit of a $0.3 million rent arbitration adjustment at an Ontario property in the quarter. Excluding this impact, office NOI was consistent with the prior period, reflecting occupancy and rental rate improvements in all markets offsetting declines in Alberta. Our industrial portfolio increased by $0.3 million, or 13%, reflecting improved occupancy. Properties acquired in 2009 and 2010 contributed $9.9 million to NOI growth.

Comparative office portfolio

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,501**	$ 2,389	$ 112	5	**$ 4,912**	$ 4,724	$ 188	4
Alberta	**14,352**	14,789	(437)	(3)	**28,931**	29,775	(844)	(3)
Saskatchewan & NWT	**4,345**	4,215	130	3	**8,626**	8,279	347	4
Ontario	**3,818**	3,422	396	12	**7,170**	6,655	515	8
Comparative properties	**25,016**	24,815	201	1	**49,639**	49,433	206	—
Acquisitions	**9,743**	—	9,743		**16,386**	—	16,386	
GAAP adjustments	**3,564**	2,708	856		**6,950**	5,630	1,320	
Office NOI	**$ 38,323**	$ 27,523	$ 10,800	39	**$ 72,975**	$ 55,063	$ 17,912	33

NOI from our comparative office portfolio was $25.0 million, an increase of $0.2 million over the prior year period. While we continue to experience the impact of occupancy declines in the Calgary market, with weighted average in-place occupancy decreasing from Q2 2009, each of our other office markets has experienced growth, which offsets the decline in Calgary. In Ontario, NOI grew by $0.4 million, or 12%, reflecting in-place occupancy growth at AIR MILES Tower in Toronto and the impact of a $0.3 million arbitration settlement. In Saskatchewan and the Northwest Territories, NOI increased by $0.1 million, mainly due to higher recovery revenue compared to the prior year, with occupancy declining slightly. NOI in British Columbia increased by $0.1 million, or 5%, mainly reflecting increased occupancy at 4400 Dominion in Burnaby and rental rate increases at Station Tower in Surrey.

Comparative industrial portfolio

	For the three months ended June 30				For the six months ended June 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Alberta	**$ 2,954**	$ 2,606	$ 348	13	**$ 5,884**	$ 5,203	$ 681	13
Comparative properties	**2,954**	2,606	348	13	**5,884**	5,203	681	13
Acquisitions	**174**	—	174		**174**	—	174	
GAAP adjustments	**48**	39	9		**91**	50	41	
Industrial NOI	**$ 3,176**	$ 2,645	$ 531	20	**$ 6,149**	$ 5,253	$ 896	17

Comparative industrial NOI increased by $0.3 million, or 13%, compared to 2009, reflecting weighted average in-place occupancy increasing to 89.9%, mainly as a result of leasing completed at two properties in Calgary, in particular the occupancy of approximately 100,000 square feet at 7102-7220 Barlow Trail SE. Our industrial portfolio in Edmonton contributed $0.1 million of growth mainly due to the occupancy of approximately 20,000 square feet of space at 15303-128 Avenue. This building has been leased and will be fully occupied by the third quarter.

NOI prior quarter comparison

The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2010. Comparative property NOI increased slightly by $0.7 million over the first quarter of 2010.

			For the three months ended	
			Growth	
	June 30, 2010	March 31, 2010	Amount	%
Office	**$ 28,090**	$ 27,413	$ 677	2
Industrial	**2,954**	2,931	23	1
Comparative properties	**31,044**	30,344	700	2
Acquisitions	**6,843**	3,852	2,991	
GAAP adjustments	**3,612**	3,429	183	
NOI	**41,499**	37,625	3,874	10
Discontinued operations	**7**	42	(35)	
NOI including discontinued operations	**$ 41,506**	$ 37,667	$ 3,839	10

			For the three months ended	
			Growth	
	June 30, 2010	March 31, 2010	Amount	%
British Columbia	**$ 2,501**	$ 2,411	$ 90	4
Alberta	**17,305**	17,510	(205)	(1)
Saskatchewan & NWT	**4,345**	4,281	64	1
Ontario	**6,893**	6,142	751	12
Comparative properties	**31,044**	30,344	700	2
Acquisitions	**6,843**	3,852	2,991	
GAAP adjustments	**3,612**	3,429	183	
NOI	**41,499**	37,625	3,874	10
Discontinued operations	**7**	42	(35)	
NOI including discontinued operations	**$ 41,506**	$ 37,667	$ 3,839	10

Results from our office portfolio in British Columbia increased 4% due to occupancy increases at two buildings. Our office portfolio in Calgary was impacted by slightly lower in-place occupancy. We continue to maintain our occupancy rate in Calgary, but we still expect the over-supply of available space to have an impact on gross rents and expenditures on tenant allowances. Our office portfolio in Saskatchewan and the Northwest Territories continued to provide consistent results with in-place occupancy decreasing slightly to 96.1%. Similarly, our office portfolio in Ontario contributed NOI of $6.9 million, an increase of $0.8 million, or 12%, over the prior quarter, mainly as a result of a $0.5 million prior year lease arbitration settlement and current period base rent increases.

Our industrial portfolio in Alberta maintained strong occupancy with leasing completed at 15303-128 Avenue in Edmonton offsetting small decreases at other buildings.

QUARTERLY INFORMATION

The following tables show quarterly information since July 1, 2008.

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Revenues								
Rental properties revenue	**$ 64,374**	$ 61,010	$ 50,156	$ 47,398	$ 46,387	$ 48,142	$ 48,385	$ 45,801
Interest and fee income	**415**	268	409	299	491	477	786	969
	64,789	61,278	50,565	47,697	46,878	48,619	49,171	46,770
Expenses								
Rental properties operating expenses	**22,875**	23,385	19,365	17,551	16,219	17,994	18,182	16,918
Interest	**14,509**	13,718	12,190	12,487	12,552	12,507	12,642	12,694
Depreciation of rental properties	**9,632**	8,535	7,025	6,935	6,767	6,785	6,711	6,719
Amortization of leasing costs, tenant improvements and intangibles	**8,464**	8,803	5,665	5,338	5,608	5,620	6,485	6,865
General and administrative	**2,301**	2,065	1,608	1,667	1,710	1,721	1,875	1,750
	57,781	56,506	45,853	43,978	42,856	44,627	45,895	44,946
Income before income and large corporations taxes	**7,008**	4,772	4,712	3,719	4,022	3,992	3,276	1,824
Income taxes (recovery)								
Current income and large corporations taxes	**3**	4	2	4	—	6	9	63
Future income taxes	**—**	—	(2,232)	87	137	240	150	7
Income tax expense (recovery)	**3**	4	(2,230)	91	137	246	159	70
Income before discontinued operations	**7,005**	4,768	6,942	3,628	3,885	3,746	3,117	1,754
Discontinued operations	**(2)**	2,843	(336)	4,099	(8,657)	113	449	371
Net income (loss)	**$ 7,003**	$ 7,611	$ 6,606	$ 7,727	$ (4,772)	$ 3,859	$ 3,566	$ 2,125
Net income (loss) per unit								
Basic	**$ 0.19**	$ 0.25	$ 0.26	$ 0.35	$ (0.23)	$ 0.18	$ 0.17	$ 0.10
Diluted[1]	**$ 0.19**	$ 0.25	$ 0.26	$ 0.35	$ (0.23)	$ 0.18	$ 0.17	$ 0.10

