Q3

DUNDEE REIT

THIRD QUARTER 2010

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Letter to unitholders

A great deal has happened since the beginning of the year within the overall economy, the real estate industry and within Dundee REIT. We have benefited from changing times and significantly increased the size and diversification of our asset base. Dundee REIT's stock price rallied during the third quarter and our market cap is now nearing $1.4 billion, making our stock more attractive to a broader range of investors.

We are very pleased with Dundee REIT's third quarter performance. The occupancy level of our portfolio has reached 97% and our total net operating income ("NOI") increased by 50% to $44.8 million. This growth is largely a result of our acquisitions but also reflects another quarter of comparative NOI growth. There has been a significant change in expectations for Calgary, where the real estate market is no longer viewed as pessimistically as it was at the beginning of the year. The market is showing notable improvements, evidenced by the third consecutive quarter of positive absorption of office space. And while market rental rates have declined in the Calgary office segment over the past year, we believe they have hit bottom. At approximately 95%, the occupancy in Dundee REIT's Calgary office portfolio remains well above the industry average.

Our financial performance is in line with our expectations. Both the Trust's funds from operations ("FFO") as well as the adjusted funds from operations ("AFFO") increased substantially, driven by accretive acquisitions and NOI growth from comparative properties. On a per unit basis, the quarterly FFO and AFFO decreased year-over-year, mainly due to the timing of deploying capital that was raised during the year in order to finance our growth. We issued $144 million of equity at the beginning of September, increasing the total equity raised in 2010 to $478 million, and also placed $68 million of new mortgages in the third quarter with an average lease term of ten years. We continue to take advantage of liquidity in the mortgage markets, having recently placed ten-year debt at 4.4%.

During the third quarter, we acquired $160 million worth of properties in Toronto, Ottawa and Montréal, and have recently closed on or have under contract an additional $170 million. Since the start of our expansion and diversification program a year ago, our total property acquisitions closed or under contract have reached approximately $900 million, making Dundee REIT one of the most active REITs on the acquisition front. We continue to see an increase in demand for commercial properties in recent months. Low borrowing costs, strong demand for yield and improving property market fundamentals have all translated into price increases and intensified competition for commercial real estate.

Since the beginning of the year the value of Dundee REIT has grown considerably. The size and diversification of our portfolio have increased significantly, our operations remain strong and our stock price has risen by more than 40%. Going forward, we will continue to focus on acquisition opportunities at values that enhance our business. With outstanding market conditions for Canadian REITs due to non-real estate income trusts becoming taxable in 2011 and few new alternatives, the demand for high-quality REITs will most likely further increase. The improvements to the value and quality of our company, coupled with a positive outlook for commercial real estate and an ever increasing appetite for yield, will provide Dundee REIT with the opportunity to once again become a core holding for REIT investors.

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 September 30, 2010.

This management's discussion and analysis has been dated as at October 29, 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, Third 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 October 29, 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 September 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, respectively. There is no equivalent program for the REIT B Units (see a description of Our Equity on page 5).

	Oct/09	Nov/09	Dec/09	Jan/10	Feb/10	Mar/10	Apr/10	May/10	June/10	**July/10**	**Aug/10**	**Sept/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	$19.25	$19.17	$20.75	$24.54	$25.14	$25.89	$25.70	$24.14	$24.45	**$25.55**	**$25.43**	**$28.09**

OUR STRATEGY

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

Dundee REIT’s methodology to 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 comprises high-quality properties that are well-located, attractively priced and produce consistent cash flow. When considering acquisition opportunities we look for quality tenancies, strong occupancy, the appeal of the property to future tenants, how it complements our existing portfolio and how we can create additional value.

Optimizing the performance, value and cash flow of our portfolio

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

Diversifying our portfolio to mitigate risk

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

Maintaining and strengthening our conservative financial profile

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

OUR ASSETS

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

Owned gross leasable area (sq. ft.)

			September 30, 2010		December 31, 2009	
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**520,323**	**—**	**520,323**	**5**	519,215	7
Alberta	**3,145,627**	**1,660,173**	**4,805,800**	**44**	4,537,837	61
Saskatchewan & NWT	**915,689**	**—**	**915,689**	**8**	848,575	12
Ontario & Québec	**3,364,363**	**1,280,437**	**4,644,800**	**43**	1,488,741	20
Total(1)	**7,946,002**	**2,940,610**	**10,886,612**	**100**	7,394,368	100
Percentage(1)	**73%**	**27%**	**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 313,100 square feet of office and industrial space in the Greater Toronto Area, Ottawa and Halifax, bringing our total gross leasable area to more than 11 million square feet.

Office rental properties

At September 30, 2010, our ownership interests included 57 office properties (74 buildings) comprising approximately 7.9 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 90.1% (CB Richard Ellis, Canadian Office MarketView, Third 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 third quarter, we acquired four office properties totalling 388,000 square feet in Toronto and Ottawa.

Industrial rental properties

At September 30, 2010, our industrial portfolio consisted of 39 prime suburban industrial properties (42 buildings) comprising approximately 2.9 million square feet, in Calgary, Edmonton, Toronto, Ottawa and Montréal. The occupancy rate across our industrial portfolio is 98.5%. The average industry occupancy rates in Calgary and Edmonton, our two major industrial markets, were 95.9% and 96.7%, respectively (CB Richard Ellis, Calgary and Edmonton Industrial MarketView, Third Quarter 2010). During the third quarter, we acquired a 317,000 square foot industrial building in Toronto and three properties in Montréal totalling 849,000 square feet.

OUR EQUITY

				Unitholders' equity
	September 30, 2010		December 31, 2009	
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**41,949,024**	**$ 739,641**	21,247,397	$ 312,743
REIT Units, Series B	**16,316**	**362**	16,316	362
LP Class B Units, Series 1	**3,475,496**	**89,485**	3,454,188	92,656
Cumulative foreign currency translation adjustment	**—**	**—**	—	(6,609)
Total	**45,440,836**	**$ 829,488**	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 September 30, 2010, Dundee Corporation, directly and indirectly through its subsidiaries, held 964,005 REIT A Units and 3,475,496 LP B Units, for a total ownership interest of approximately 10%.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Operations				
Occupancy rate (period-end)[1]	**97.1%**	94.9%		
In-place rent per square foot (office and industrial)[1]	**$ 14.49**	$ 15.72		
Operating results				
Rental properties revenue[2]	**$ 72,806**	$ 47,398	**$ 198,190**	$ 141,927
Net operating income ("NOI")[3]	**44,790**	29,847	**123,914**	90,163
Funds from operations ("FFO")[4]	**27,532**	16,209	**74,690**	50,271
Adjusted funds from operations ("AFFO")[5]	**21,590**	11,747	**58,327**	36,750
Distributions				
Declared distributions	**$ 22,858**	$ 12,129	**$ 60,363**	$ 34,888
Distributions paid in cash	**20,772**	11,402	**54,704**	32,763
DRIP participation ratio	**9%**	6%	**9%**	6%
Financing				
Weighted average interest rate (period-end)	**5.63%**	5.75%		
Interest coverage ratio	**2.8 times**	2.3 times	**2.7 times**	2.3 times
Per unit amounts				
Basic:				
FFO	**$ 0.66**	$ 0.74	**$ 2.06**	$ 2.36
Distributable income ("DI")	**0.58**	0.62	**1.80**	1.97
Distribution rate	**0.55**	0.55	**1.65**	1.65
Total distributions as a percentage of distributable income	**95%**	89%	**92%**	84%
AFFO	**$ 0.52**	$ 0.54	**$ 1.61**	$ 1.73
Diluted:[6]				
FFO	**$ 0.66**	$ 0.73	**$ 2.05**	$ 2.31
Distributable income	**0.59**	0.62	**1.82**	1.97

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. In the third quarter, we were able to make improvements on each of these fronts. NOI from comparable properties increased by 2% over the prior year reflecting continued strong occupancy.

AFFO increased by $7.2 million, or 62%, over the comparative quarter. On a per unit basis, AFFO decreased to $0.52 from $0.54 per unit in 2009, mainly due to the timing of deploying capital raised during the year. Details of our FFO, distributable income and AFFO begin on page 17.

In the third quarter, we acquired $159.8 million of properties comprising 388,000 square feet of high-quality office space located in Toronto and Ottawa, together with 1.2 million square feet of industrial space in Toronto and Montréal. 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 third quarter, rental property revenue increased by 54% to $72.8 million, and NOI increased by 50% to $44.8 million, mainly reflecting the impact of acquisitions completed in 2009 and 2010. Comparative property results also increased by 2% over the third quarter of 2009. The average remaining lease term increased to 5.82 years, mainly due to acquisitions completed during the first nine months at an average remaining lease term of 7.42 years. Our average in-place rents remain below market rents, a positive indicator of future growth. Details of our NOI begin on page 30.

Overall occupancy increased to 97.1% from 94.9% a year ago. On an overall basis, occupancy across our office portfolio increased to 96.6% compared to 95.9%, and our industrial portfolio has improved to 98.5% from 92.0%. Our comparative property occupancy increased to 96.5%, an increase of 40 basis points over the second quarter demonstrating the stability and strength of our operating platform. Details of our leasing profile begin on page 8.

In the third quarter, we completed another equity offering for gross proceeds of $144.0 million. We issued 5,669,500 REIT A Units at a price of $25.40. Costs related to the offering were approximately $6.3 million. Since the beginning of the year, we have raised over $477 million in new equity. These issuances, along with the increase in the price of our Units, have more than doubled our market capitalization. All of the proceeds have been deployed or are committed to be deployed. With respect to our mortgage debt, we placed $67.8 million of new debt at a weighted average rate of 4.98% further reducing the weighted average interest rate to 5.63%, down slightly from 5.75% in the prior year. Details of financing activity and debt begin on page 24.