[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

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Net income (loss)	**$ 7,003**	$ 7,611	$ 6,606	$ 7,727	$ (4,772)	$ 3,859	$ 3,566	$ 2,125
Add (deduct):								
Depreciation of rental properties	**9,632**	8,535	7,075	7,021	7,095	7,092	6,993	6,990
Amortization of leasing costs, tenant improvements and intangibles	**8,464**	8,803	5,683	5,377	5,779	5,744	6,621	6,985
Future income taxes	**—**	—	(2,582)	46	(1,493)	290	221	(38)
Imputed amortization of leasing costs related to the rent supplement	**—**	—	—	—	—	—	—	—
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(54)**	(44)	(40)	(35)	(35)	(61)	(80)	(66)
(Gain) loss on disposal of rental properties and land held for sale	**9**	(2,801)	621	(3,927)	10,564	—	(336)	(169)
Funds from operations	**$ 25,054**	$ 22,104	$ 17,363	$ 16,209	$ 17,138	$ 16,924	$ 16,985	$ 15,827
Funds from operations per unit								
Basic[1]	**$ 0.69**	$ 0.72	$ 0.70	$ 0.74	$ 0.82	$ 0.81	$ 0.82	$ 0.75
Diluted	**$ 0.69**	$ 0.71	$ 0.69	$ 0.73	$ 0.80	$ 0.79	$ 0.80	$ 0.73
Funds from operations	**$ 25,054**	$ 22,104	$ 17,363	$ 16,209	$ 17,138	$ 16,924	$ 16,985	$ 15,827
Add (deduct):								
Depreciation on non-recoverable deferred	**—**	—	—	—	—	—	—	—
Amortization of marked-to-market adjustment on acquired debt	**(168)**	(206)	(182)	(198)	(196)	(222)	(191)	(139)
Amortization of deferred financing costs incurred prior to June 30, 2003	**364**	337	327	301	326	305	311	302
Deferred compensation expense	**394**	220	221	220	221	197	152	142
Straight-line rent	**(1,178)**	(172)	(411)	(241)	(187)	(213)	(297)	(296)
Amortization of above-market rent	**239**	267	126	97	99	99	120	129
Amortization of below-market rent	**(2,728)**	(3,576)	(2,426)	(2,684)	(2,715)	(2,876)	(3,390)	(3,303)
Amortization of tenant inducements	**55**	49	57	59	58	81	65	52
Amortization of deferred financing costs incurred subsequent to June 30, 2003	**(344)**	(309)	(315)	(291)	(305)	(282)	(289)	(284)
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	**(12)**	(9)	(13)	(11)	(12)	(9)	(7)	—
Vendor head lease income and revenue supplement	**787**	95	—	—	—	—	—	—
Distributable income	**$ 22,463**	$ 18,800	$ 14,747	$ 13,461	$ 14,427	$ 14,004	$ 13,459	$ 12,430
Distributable income per unit								
Basic[1]	**$ 0.62**	$ 0.61	$ 0.59	$ 0.62	$ 0.69	$ 0.67	$ 0.65	$ 0.59
Diluted	**$ 0.62**	$ 0.62	$ 0.60	$ 0.62	$ 0.68	$ 0.67	$ 0.65	$ 0.59

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

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Distributable income	**$ 22,463**	$ 18,800	$ 14,747	$ 13,461	$ 14,427	$ 14,004	$ 13,459	$ 12,430
Adjusted for:								
Normalized leasing cost and tenant improvements	**2,287**	2,089	1,514	1,514	1,514	1,514	1,514	1,514
Normalized non-recoverable recurring capital expenditures	**75**	75	200	200	200	200	200	200
Adjusted funds from operations	**$ 20,101**	$ 16,636	$ 13,033	$ 11,747	$ 12,713	$ 12,290	$ 11,745	$ 10,716
AFFO per unit								
Basic[1]	**0.55**	0.54	0.52	0.54	0.61	0.59	0.57	0.50
Weighted average units outstanding for FFO and DI								
Basic	**36,418,168**	30,713,775	24,967,255	21,883,358	21,018,003	20,956,343	20,720,901	21,248,773
Diluted	**39,871,032**	34,175,445	28,417,078	25,312,351	24,456,839	24,392,013	24,144,476	24,676,672

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

SECTION III — DISCLOSURE CONTROLS AND PROCEDURES

During the current interim period, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

For an explanation of our disclosure controls and procedures, please refer to our 2009 Annual Report or our annual information form for the year ended December 31, 2009, filed on SEDAR (www.sedar.com).

SECTION IV — RISKS AND OUR STRATEGY TO MANAGE

For a full list and explanation of our risks and uncertainties, please refer to our 2009 Annual Report or our annual information form for the year ended December 31, 2009, filed on SEDAR (www.sedar.com).

SECTION V — CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

Management of Dundee REIT believes that certain policies may be subject to estimation and management's judgment. For a list and explanation of these policies, please refer to Note 2 of the interim consolidated financial statements and our 2009 Annual Report.

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 applies prospectively 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

In February 2008, the Canadian Accounting Standards Board ("ASB") confirmed that International Financial Reporting Standards ("IFRS") will replace current accounting standards and interpretations for public companies for fiscal years beginning on or after January 1, 2011.

IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. The Trust has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated. We do not expect the adoption of IFRS to have a material impact on the reported cash flows of the Trust, but it is expected to have a material impact on the consolidated balance sheet and consolidated statement of net income including IFRS transition adjustments against opening retained earnings for retrospective application of standards, where required.

The conversion from Canadian GAAP to IFRS will be applicable in the first quarter of 2011, when the current and comparative information will be prepared under IFRS. We have performed an initial assessment of the impact of IFRS and expect significant accounting policy changes pertaining to investment property, joint ventures, equity and revenue recognition upon transition.

The transition process will consist 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 or their relevance and formulating key IFRS conversion issues to be resolved in the second phase of the project. We have provided IFRS education for key employees responsible for financial reporting.

The impact analysis, evaluation and design phase of the project is currently progressing through the establishment of functional implementation teams who are responsible for effecting required changes to business and accounting processes and systems. This second phase is substantially complete.

As a result of the substantial completion of this phase, we have made the following decisions and updates to the disclosure included in our 2009 Annual Report.