OUTLOOK

We continue to be successful in implementing our diversification and growth strategy with the addition of 3.6 million square feet of high-quality office and industrial properties during the first nine months of 2010 at an average cap rate of approximately 7.9%. This has improved the stability of our portfolio by decreasing our exposure to any single geographic market. Since the third quarter of 2009, we have reduced our exposure to the Calgary office market from 49% to 32% based on NOI. We are seeing signs that the Calgary market is improving with the highest absorption of any major market in the country, which positively affects our portfolio.

High occupancy across our portfolio is a result of our stable and experienced leasing and property management platforms maintaining a high retention rate and attracting new tenants and delivering value to our tenants by operating our buildings efficiently. We continue to outperform the market in terms of occupancy, and are well positioned to further improve operating results as markets improve.

Finally, we continue to take advantage of liquidity in the mortgage markets having recently placed 10-year debt at 4.4%. We are in the process of securing other mortgages at similar rates with an objective of a capital structure with a target debt ratio of 55%. This will enhance our ability to increase earnings, improve the quality of our cash flows, and further enables us to source accretive properties.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

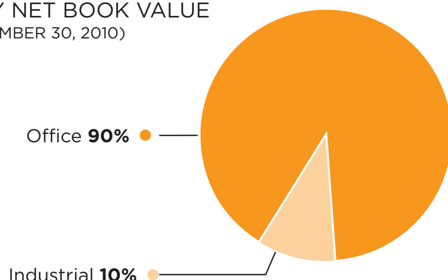
Rental properties

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

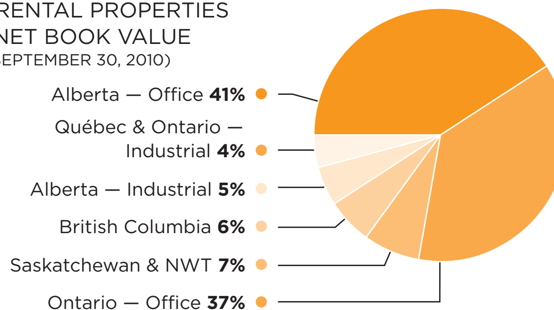
	September 30, 2010[1]				December 31, 2009[1]	
	Office	Industrial	Total	%	Total	%
British Columbia	$ 98,664	$ —	$ 98,664	6	$ 99,834	9
Alberta	710,827	89,607	800,434	46	736,517	62
Saskatchewan & NWT	118,310	—	118,310	7	107,754	9
Ontario & Québec	629,789	76,647	706,436	41	235,195	20
Total	**$1,557,590**	**$ 166,254**	**$1,723,844**	**100**	$ 1,179,300	100
Percentage	**90%**	**10%**	**100%**			
Total as at December 31, 2009	$1,088,990	$ 90,310	$ 1,179,300			
Percentage	92%	8%	100%			

[1] Excludes $10.3 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 SEPTEMBER 30, 2010)



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



Leasing profile

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

Performance indicators	September 30, 2010	December 31, 2009
Operating activities (office and industrial average)[1]		
Occupancy rate	**97.1%**	95.4%
Tenant maturity profile — average term to maturity (years)	**5.82**	4.54
In-place rental rates	**$ 14.49**	$ 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 rents decreased in the quarter due to the lower average rental rates for properties acquired in Ontario and Québec and remain approximately 2% below existing market rates.

	September 30, 2010		December 31, 2009
	In-place rent	**Market rent**	In-place rent
Office			
British Columbia	**$ 17.08**	**$ 19.52**	$ 16.38
Alberta	**18.37**	**16.51**	18.69
Saskatchewan & NWT	**18.65**	**24.63**	18.41
Ontario	**15.75**	**16.63**	14.56
Total office	**17.19**	**17.70**	17.34
Industrial			
Alberta	**7.73**	**7.74**	7.77
Ontario & Québec	**6.87**	**5.91**	—
Total industrial	**7.35**	**6.93**	7.77
Overall	**$ 14.49**	**$ 14.75**	$ 15.30

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

(percentage)	**Q3 2010**	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009[1]	Q4 2008[1]	Q3 2008
Office	**96.6**	96.6	97.0	96.7	95.9	96.0	96.4	96.6	97.6
Industrial	**98.5**	96.8	97.0	90.6	92.0	89.3	91.1	87.0	90.9
Overall[2]	**97.1**	96.6	97.0	95.4	94.9	94.2	95.0	94.0	95.8

(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 97.0% at quarter-end, an increase of 0.4% over the second quarter, and a substantial increase of 2.1% year-over-year due to leasing activity and the acquisition of fully occupied buildings. Occupancy levels in our existing portfolio continue to be strong. In addition, occupancy levels in the acquired properties are quite high, averaging 98.0%. The average occupancy rate across our office portfolio is 96.6% and remains well above the national industry average of 90.1%. The average occupancy rate across our industrial portfolio is 98.5%, an increase of 1.7% over Q2 2010 and 6.5% above Q3 2009. The overall occupancy rates for industrial space in Calgary and Edmonton were 95.9% and 96.7%, respectively (CB Richard Ellis, Canadian Office and Calgary and Edmonton Industrial MarketViews, Third Quarter 2010). Our occupancy rates discussed in this report include occupied and committed space at September 30, 2010.