Investment property
Dundee REIT's Board of Trustees approved a resolution to allow the Trust to adopt the fair value model for accounting for investment property on transition to IFRS. This will result in adjustments to the Trust's opening balance sheet, including investment property and opening unitholders' equity, to reflect an initial revaluation of all of Dundee REIT's income properties and properties under development to fair value as at January 1, 2010. The initial revaluation adjustment to investment property will result in a substantial increase in total assets and unitholders' equity; however, management has not finalized the impact of this adjustment at the present time. Subsequently, investment property will be adjusted to fair value each reporting period, with changes in fair value recorded in earnings. In addition, all of Dundee REIT's intangible assets and liabilities under Canadian GAAP will no longer be separately recognized. The elimination of intangibles related to market rent adjustments on acquired leases will have the impact of decreasing earnings and FFO.

Joint arrangements
Dundee REIT'S Board of Trustees approved a resolution to allow the Trust to adopt the equity method to account for its interests in joint ventures that are not jointly controlled assets. Management has not finalized the impact of this adjustment at the present time. The International Accounting Standards Board is in the process of amending certain IFRS that will, if implemented in their current form, prohibit proportionate consolidation of joint ventures that are held through a legal entity, or where the venturers do not have rights to individual assets or obligations of the venture, because joint venturers in these circumstances do not have direct ownership or control of the underlying net assets of the joint venture. IFRS currently allows joint ventures in these circumstances to be either proportionately consolidated or equity accounted. This adjustment will result in decreases in total assets and debt.

Initial adoption of IFRS
The Trust has elected to set the foreign currency translation adjustment included in accumulated other comprehensive loss to zero upon transition to IFRS. The Trust is making this election because the disposition of its interest in a self-sustaining foreign operation was not finalized by December 31, 2009. The impact of this change will increase assets held for sale and unitholders' equity by $6.6 million.

Classification of LP B Units
The Trust will be required by IAS 32, Financial Instruments: Presentation, to present the LP B Units as a liability upon initial adoption of IFRS; however, management has not finalized the impact of this adjustment at the present time. This presentation is required because each LP B Unit is exchangeable for a unit of the Trust that has a redemption feature. The impact of this change will increase liabilities and decrease unitholders' equity. Distributions on the LP B Units will be reflected as a component of interest expense in earnings.

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.

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.

Consolidated balance sheets

(unaudited) (in thousands of dollars)	Note	**June 30, 2010**	December 31, 2009
Assets			
Rental properties	4	**$ 1,602,757**	$ 1,181,058
Leasing costs and tenant improvements	5	**57,629**	39,589
Amounts receivable	6	**9,652**	8,881
Prepaid expenses and other assets	7	**5,331**	17,718
Cash and cash equivalents		**69,749**	12,022
Intangible assets	8	**89,712**	57,558
Assets held for sale	18	**—**	18,416
		$1,834,830	$1,335,242
Liabilities			
Debt	9	**$1,044,077**	$ 857,060
Amounts payable and accrued liabilities	10	**30,395**	22,525
Distributions payable	11	**7,286**	4,534
Intangible liabilities	8	**47,674**	35,031
Liabilities related to assets held for sale	18	**—**	16,940
		1,129,432	936,090
Unitholders' equity	12	**705,398**	399,152
		$1,834,830	$1,335,242

See accompanying notes to the consolidated financial statements

On behalf of the Board of Trustees of Dundee Real Estate Investment Trust:

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of net income (loss) and comprehensive income (loss)

(unaudited) (in thousands of dollars, except per unit amounts)	Note	**For the three months ended June 30, 2010**	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Revenues					
Rental properties revenue		**$ 64,374**	$ 46,387	**$ 125,384**	$ 94,529
Interest and fee income		**415**	491	**683**	968
		64,789	46,878	**126,067**	95,497
Expenses					
Rental properties operating expenses		**22,875**	16,219	**46,260**	34,213
Interest	13	**14,509**	12,552	**28,227**	25,059
Depreciation of rental properties		**9,632**	6,767	**18,167**	13,552
Amortization of leasing costs, tenant improvements and intangibles		**8,464**	5,608	**17,267**	11,228
General and administrative		**2,301**	1,710	**4,366**	3,431
		57,781	42,856	**114,287**	87,483
Income before income taxes		**7,008**	4,022	**11,780**	8,014
Provision for income taxes	14				
Current income taxes		**3**	—	**7**	6
Future income taxes		**—**	137	**—**	377
		3	137	**7**	383
Income before discontinued operations		**7,005**	3,885	**11,773**	7,631
Discontinued operations	18	**(2)**	(8,657)	**2,841**	(8,544)
Net income (loss)		**$ 7,003**	$ (4,772)	**$ 14,614**	$ (913)
Basic and diluted income (loss) per unit	15				
Continuing operations		**$ 0.19**	$ 0.18	**$ 0.35**	$ 0.36
Discontinued operations		**—**	(0.41)	**0.09**	(0.40)
Net income (loss)		**$ 0.19**	$ (0.23)	**$ 0.44**	$ (0.04)
Net income (loss)		**$ 7,003**	$ (4,772)	**$ 14,614**	$ (913)
Other comprehensive income (loss)					
Change in foreign currency translation adjustment		**—**	(399)	**(6,609)**	(302)
Comprehensive income (loss)		**$ 7,003**	$ (5,171)	**$ 8,005**	$ (1,215)

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity

(unaudited) (in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity, January 1, 2010		**24,717,901**	**$ 607,282**	**$ 819,835**	**$(1,021,356)**	**$ (6,609)**	**$ 399,152**
Net income		**—**	**—**	**14,614**	**—**	**—**	**14,614**
Distributions paid	**11**	**—**	**—**	**—**	**(30,362)**	**—**	**(30,362)**
Distributions payable	**11**	**—**	**—**	**—**	**(7,286)**	**—**	**(7,286)**
Public offering of REIT A Units	**12**	**14,794,750**	**333,680**	**—**	**—**	**—**	**333,680**
Distribution Reinvestment Plan	**12**	**143,885**	**3,525**	**—**	**—**	**—**	**3,525**
Unit Purchase Plan	**12**	**3,397**	**84**	**—**	**—**	**—**	**84**
Deferred Unit Incentive Plan	**12**	**—**	**614**	**—**	**—**	**—**	**614**
Deferred Units exchanged for REIT A Units	**12**	**19,463**	**—**	**—**	**—**	**—**	**—**
Issue costs	**12**	**—**	**(15,232)**	**—**	**—**	**—**	**(15,232)**
Change in foreign currency translation adjustment	**18**	**—**	**—**	**—**	**—**	**6,609**	**6,609**
Unitholders' equity, June 30, 2010		**39,679,396**	**$ 929,953**	**$ 834,449**	**$(1,059,004)**	**$ —**	**$ 705,398**

See accompanying notes to the consolidated financial statements

(unaudited) (in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity, January 1, 2009		20,417,744	$ 536,093	$ 806,415	$ (972,790)	$ (5,275)	$ 364,443
Net loss		—	—	(913)	—	—	(913)
Distributions paid		—	—	—	(19,004)	—	(19,004)
Distributions payable		—	—	—	(3,810)	—	(3,810)
Distribution Reinvestment Plan	12	113,846	1,534	—	—	—	1,534
Unit Purchase Plan	12	627	9	—	—	—	9
Deferred Unit Incentive Plan		—	418	—	—	—	418
Deferred Units exchanged for REIT A Units		239,873	—	—	—	—	—
Issue costs		—	(11)	—	—	—	(11)
Unit redemption		(30)	—	—	—	—	—
Change in foreign currency translation adjustment		—	—	—	—	(302)	(302)
Unitholders' equity, June 30, 2009		20,772,060	$ 538,043	$ 805,502	$ (995,604)	$ (5,577)	$ 342,364

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(unaudited) (in thousands of dollars)	Note	**For the three months ended June 30, 2010**	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Generated from (utilized in) operating activities					
Net income (loss)		**$ 7,003**	$ (4,772)	**$ 14,614**	$ (913)
Non-cash items:					
Depreciation of rental properties		**9,632**	7,095	**18,167**	14,187
Amortization of leasing costs, tenant improvements and intangibles		**8,464**	5,779	**17,267**	11,523
Amortization of deferred financing costs		**364**	326	**701**	631
Amortization of fair value adjustment on acquired debt		**(168)**	(196)	**(374)**	(418)
(Gain) loss on disposal of rental properties	18	**9**	10,564	**(2,792)**	10,564
Deferred unit compensation expense		**394**	221	**614**	419
Future income taxes		**—**	(1,493)	**—**	(1,204)
Amortization of market rent adjustments on acquired leases		**(2,489)**	(2,616)	**(5,798)**	(5,393)
Amortization of straight-line rent adjustment		**(1,178)**	(187)	**(1,350)**	(400)
		22,031	14,721	**41,049**	28,996
Leasing costs incurred		**(2,821)**	(1,012)	**(3,418)**	(1,857)
Change in non-cash working capital	20	**(3,203)**	1,098	**(595)**	5,053
		16,007	14,807	**37,036**	32,192
Generated from (utilized in) investing activities					
Investment in rental properties		**(3,154)**	(1,351)	**(5,108)**	(2,031)
Investment in tenant improvements		**(1,333)**	(1,644)	**(3,075)**	(3,452)
Acquisition of rental properties	3	**(158,194)**	—	**(375,914)**	—
Acquisition deposit on rental properties		**100**	—	**(500)**	—
Net proceeds from disposal of rental properties	18	**—**	—	**10,850**	—
Change in restricted cash, net		**—**	651	**—**	268
		(162,581)	(2,344)	**(373,747)**	(5,215)
Generated from (utilized in) financing activities					
Mortgages placed, net of costs		**60**	36,346	**119,288**	36,269
Mortgage principal repayments		**(5,167)**	(3,843)	**(9,622)**	(7,669)
Mortgage lump sum repayments		**(2,567)**	(24,233)	**(2,567)**	(24,233)
Term debt principal repayments		**—**	(28)	**(20)**	(66)
Distributions paid on Units	11	**(17,272)**	(10,718)	**(31,371)**	(21,220)
Units issued for cash, net of costs	12	**109,941**	4	**318,532**	(1)
		84,995	(2,472)	**394,240**	(16,920)
Increase (decrease) in cash and cash equivalents		**(61,579)**	9,991	**57,529**	10,057
Cash and cash equivalents, beginning of period — continuing operations		**131,328**	69,333	**12,022**	69,267
Cash and cash equivalents, beginning of period — held for sale		**—**	—	**198**	—
Cash and cash equivalents, end of period		**$ 69,749**	$ 79,324	**$ 69,749**	$ 79,324

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

Note 1
ORGANIZATION

Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dundee REIT include the accounts of Dundee REIT and its subsidiaries, together with Dundee REIT's proportionate share of the assets and liabilities, and revenues and expenses of joint ventures in which it participates.

Equity is described in Note 12; however, for simplicity, throughout the Notes reference is made 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, collectively
- "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

At June 30, 2010, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 949,922 REIT A Units and 3,468,469 LP B Units (December 31, 2009 — 921,299 and 3,454,188 Units, respectively).

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements are in conformity with the requirements of Canadian generally accepted accounting principles ("GAAP") for interim financial statements as recommended by the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, "Interim Financial Statements". The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of GAAP for annual financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements of Dundee REIT as at, and for the year ended, December 31, 2009.

These interim consolidated financial statements follow the same accounting policies and methods of application as used in the December 31, 2009 consolidated financial statements.

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

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 applies prospectively 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 IFRS 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.

Note 3
PROPERTY ACQUISITIONS

Detailed below are the acquisitions completed during the period ended June 30, 2010. There were no acquisitions completed in the period ended June 30, 2009.

For the six months ended June 30, 2010	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Adelaide Place, Toronto	office	100	654,249	98	$ 217,461	$ —	January 18, 2010
Aviva Corporate Centre, Toronto	office/ redevelopment	100	436,704	99[1]	45,907	30,321	February 10, 2010
10130-103 Street, Edmonton	office	100	265,625	95	87,780	27,794	April 16, 2010
2340 St. Laurent Boulevard, Ottawa	industrial	100	114,724	100	11,344	—	April 26, 2010
4915-52 Street (Lots 17 & 18), Yellowknife	redevelopment	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	38,526	21,496	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
Total			2,018,165	98	$ 477,480	$ 79,611	

[1] Excludes redevelopment component of the property.

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

For the six months ended June 30	2010
Rental properties	
Land	$ 45,357
Buildings	383,844
Properties under development	5,693
	434,894
Tenant improvements acquired	18,108
Intangible assets	
Value of in-place leases	18,960
Lease origination costs	4,742
Value of above-market rent leases	3,776
Value of tenant relationships	15,947
	496,427
Intangible liabilities	
Value of below-market rent leases	(18,947)
Total purchase price	$ 477,480

The consideration paid consists of:

For the six months ended June 30	2010
Cash	
Paid during the period	$ 375,914
Deposits applied	13,755
	389,669
Assumed mortgages at fair value	79,611
Assumed accounts payable, accrued liabilities and adjustments to purchase price	8,200
Total consideration	$ 477,480

The allocation of the purchase price to the fair value of assets acquired and liabilities assumed for the property acquisitions completed during the current year has not been finalized and will be subject to adjustment. During the second quarter, the allocation of the purchase price of properties acquired in 2009 was finalized. The value of intangible assets and liabilities and leasing costs has been reduced by approximately $9,700; the value of land has been reduced by approximately $4,900 and the value of building has increased by approximately $14,600.