	Total portfolio			Comparative properties		
(percentage)	**September 30, 2010**	December 31, 2009	September 30, 2009	**September 30, 2010**	December 31, 2009	September 30, 2009
Office						
British Columbia	**96.5**	95.3	93.5	**96.5**	95.3	93.5
Alberta	**94.9**	95.2	95.1	**94.8**	95.2	95.1
Saskatchewan & NWT	**97.5**	98.7	99.3	**97.3**	98.7	99.3
Ontario	**98.0**	99.1	96.4	**100.0**	99.6	99.6
Total office	**96.6**	96.7	95.9	**96.2**	96.4	96.4
Industrial						
Alberta	**97.4**	90.6	92.0	**97.4**	90.6	92.0
Ontario & Québec	**100.0**	—	—	**—**	—	—
Total industrial	**98.5**	90.6	92.0	**97.4**	90.6	92.0
Overall[1]	**97.1**	95.4	94.9	**96.5**	94.9	95.3

(1) Excludes redevelopment properties.

Vacancy schedule

In-place vacant space has decreased by approximately 70,000 square feet since the beginning of the quarter. 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 third quarter, approximately 475,000 square feet of leases expired or were terminated, and we completed approximately 550,000 square feet of renewals and new leasing. On a year-to-date basis, approximately 1,300,000 square feet expired or were terminated, and we completed approximately 1,352,000 square feet of renewable and new leasing. Of the vacant space at period-end, approximately 171,000 square feet, or 35.2%, is committed for future occupancy, leaving approximately 314,000 square feet available for lease.

	For the three months ended September 30, 2010		
(in square feet)	Office	Industrial	Total
Available for lease	260,584	57,126	317,710
Vacancy committed for future leases	106,859	110,838	217,697
Vacant space — July 1, 2010	367,443	167,964	535,407
Acquired vacancy	19,515	—	19,515
Vacant space — restated	386,958	167,964	554,922
Remeasurements	6,180	(712)	5,468
Expiries	326,727	103,758	430,485
Early terminations and bankruptcies	44,212	—	44,212
New leases	(125,787)	(120,562)	(246,349)
Renewals	(227,922)	(75,624)	(303,546)
Vacant space — September 30, 2010	410,368	74,824	485,192
Vacancy committed for future leases	139,455	31,511	170,966
Available for lease — September 30, 2010	270,913	43,313	314,226

	For the nine months ended September 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	88,948	—	88,948
Vacant space — restated	324,842	198,315	523,157
Remeasurements	13,887	(786)	13,101
Expiries	900,026	298,068	1,198,094
Early terminations and bankruptcies	78,240	24,400	102,640
New leases	(340,210)	(226,899)	(567,109)
Renewals	(566,417)	(218,274)	(784,691)
Vacant space — September 30, 2010	410,368	74,824	485,192
Vacancy committed for future leases	139,455	31,511	170,966
Available for lease — September 30, 2010	270,913	43,313	314,226

The following two tables detail our lease maturity profile by asset type and geographic segment as at September 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. For the remainder of 2010, approximately 413,372 square feet of our leases will expire, of which approximately 65% have been committed.

(in square feet)	Current vacancy	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023	Total
Office — uncommitted	270,913	27,502	78,540	787,696	782,503	1,165,502	4,282,167	7,394,823
Office — committed	—	—	189,456	145,623	44,122	15,399	156,579	551,179
Total office	270,913	27,502	267,996	933,319	826,625	1,180,901	4,438,746	7,946,002
Industrial — uncommitted	43,313	1,800	67,819	159,854	285,327	213,113	2,002,982	2,774,208
Industrial — committed	—	—	77,557	67,116	11,729	10,000	—	166,402
Total industrial	43,313	1,800	145,376	226,970	297,056	223,113	2,002,982	2,940,610
Total — uncommitted	314,226	29,302	146,359	947,550	1,067,830	1,378,615	6,285,149	10,169,031
Total — committed	—	—	267,013	212,739	55,851	25,399	156,579	717,581
Total	314,226	29,302	413,372	1,160,289	1,123,681	1,404,014	6,441,728	10,886,612