Note 4
RENTAL PROPERTIES

			June 30, 2010			December 31, 2009
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Land	**$ 280,381**	**$ —**	**$ 280,381**	$ 235,025	$ —	$ 235,025
Buildings and improvements	**1,441,344**	**(128,441)**	**1,312,903**	1,053,465	(110,358)	943,107
Fixed assets and equipment	**2,038**	**(983)**	**1,055**	2,011	(843)	1,168
Rental properties under development	**8,418**	**—**	**8,418**	1,758	—	1,758
Total	**$ 1,732,181**	**$ (129,424)**	**$1,602,757**	$1,292,259	$ (111,201)	$ 1,181,058

Note 5
LEASING COSTS AND TENANT IMPROVEMENTS

			June 30, 2010			December 31, 2009
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Leasing costs	**$ 17,138**	**$ (4,840)**	**$ 12,298**	$ 14,214	$ (4,292)	$ 9,922
Tenant improvements	**68,088**	**(22,757)**	**45,331**	49,418	(19,751)	29,667
Total	**$ 85,226**	**$ (27,597)**	**$ 57,629**	$ 63,632	$ (24,043)	$ 39,589

Note 6
AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments totalling $5,951 (December 31, 2009 — $2,972).

	June 30, 2010	December 31, 2009
Trade receivables, net	**$ 2,647**	$ 2,048
Straight-line rent receivables	**8,570**	7,409
Other accounts receivable (payable)	**(1,565)**	(576)
	$ 9,652	$ 8,881

	June 30, 2010	December 31, 2009
Trade receivables	**$ 3,477**	$ 3,141
Less: Provision for impairment of trade receivables	**(830)**	(1,093)
Trade receivables, net	**$ 2,647**	$ 2,048

The movement in the provision for impairment of trade receivables during the period ended June 30 was as follows:

	2010	2009
As at January 1	**$ 1,093**	$ 549
Provision for impairment of trade receivables	**64**	737
Receivables written off during the period as uncollectible	**(327)**	(331)
Translation adjustment	**—**	(10)
As at June 30	**$ 830**	$ 945

The carrying amount of amounts receivable is reduced through the use of an allowance account and any loss is recognized within property operating expenses. Where a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Any subsequent recovery of amounts previously written off are credited against operating expense in the income statement.

Note 7
PREPAID EXPENSES AND OTHER ASSETS

	June 30, 2010	December 31, 2009
Prepaid expenses	**$ 3,025**	$ 2,110
Deposits	**938**	13,887
Restricted cash	**1,368**	1,721
Total	**$ 5,331**	$ 17,718

Deposits largely represent amounts provided by the Trust in connection with property acquisitions. Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages.

Note 8
INTANGIBLE ASSETS AND LIABILITIES

			June 30, 2010			December 31, 2009
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	**$ 7,654**	**$ (1,607)**	**$ 6,047**	$ 3,914	$ (1,140)	$ 2,774
Value of in-place leases	**53,955**	**(20,622)**	**33,333**	37,727	(17,625)	20,102
Lease origination costs	**13,675**	**(4,325)**	**9,350**	9,383	(3,718)	5,665
Value of tenant relationships	**54,062**	**(13,080)**	**40,982**	39,635	(10,618)	29,017
Total	**$ 129,346**	**$ (39,634)**	**$ 89,712**	$ 90,659	$ (33,101)	$ 57,558
Intangible liabilities						
Value of below-market rent leases	**$ 75,239**	**$ (27,565)**	**$ 47,674**	$ 60,854	$ (25,823)	$ 35,031

Note 9
DEBT

	June 30, 2010	December 31, 2009
Mortgages	**$ 913,405**	$ 726,901
Convertible debentures	**130,473**	129,940
Term debt	**199**	219
Total	**$1,044,077**	$ 857,060

Mortgages are secured by charges on specific rental properties.

Convertible debentures comprise $119,415 of the 6.0% Debentures, $7,747 of the 5.7% Debentures and $3,311 of the 6.5% Debentures (December 31, 2009 — $118,904, $7,743 and $3,293, respectively).

On January 14, 2008, the Trust issued $125,000 principal amount convertible unsecured subordinated debentures (the "6.0% Debentures"). The 6.0% Debentures bear interest at 6.0% per annum, payable semi-annually on June 30 and December 31 each year, have a conversion price of $41.40 per Unit and mature on December 31, 2014. As at June 30, 2010, the outstanding principal amount is $125,000 (December 31, 2009 — $125,000).

On April 1, 2005, the Trust issued $100,000 principal amount convertible unsecured subordinated debentures (the "5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, have a conversion price of $30.00 per Unit and mature on March 31, 2015. As at June 30, 2010, the outstanding principal amount is $7,806 (December 31, 2009 — $7,806).

On June 21, 2004, the Trust issued $75,000 principal amount convertible unsecured subordinated debentures (the "6.5% Debentures"). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually on June 30 and December 31 each year, have a conversion price of $25.00 per Unit and mature on June 30, 2014. As at June 30, 2010, the outstanding principal amount is $3,488 (December 31, 2009 — $3,488).

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40,000, bearing interest generally at the bank prime rate (2.50% as at June 30, 2010) plus 1.5% or bankers' acceptance rates plus 3.0%. The facility is secured by a first-ranking collateral mortgage on two of the Trust's properties and a second-ranking collateral mortgage on one property. As at June 30, 2010, the formula-based amount available under this facility was $36,075, less $1,540 drawn in the form of letters of guarantee (December 31, 2009 — $1,090 drawn).

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

	Weighted average interest rates			Debt amount	
	June 30, 2010	December 31, 2009	Maturity dates	**June 30, 2010**	December 31, 2009
Fixed rate					
Mortgages	**5.56%**	5.68%	2010—2019	**$ 884,673**	$ 695,608
Convertible debentures	**7.03%**	7.03%	2014—2015	**130,473**	129,940
Term debt	**9.03%**	9.03%	2010—2011	**199**	219
Total fixed rate debt	**5.75%**	5.90%		**1,015,345**	825,767
Variable rate					
Mortgages	**2.45%**	2.01%	2013	**28,732**	31,293
Total variable rate debt	**2.45%**	2.01%		**28,732**	31,293
Total debt	**5.66%**	5.75%		**$1,044,077**	$ 857,060

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Convertible debentures	Total
2010 (remainder of)	$ 23,065	$ 96	$ —	$ 23,161
2011	93,982	103	—	94,085
2012	120,346	—	—	120,346
2013	117,180	—	—	117,180
2014	78,689	—	128,488	207,177
2015 and thereafter	480,844	—	7,806	488,650
	914,106	199	136,294	1,050,599
Financing costs and fair value adjustments	(701)	—	(5,821)	(6,522)
	$ 913,405	$ 199	$ 130,473	$1,044,077

Included in mortgages is $2,163 in fair value adjustments (December 31, 2009 — $2,671), which reflects the fair value adjustments for mortgages assumed as part of acquisitions, net of $2,864 of unamortized financing costs (December 31, 2009 — $2,465). The convertible debentures are reduced by a $1,578 premium allocated to their conversion features (December 31, 2009 — $1,724) and $4,243 of unamortized financing costs (December 31, 2009 — $4,630). The fair value adjustment, premium and financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

The fair value of mortgages and debentures is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of debentures uses quoted market prices from an active market.