(in square feet)	Current vacancy	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023	Total
British Columbia — uncommitted	18,091	2,494	11,161	84,386	27,981	62,276	290,894	497,283
British Columbia — committed	—	—	3,740	4,011	—	—	15,289	23,040
Total British Columbia	18,091	2,494	14,901	88,397	27,981	62,276	306,183	520,323
Alberta — uncommitted	205,004	18,082	132,753	584,955	615,789	603,418	2,252,688	4,412,689
Alberta — committed	—	—	206,079	142,792	15,294	10,000	18,946	393,111
Total Alberta	205,004	18,082	338,832	727,747	631,083	613,418	2,271,634	4,805,800
Saskatchewan & NWT — uncommitted	22,820	1,065	—	74,531	173,784	126,231	462,371	860,802
Saskatchewan & NWT — committed	—	—	9,694	4,636	40,557	—	—	54,887
Total Saskatchewan & NWT	22,820	1,065	9,694	79,167	214,341	126,231	462,371	915,689
Ontario & Québec — uncommitted	68,311	7,661	2,445	203,678	250,276	586,690	3,279,196	4,398,257
Ontario & Québec — committed	—	—	47,500	61,300	—	15,399	122,344	246,543
Total Ontario & Québec	68,311	7,661	49,945	264,978	250,276	602,089	3,401,540	4,644,800
Total — uncommitted	314,226	29,302	146,359	947,550	1,067,830	1,378,615	6,285,149	10,169,031
Total — committed	—	—	267,013	212,739	55,851	25,399	156,579	717,581
Total	314,226	29,302	413,372	1,160,289	1,123,681	1,404,014	6,441,728	10,886,612

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 September 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	$ 8.77	$ 21.42	$ 17.45	$ 20.14	$ 18.27	$ 17.35
Industrial	7.25	5.89	9.13	7.14	9.63	7.97
Portfolio average	8.67	14.22	16.05	16.66	16.93	14.45
Market rents[(1)]						
Office	$ 19.14	$ 16.98	$ 17.27	$ 19.12	$ 16.70	$ 17.79
Industrial	9.00	6.68	8.82	7.60	8.98	6.51
Market rent average	18.51	12.21	15.84	16.04	15.50	14.29

(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	$ 8.41	$ 14.25	$ 15.27	$ 17.13	$ 19.68
Alberta	10.61	23.84	17.21	20.71	20.47	17.63
Saskatchewan & NWT	21.09	—	22.77	22.51	20.41	18.04
Ontario	1.11	16.50	17.33	18.28	16.47	16.65
Industrial:						
Alberta	7.25	5.89	9.13	7.14	9.63	8.33
Ontario & Québec	—	—	—	—	—	7.72
Portfolio average	8.67	14.22	16.05	16.66	16.93	14.45
Market rents[(1)]						
Office:						
British Columbia	$ 15.00	$ 16.24	$ 16.81	$ 21.61	$ 14.95	$ 21.13
Alberta	22.72	17.14	15.19	16.73	14.82	17.08
Saskatchewan & NWT	35.75	—	29.35	26.15	25.64	23.17
Ontario	10.57	16.00	17.37	17.12	16.20	16.64
Industrial:						
Alberta	9.00	6.68	8.82	7.60	8.98	7.37
Ontario & Québec	—	—	—	—	—	5.91
Market rent average	18.51	12.21	15.84	16.04	15.50	14.29

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

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

	September 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	**4.90**	**10,414**	**$ 17.19**	4.75	10,198	$ 17.34
Industrial	**8.83**	**14,272**	**7.35**	3.83	7,335	7.77
Portfolio average	**5.82**	**11,247**	**14.49**	4.54	9,414	15.30

(1) Excludes redevelopment properties.

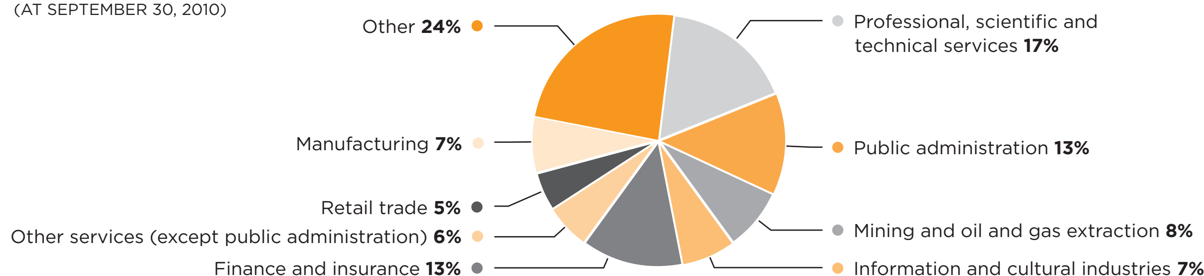
(2) Average in-place rents include straight-line rent adjustments.