	June 30, 2010	December 31, 2009
Mortgages	**$ 940,634**	$ 730,809
Convertible debentures	**137,267**	134,923
Term debt	**199**	219
Total	**$1,078,100**	$ 865,951

Note 10
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2010	December 31, 2009
Trade payables	**$ 1,482**	$ 1,602
Accrued liabilities and other payables	**15,006**	9,521
Accrued interest	**4,019**	3,426
Deposits	**7,030**	6,159
Rent received in advance	**2,858**	1,817
Total	**$ 30,395**	$ 22,525

Note 11

DISTRIBUTIONS

The following table breaks down distribution payments for the period ended June 30, 2010:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 27,889	$ 18	$ 3,464	$ 31,371
Paid by way of reinvestment in REIT A Units	3,176	—	—	3,176
Paid by way of reinvestment in LP B Units	—	—	349	349
Less: Payable at December 31, 2009	(3,899)	(3)	(632)	(4,534)
Plus: Payable at June 30, 2010	6,646	3	637	7,286
Total	$ 33,812	$ 18	$ 3,818	$ 37,648

The amount payable at June 30, 2010, was satisfied on July 15, 2010, by $6,627 in cash, $600 of 24,053 REIT A Units and $59 of 2,394 LP B Units. Included in the total distributions is $143 representing the 4% bonus distribution that forms part of the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

Note 12

UNITHOLDERS' EQUITY

	June 30, 2010		December 31, 2009	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**36,194,611**	**$ 614,301**	21,247,397	$ 312,743
REIT Units, Series B	**16,316**	**365**	16,316	362
LP Class B Units, Series 1	**3,468,469**	**90,732**	3,454,188	92,656
Cumulative foreign currency translation adjustment	**—**	**—**	—	(6,609)
Total	**39,679,396**	**$ 705,398**	24,717,901	$ 399,152

Dundee REIT Units

Dundee REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The REIT Units are divided into and issuable in two series: REIT Units, Series A and REIT Units, Series B. The Special Trust Units may only be issued to holders of LP B Units.

REIT Units, Series A and REIT Units, Series B represent an undivided beneficial interest in Dundee REIT and in distributions made by Dundee REIT. No REIT Unit, Series A or REIT Unit, Series B has preference or priority over any other. Each REIT Unit, Series A and REIT Unit, Series B entitles the holder to one vote at all meetings of unitholders.

The terms of the LP B Units restrict the transfer of such units except to a subsidiary of the holder. As a result, if an existing holder of LP B Units wants to transfer the LP B Units to a third party, they must first be converted into REIT B Units. The Trust classifies the outstanding LP B Units as unitholders' equity for financial statement purposes in accordance with GAAP.

Special Trust Units are issued in connection with LP B Units. The Special Trust Units are not transferable separately from the LP B Units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP B Units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained upon the surrender or exchange of the LP B Units to which they relate. At June 30, 2010, 3,468,469 Special Trust Units were issued and outstanding (December 31, 2009 — 3,454,188).

	REIT Units, Series A		REIT Units, Series B		LP Class B Units, Series 1		Accumulated other comprehensive loss	Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount		Number of Units	Amount
Unitholders' equity,									
January 1, 2010	21,247,397	$ 312,743	16,316	$ 362	3,454,188	$ 92,656	$ (6,609)	24,717,901	$ 399,152
Net income	—	13,048	—	21	—	1,545	—	—	14,614
Distributions paid	—	(27,166)	—	(15)	—	(3,181)	—	—	(30,362)
Distributions payable	—	(6,646)	—	(3)	—	(637)	—	—	(7,286)
Public offering of REIT A Units	14,794,750	333,680	—	—	—	—	—	14,794,750	333,680
Distribution Reinvestment Plan	129,604	3,176	—	—	14,281	349	—	143,885	3,525
Unit Purchase Plan	3,397	84	—	—	—	—	—	3,397	84
Deferred Unit Incentive Plan	—	614	—	—	—	—	—	—	614
Deferred Units exchanged for									
REIT A Units	19,463	—	—	—	—	—	—	19,463	—
Issue costs	—	(15,232)	—	—	—	—	—	—	(15,232)
Change in foreign currency									
translation adjustment	—	—	—	—	—	—	6,609	—	6,609
Unitholders' equity,									
June 30, 2010	36,194,611	$ 614,301	16,316	$ 365	3,468,469	$ 90,732	$ —	39,679,396	$ 705,398

Public offering of REIT A Units

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 $100,040. 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 $15,007. Costs related to the offering totalled $5,157 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 $100,116. 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 $15,017. Costs related to the offering totalled $5,180 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 $103,500. Costs related to the offering totalled $4,887 and were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

For the six months ended June 30, 2010, 129,604 REIT A Units and 14,281 LP B Units were issued under the DRIP for $3,525 (June 30, 2009 — 113,846 REIT A Units and nil LP B Units for $1,534). For the same period, 3,397 REIT A Units were issued under the Unit Purchase Plan for $84 (June 30, 2009 — 627 REIT A Units for $9).

Conversion of debentures

During the period ended June 30, 2010, there were no conversions of any of the convertible debentures.

Deferred Unit Incentive Plan

During the six months ended June 30, 2010, $614 of compensation expense was recorded (June 30, 2009 — $418) and included in general and administrative expenses. Income deferred trust units are accounted for as a distribution and an issuance of REIT A Units when the related deferred trust units vest. No amount related to income deferred trust units is recognized in net income.

	Weighted average grant date value	Deferred trust units	Income deferred trust units	Total units
Outstanding at December 31, 2009	$ 28.55	217,918	48,215	266,133
Granted during the period	24.96	98,666	15,379	114,045
Cancelled	13.49	(200)	(27)	(227)
REIT A Units issued	23.16	(15,937)	(3,526)	(19,463)
Fractional units paid in cash	—	—	(13)	(13)
Outstanding and payable at June 30, 2010	**$ 27.67**	**300,447**	**60,028**	**360,475**
Vested but not issued at June 30, 2010	**$ 28.27**	**81,483**	**28,991**	**110,474**

On February 23, 2010, 88,450 deferred trust units were granted to trustees and senior managers. A further 10,216 deferred trust units were granted to trustees who elected to receive their 2010 annual retainer in the form of deferred trust units rather than cash.

Normal course issuer bid

The Trust has an outstanding normal course issuer bid, which commenced on September 26, 2009, and will remain in effect until the earlier of September 25, 2010, 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 1,648,026 REIT A Units (representing 10% of the REIT's public float of 16,480,260 REIT A Units at the time of renewal) through the facilities of the TSX. As of June 30, 2010, no purchases had been made. Based on the closing price of the REIT A Units on June 30, 2010, the Trust may purchase up to $40,294 worth of REIT A Units.

Note 13
INTEREST

Interest incurred and charged to earnings is recorded as follows:

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Interest expense incurred, at stated rate of debt	**$ 14,370**	$ 12,443	**$ 28,006**	$ 24,887
Amortization of financing costs	**364**	309	**701**	602
Amortization of fair value adjustments on acquired debt	**(168)**	(195)	**(374)**	(418)
Interest capitalized	**(57)**	(5)	**(106)**	(12)
Interest expense	**$ 14,509**	$ 12,552	**$ 28,227**	$ 25,059

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the remaining life of the debt using the effective interest rate method. Interest capitalized includes interest on specified and general debt attributed to a property considered to be under redevelopment. Non-cash adjustments to interest expense are recorded as a non-cash adjustment to net income in determining cash flow from operating activities.