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 940 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 10,414 and 14,272 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 SEPTEMBER 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 nine months of 2010, we completed nine acquisitions in the Greater Toronto Area, three in Montréal, two in Ottawa and one each in Edmonton and Regina, respectively. The addition of these properties improved the geographic diversification of our portfolio and reduced our exposure to the Calgary office market from 49% at the end of the third quarter of 2009 to 32% at the end of the current quarter 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 13.6% 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	2.9	3.8	2013—2016
Government of Canada	297,913	2.7	3.3	2010—2019
Government of Ontario	249,623	2.3	3.2	2012—2014
Aviva	319,006	2.9	2.9	2016
Enbridge Pipelines Inc.	192,031	1.8	2.9	2020
Loyalty Management Group	183,014	1.7	2.3	2017
Government of British Columbia	178,646	1.6	2.1	2011—2019
State Street Trust Company	122,344	1.1	1.9	2022
Government of Saskatchewan	200,720	1.8	1.9	2011—2018
Government of Northwest Territories	114,465	1.1	1.8	2010—2014
Total	2,166,015	19.9	26.1	

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 third quarter of 2010. In the fourth quarter of 2010, $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 September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Cash generated from operating activities	**$ 22,756**	$ 15,973	**$ 59,792**	$ 48,165
Cash utilized in investing activities	**(162,158)**	(14,012)	**(535,905)**	(19,227)
Cash generated from financing activities	**179,439**	28,283	**573,679**	11,363
Increase in cash and cash equivalents	**$ 40,037**	$ 30,244	**$ 97,566**	$ 40,301

At September 30, 2010, cash and cash equivalents were $109.8 million, an increase of $97.6 million since December 31, 2009, mainly reflecting $456.4 million of net proceeds from equity offerings completed in the first nine months of 2010 and $186.4 million in proceeds of mortgage financing, less $532.7 million utilized to fund acquisitions.

Of the cash on hand at September 30, 2010, approximately $36.1 million was used to purchase properties in the Greater Toronto Area, Ottawa and Halifax subsequent to quarter-end. See discussion under Acquisitions on page 22. We also have a further $36.1 million, less letters of guarantee, available through our revolving credit facility and seven unencumbered properties that can be leveraged. Subsequent to quarter-end, we acquired two additional unencumbered properties.

Operating activities

The following table details the cash generated from operating activities.

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Net income	**$ 6,654**	$ 7,727	**$ 21,268**	$ 6,814
Non-cash items:				
Depreciation of rental properties	**11,147**	7,021	**29,314**	21,208
Amortization of market rent adjustments on acquired leases	**(2,687)**	(2,586)	**(8,485)**	(7,979)
All other depreciation and amortization	**9,940**	5,479	**27,534**	17,215
Loss (gain) on disposal of rental properties	**(3)**	(3,968)	**(2,795)**	6,596
Deferred unit compensation expense	**351**	220	**965**	638
Future income taxes	**—**	87	**—**	(1,116)
Straight-line rent adjustment	**(1,564)**	(241)	**(2,914)**	(641)
	23,838	13,739	**64,887**	42,735
Leasing costs incurred	**(1,479)**	(1,166)	**(4,897)**	(3,023)
Change in non-cash working capital	**397**	3,400	**(198)**	8,453
Cash generated from operating activities	**$ 22,756**	$ 15,973	**$ 59,792**	$ 48,165

Cash generated from operations for the quarter increased relative to the comparative period, reflecting growth in NOI from acquired properties and fluctuations in non-cash working capital.

The amortization of market rent adjustments on acquired leases mainly represents the impact of leases with below-market rents, largely related to certain properties acquired 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.

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 nine months of the year, 1,352,000 square feet were leased and occupied, and we incurred $11.0 million in leasing costs and tenant improvements, representing an average per square foot of $9.84 for office space and $4.72 for industrial space. The leasing costs for our office portfolio are currently in line with our estimates. Industrial leasing costs are somewhat higher than our estimates due to $1,000 incurred for the leasing of 95,000 square feet at an Edmonton property that is now 100% committed until 2025.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)	7,946,002	2,940,610	10,886,612
Occupied and committed	96.6%	98.5%	97.1%
Square footage leased and occupied in 2010	906,627	445,173	1,351,800
Leasing costs	$ 4,115	$ 782	$ 4,897
Tenant improvements	$ 4,810	$ 1,319	$ 6,129

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	$ 277	$ 33
2011	990	133
2012	846	133
2013	709	132
2014	12	—
Total	$ 2,834	$ 431

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 $0.6 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 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 September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Net income	**$ 6,654**	$ 7,727	**$ 21,268**	$ 6,814
Add (deduct):				
Depreciation of rental properties	**11,147**	7,021	**29,314**	21,208
Amortization of leasing costs, tenant improvements and intangibles	**9,786**	5,377	**27,053**	16,900
Loss (gain) on disposal of rental properties	**(3)**	(3,968)	**(2,795)**	6,596
Future income taxes	**—**	87	**—**	(1,116)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(52)**	(35)	**(150)**	(131)
FFO	**$ 27,532**	$ 16,209	**$ 74,690**	$ 50,271
FFO per unit — basic	**$ 0.66**	$ 0.74	**$ 2.06**	$ 2.36
FFO per unit — diluted	**$ 0.66**	$ 0.73	**$ 2.05**	$ 2.31