Note 14
INCOME TAXES

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust distributes all of its taxable income to its unitholders, which enables the Trust to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the unitholders, no provision for income taxes is required on such amounts.

In the prior comparative period, Canadian and U.S.-based incorporated subsidiaries were subject to tax on their respective taxable income at their corresponding legislated rates. On December 31, 2009, the Trust effected the transfer of its interest in a property held in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. On February 5, 2010, the Trust disposed of its interest in the U.S. entity. As a result of these transactions, the Trust is no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates.

Note 15
INCOME (LOSS) PER UNIT

The weighted average number of units outstanding was as follows:

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
REIT A Units and REIT B Units	**32,849,733**	17,531,109	**30,025,967**	17,497,022
LP B Units	**3,464,935**	3,454,191	**3,461,438**	3,454,191
Vested deferred trust units	**103,500**	32,703	**93,523**	36,130
Total weighted average number of units outstanding for basic income per unit amounts	**36,418,168**	21,018,003	**33,580,928**	20,987,343
Add incremental units:				
Unvested deferred trust units	**29,685**	15,948	**30,894**	15,939
Income deferred trust units	**4,069**	3,779	**3,770**	3,635
Total weighted average number of units outstanding for diluted income per unit amounts	**36,451,922**	21,037,730	**33,615,592**	21,006,917

Income per unit information is based on the weighted average number of units outstanding for the period. The calculation of diluted per unit information considers the potential exercise of outstanding unvested deferred trust units and income deferred trust units, and the incremental REIT A Units to be issued upon an assumed conversion of all outstanding debentures, to the extent that these are dilutive. The incremental unvested deferred trust units represent the potential units that would have to be purchased in the open market to fund the unvested obligation of the weighted average number of unvested deferred trust units outstanding for the period.

The 3,419,110 incremental REIT A Units to be issued upon an assumed conversion of all debentures outstanding at June 30, 2010 (June 30, 2009 — 3,419,110) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

Note 16

SEGMENTED INFORMATION

The Trust's rental properties have been segmented into office and industrial components. The other category represents rental property under development. The Trust does not allocate interest expense to these segments since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes and general and administrative expenses are not allocated to the segment expenses.

For the three months ended June 30, 2010	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 59,754	$ 4,620	$ 64,374	$ —	$ 64,374
Operating expenses	21,431	1,444	22,875	—	22,875
Net operating income	38,323	3,176	41,499	—	41,499
Depreciation of rental properties	8,902	730	9,632	—	9,632
Amortization of leasing costs, tenant improvements and intangibles	8,009	455	8,464	—	8,464
Segment income	$ 21,412	$ 1,991	$ 23,403	$ —	23,403
Interest expense					(14,509)
General and administrative expenses					(2,301)
Interest and fee income					415
Income taxes					(3)
Discontinued operations					(2)
Net income					$ 7,003
Capital expenditures					
Investment in rental properties	$ (1,861)	$ (679)	$ (2,540)	$ (614)	$ (3,154)
Investment in tenant improvements	(1,298)	(35)	(1,333)	—	(1,333)
Acquisition of rental properties	(147,429)	(10,133)	(157,562)	(632)	(158,194)
Leasing costs	(2,048)	(773)	(2,821)	—	(2,821)
Total capital expenditures	$ (152,636)	$ (11,620)	$ (164,256)	$ (1,246)	$ (165,502)

For the three months ended June 30, 2009	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 42,512	$ 3,875	$ 46,387	$ —	$ 46,387
Operating expenses	14,989	1,230	16,219	—	16,219
Net operating income	27,523	2,645	30,168	—	30,168
Depreciation of rental properties	6,079	688	6,767	—	6,767
Amortization of leasing costs, tenant improvements and intangibles	5,224	384	5,608	—	5,608
Segment income	$ 16,220	$ 1,573	$ 17,793	$ —	17,793
Interest expense					(12,552)
General and administrative expenses					(1,710)
Interest and fee income					491
Income taxes					(137)
Discontinued operations					(8,657)
Net loss					$ (4,772)
Capital expenditures					
Investment in rental properties	$ (1,292)	$ —	$ (1,292)	$ (59)	$ (1,351)
Investment in tenant improvements	(1,154)	(354)	(1,508)	(136)	(1,644)
Leasing costs	(824)	10	(814)	(198)	(1,012)
Total capital expenditures	$ (3,270)	$ (344)	$ (3,614)	$ (393)	$ (4,007)

For the six months ended June 30, 2010	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 116,390	$ 8,994	$ 125,384	$ —	$ 125,384
Operating expenses	43,415	2,845	46,260	—	46,260
Net operating income	72,975	6,149	79,124	—	79,124
Depreciation of rental properties	16,746	1,421	18,167	—	18,167
Amortization of leasing costs, tenant improvements and intangibles	16,423	844	17,267	—	17,267
Segment income	$ 39,806	$ 3,884	$ 43,690	$ —	43,690
Interest expense					(28,227)
General and administrative expenses					(4,366)
Interest and fee income					683
Income taxes					(7)
Discontinued operations					2,841
Net income					$ 14,614
Segment rental properties	$1,493,805	$ 100,534	$1,594,339	$ 8,418	$1,602,757
Capital expenditures					
Investment in rental properties	$ (3,223)	$ (866)	$ (4,089)	$ (1,019)	$ (5,108)
Investment in tenant improvements	(2,766)	(309)	(3,075)	—	(3,075)
Acquisition of rental properties	(358,726)	(10,133)	(368,859)	(7,055)	(375,914)
Leasing costs	(2,490)	(928)	(3,418)	—	(3,418)
Total capital expenditures	$ (367,205)	$ (12,236)	$ (379,441)	$ (8,074)	$ (387,515)

For the six months ended June 30, 2009	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 86,458	$ 8,071	$ 94,529	$ —	$ 94,529
Operating expenses	31,395	2,818	34,213	—	34,213
Net operating income	55,063	5,253	60,316	—	60,316
Depreciation of rental properties	12,162	1,390	13,552	—	13,552
Amortization of leasing costs, tenant improvements and intangibles	10,451	777	11,228	—	11,228
Segment income	$ 32,450	$ 3,086	$ 35,536	$ —	35,536
Interest expense					(25,059)
General and administrative expenses					(3,431)
Interest and fee income					968
Income taxes					(383)
Discontinued operations					(8,544)
Net income					$ (913)
Segment rental properties	$1,009,090	$ 101,430	$ 1,110,520	$ 1,129	$ 1,111,649
Capital expenditures					
Investment in rental properties	$ (1,909)	$ (16)	$ (1,925)	$ (106)	$ (2,031)
Investment in tenant improvements	(2,565)	(501)	(3,066)	(386)	(3,452)
Leasing costs	(1,629)	(62)	(1,691)	(166)	(1,857)
Total capital expenditures	$ (6,103)	$ (579)	$ (6,682)	$ (658)	$ (7,340)

Note 17
RELATED-PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Dundee REIT, Dundee Management Limited Partnership ("DMLP") and DRC are parties to an administrative services agreement (the "Services Agreement") that is in effect until June 30, 2013. Effective August 24, 2007, Dundee REIT also has an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries.