FFO per unit was $0.66 for the quarter, down 11% compared to $0.74 in 2009, mainly as a result of the timing of financings and deployment of capital during the year. Total FFO increased by 70% to $27.5 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 $2.7 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 41,627,961 and 45,106,877, respectively. Diluted FFO includes interest and amortization adjustments related to convertible debentures of $2.3 million for the quarter and $6.9 million for the nine months ended September 30, 2010. Year-to-date, the weighted average number of units outstanding for the calculation of basic and diluted FFO are 36,299,713 and 39,772,524, respectively. The basic and diluted weighted average number of units outstanding include 111,613 vested deferred trust units for the quarter and 106,584 for the nine-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 September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Funds from operations	**$ 27,532**	$ 16,209	**$ 74,690**	$ 50,271
Amortization of marked-to-market adjustments on acquired debt	**(215)**	(198)	**(589)**	(618)
Amortization of deferred financing costs incurred prior to June 30, 2003	**370**	301	**1,071**	933
Deferred compensation expense	**351**	220	**965**	638
Straight-line rent	**(1,564)**	(241)	**(2,914)**	(641)
Amortization of above-market rent	**468**	97	**974**	295
Amortization of below-market rent	**(3,155)**	(2,684)	**(9,459)**	(8,275)
Amortization of tenant inducements	**66**	59	**170**	199
Amortization of deferred financing costs incurred subsequent to June 30, 2003	**(349)**	(291)	**(1,002)**	(878)
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	**(11)**	(11)	**(32)**	(32)
Vendor head lease income	**171**	—	**437**	—
Revenue supplement from vendor on acquisition	**506**	—	**1,122**	—
	$ 24,170	$ 13,461	**$ 65,433**	$ 41,892
Distributable income per unit — basic	**$ 0.58**	$ 0.62	**$ 1.80**	$ 1.97
Distributable income per unit — diluted	**$ 0.59**	$ 0.62	**$ 1.82**	$ 1.97
Distributions per unit	**$ 0.55**	$ 0.55	**$ 1.65**	$ 1.65

For the quarter ended September 30, 2010, distributable income per unit was $0.58 and declared distributions per unit were $0.55, representing a 95% payout ratio. In the prior year comparative period, distributable income per unit was $0.62 and declared distributions per unit were $0.55, representing an 89% payout ratio. Distributable income exceeded distributions paid and payable by $1.2 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 September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Cash generated from operating activities	**$ 22,756**	$ 15,973	**$ 59,792**	$ 48,165
Add (deduct):				
Leasing costs incurred	**1,479**	1,166	**4,897**	3,023
Amortization of financing costs incurred prior to June 30, 2003	**20**	11	**68**	55
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**(11)**	(12)	**(32)**	(33)
Amortization of tenant inducements	**66**	60	**170**	199
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(51)**	(35)	**(149)**	(131)
Amortization of financing costs	**(369)**	(302)	**(1,070)**	(933)
Change in non-cash working capital	**(397)**	(3,400)	**198**	(8,453)
Vendor head lease income	**171**	—	**437**	—
Revenue supplement from vendor on acquisition	**506**	—	**1,122**	—
Distributable income	**$ 24,170**	$ 13,461	**$ 65,433**	$ 41,892

Distributions

The distributions presented in the table below comprise $54.9 million relating to REIT Units and $5.7 million relating to LP B Units.

	Declared distributions	4% bonus distributions	Total
2010 distributions			
Paid in cash or reinvested in units	$ 52,047	$ 197	$ 52,244
Payable at September 30, 2010	8,316	28	8,344
Total distributions	$ 60,363	$ 225	$ 60,588
2010 reinvestment			
Reinvested to September 30, 2010	$ 4,920	$ 197	$ 5,117
Reinvested on October 15, 2010	739	28	767
Total distributions reinvested	$ 5,659	$ 225	$ 5,884
Distributions paid in cash	$ 54,704		
Reinvestment to distribution ratio	9.4%		
Cash distribution payout ratio	90.6%		

Distributions declared in the period ended September 30, 2010, totalled $60.4 million, up $25.5 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, $5.7 million, or approximately 9.4%, was reinvested in additional units resulting in a cash payout ratio of 90.6%.

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 September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Net income	**$ 6,654**	$ 7,727	**$ 21,268**	$ 6,814
Cash flow from operating activities	**22,756**	15,973	**59,792**	48,165
Distributions paid and payable	**22,940**	12,158	**60,588**	34,972
Excess (shortfall) of cash flow from operating activities over distributions paid and payable	**(184)**	3,815	**(796)**	13,193

For the quarter, cash flow from operations was below distributions paid and payable by $0.2 million. 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 $16.3 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 September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Distributable income	**$ 24,170**	$ 13,461	**$ 65,433**	$ 41,892
Adjusted for:				
Normalized leasing costs and tenant improvements	**2,505**	1,514	**6,881**	4,542
Normalized non-recoverable recurring capital expenditures	**75**	200	**225**	600
AFFO	**$ 21,590**	$ 11,747	**$ 58,327**	$ 36,750
AFFO per unit — basic	**$ 0.52**	$ 0.54	**$ 1.61**	$ 1.73

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 acquired or sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

AFFO per unit was $0.52 for the quarter, down 4% compared to $0.54 in 2009, mainly due to the impact of uninvested proceeds from equity offerings completed during the nine months of 2010.