For the six months ended June 30, 2010, the Trust received total fees from DRC of $1,008 (June 30, 2009 — $1,004). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the period ended June 30, 2010, include $1,978 for operating and administration costs of regional offices (June 30, 2009 — $1,711) which are included in operating expenses of the Trust.

For the six months ended June 30, 2010, the Trust incurred total fees of $5,613 (June 30, 2009 — $2,565) under the Asset Management Agreement. Included in this amount is $2,721 which is reported in general and administrative expenses, $2,633 which is reported with property acquisitions and $259 in financing costs reported with debt.

Included in amounts receivable at June 30, 2010, is $(160) related to the Services Agreement (December 31, 2009 — $(155)), $184 related to the Asset Management Agreement (December 31, 2009 — $224) and $158 related to other amounts owed by DRC (December 31, 2009 — $158). Accrued liabilities and other payables at June 30, 2010, include $304 for amounts related to the Asset Management Agreement (December 31, 2009 — $954).

Note 18
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The results of operations of any property that has been sold and identified as discontinued operations are reported separately and comparative amounts are reclassified as discontinued operations. Any property identified as held for sale is also reported separately in the relevant period.

On March 1, 2010, the Trust sold its 50% interest in a joint venture office property located in Toronto, Ontario. It received net proceeds of $10,665 and recognized a gain of $2,206.

On February 5, 2010, the Trust completed the sale of its 50% interest in Greenbriar Mall in Atlanta, Georgia, to its joint venture partner, for which it received net proceeds of $185. The Trust is now discharged from all rights and obligations relating to the property. As at December 31, 2009, a total provision for impairment of $11,513 was recognized, including a $4,904 write-down in the carrying value of the net assets of the property, and a $6,609 provision for the accumulated foreign currency translation adjustment associated with the investment in the net assets of the property. The future tax liability of $1,971 associated with the U.S. operations was also written off. The remaining assets and liabilities have now been written off resulting in a net gain of $595 for the current period.

There were no assets held for sale at June 30, 2010.

The following table summarizes the net income from discontinued operations:

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Revenues				
Rental properties revenue	**$ 16**	$ 2,117	**$ 319**	$ 4,133
Interest and other income	**—**	1	**—**	16
	16	2,118	**319**	4,149
Expenses				
Rental properties operating expenses	**9**	1,039	**270**	2,197
Interest	**—**	282	**—**	562
Depreciation of rental properties	**—**	328	**—**	635
Amortization of leasing costs, tenant improvements and intangibles	**—**	171	**—**	295
	9	1,820	**270**	3,689
Income before undernoted	**7**	298	**49**	460
Loss (gain) on disposal of rental properties	**9**	10,564	**(2,792)**	10,564
Current income taxes	**—**	20	**—**	20
Future income tax recovery	**—**	(1,629)	**—**	(1,580)
Net income (loss) from discontinued operations	**$ (2)**	$ (8,657)	**$ 2,841**	$ (8,544)

Note 19

COMMITMENTS AND CONTINGENCIES

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

Dundee REIT's future minimum commitments under operating and capital leases are as follows:

Years ending December 31	Operating lease payments	Capital lease payments
2010	$ 550	$ 66
2011	979	133
2012	837	133
2013	697	133
2014	5	—
Total	$ 3,068	$ 465

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of approximately $6,900.

Effective February 1, 2010, the Trust entered into three fixed price contracts to purchase electricity for 14 office properties in Calgary. The contracts expire on January 31, 2013, and commit the Trust to total minimum payments of $1,100 during the remainder of 2010, $2,200 for each of 2011 and 2012, and $200 for 2013.

Effective September 1, 2009, the Trust 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 $600 annually for each of the years 2010, 2011 and 2012.

During the second quarter of 2009, the Trust committed to construct an office property in Yellowknife, Northwest Territories, which is fully leased for a ten-year term to the Government of Canada. Estimated construction costs are $20,000 of which $1,300 have been incurred to date. Funding for this development is available through cash on hand and an available line of credit.

Note 20
SUPPLEMENTARY CASH FLOW INFORMATION

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Decrease (increase) in accounts receivable	**$ (1,293)**	$ 3,132	**$ (2,883)**	$ 2,301
Decrease in deferred costs, other than leasing costs	**52**	16	**110**	225
Increase in prepaid expenses and other assets, excluding restricted cash and promissory notes	**(634)**	(573)	**(855)**	(703)
Decrease (increase) in accounts payable and accrued liabilities (excluding leasing costs)	**(1,702)**	(1,151)	**2,879**	3,360
Increase (decrease) in accounts payable relating to leasing costs	**374**	(326)	**154**	(130)
Change in non-cash working capital	**$ (3,203)**	$ 1,098	**$ (595)**	$ 5,053

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

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	**For the six months ended June 30, 2010**	For the six months ended June 30, 2009
Interest	**$ 16,650**	$ 14,681	**$ 27,806**	$ 25,303
Income taxes	**1**	5	**16**	5

Note 21
SUBSEQUENT EVENTS

Effective July 30, 2010, the Trust completed the acquisition of two industrial buildings located in Montréal, Quebéc, and Aurora, Ontario, consisting of approximately 527,000 square feet. The purchase price of the property, excluding transaction costs, was approximately $36,000.

Effective August 3, 2010, the Trust completed the acquisition of two office buildings located in Toronto, Ontario, consisting of approximately 77,000 square feet. The purchase price of the property, excluding transaction costs, was approximately $14,675.

Corporate information

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Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols

REIT Units, Series A:	D.UN
6.5% Convertible Debentures:	D.DB
5.7% Convertible Debentures:	D.DB.A
6.0% Convertible Debentures:	D.DB.B

Distribution Reinvestment and Unit Purchase Plan

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide unitholders with a convenient way of investing in additional units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, you may invest in additional units in two ways:

Distribution reinvestment: Unitholders will have cash distributions from Dundee REIT reinvested in additional units as and when cash distributions are made.

Cash purchase: Unitholders may invest in additional units by making cash purchases.

If you register in the DRIP you will also receive a "bonus" distribution of units equal to 4% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every $1.00 of cash distributions reinvested by you under the Plan, $1.04 worth of units will be purchased.

To enrol, contact:

COMPUTERSHARE TRUST COMPANY OF CANADA

100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Services

Or call their Customer Contact Centre
at 1 800 564-6253 (toll free) or (514) 982-7555

For more information, you may also visit our web site: www.dundeereit.com

Concept and Design: **THE WORKS www.worksdesign.com**

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