Investing activities

The following table details our cash utilized in investing activities.

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Investment in rental properties	**$ (2,985)**	$ (1,191)	**$ (8,093)**	$ (3,222)
Investment in tenant improvements	**(3,054)**	(1,369)	**(6,129)**	(4,821)
Acquisition of rental properties	**(156,737)**	(26,481)	**(532,651)**	(26,481)
Acquisition deposit on rental properties	**265**	—	**(235)**	—
Net proceeds from disposal of rental properties	**—**	14,937	**10,850**	14,937
Change in restricted cash, net	**353**	92	**353**	360
Cash utilized in investing activities	**$ (162,158)**	$ (14,012)	**$ (535,905)**	$ (19,227)

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

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Investing activities				
Acquisition of rental properties	**$ 162,009**	$ 25,948	**$ 639,489**	$ 25,948
Building improvements	**4,176**	1,196	**9,134**	3,525

Acquisitions

During the first nine months of 2010 and 2009, we completed the following acquisitions:

For the nine months ended September 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	89,963	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
275 Wellington Street East, Aurora	industrial	100	317,000	100	25,438	—	July 30, 2010
8000 Av Blaise-Pascal, Montréal	industrial	100	206,305	100	11,296	—	July 30, 2010
6509 Airport Road, Mississauga	office	100	60,000	100	12,295	—	August 3, 2010
3035 Orlando Drive, Mississauga	office	100	16,754	86	2,410	—	August 3, 2010
2075 Kennedy Road, Toronto	office	100	201,730	96	31,750	—	August 12, 2010
1421 Rue Ampère, Boucherville	industrial	100	457,875	100	29,381	—	September 2, 2010
1313 Autoroute Chomedey, Laval	industrial	100	184,493	100	12,716	—	September 2, 2010
150 Metcalfe Street, Ottawa	office	100	109,374	91	34,540	—	September 16, 2010
Total			3,571,696	98	$ 639,489	$ 79,611	

(1) Excludes redevelopment component of the property.

On September 1, 2009, we acquired a 50% interest in 720 Bay Street, Toronto, for $25.9 million, bringing our ownership interest to 100%. The property was 100% occupied on acquisition.

For the nine months ended September 30, 2009	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
720 Bay Street, Toronto	office	50	123,870	100	$ 25,948	$ —	September 1, 2009
Total			123,870	100	$ 25,948	$ —	

Acquisitions completed during the third quarter

On July 30, 2010, we acquired 275 Wellington Street East in Aurora for $25.4 million. The 317,000 square foot industrial property is 100% occupied, with a remaining lease term of 11.7 years.

On July 30, 2010, we acquired 8000 Av Blaise-Pascal in Montréal for $11.3 million. The 206,305 square foot industrial property is 100% occupied, with a remaining lease term of 11.7 years.

On August 3, 2010, we acquired 6509 Airport Road in Mississauga for $12.3 million. The 60,000 square foot office property is 100% occupied, with an average remaining lease term of 10.4 years.

On August 3, 2010, we acquired 3035 Orlando Drive in Mississauga for $2.4 million. The 16,754 square foot office property is 86% occupied, with an average remaining lease term of 8.2 years.

On August 12, 2010, we acquired 2075 Kennedy Road in Mississauga for $31.8 million. The 201,730 square foot office property is 96% occupied, with an average remaining lease term of 3.6 years. Approximately 6% of the space is scheduled to expire in 2011.

On September 2, 2010, we acquired 1421 Rue Ampère in Boucherville for $29.4 million. The 457,875 square foot industrial property is 100% occupied, with a remaining lease term of 14.8 years.

On September 2, 2010, we acquired 1313 Autoroute Chomedey in Laval for $12.7 million. The 184,493 square foot industrial property is 100% occupied, with a remaining lease term of 14.8 years.

On September 16, 2010, we acquired 150 Metcalfe Street in Ottawa for $34.5 million. The 109,374 square foot office property is 91% occupied, with an average remaining lease term of 3.4 years. Approximately 29% of the space is scheduled to expire in 2011.

Building improvements

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Building improvements				
Recurring recoverable	**$ 2,082**	$ 1,196	**$ 5,761**	$ 3,328
Recurring non-recoverable	**—**	—	**175**	32
Non-recurring	**230**	—	**367**	57
Development	**1,864**	—	**2,831**	108
Total	**$ 4,176**	$ 1,196	**$ 9,134**	$ 3,525

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 $2.0 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. Development costs are non-recurring capital expenditures largely incurred 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 $3.1 million in 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 nine months of 2010, we placed $187.8 million of new mortgage financing at a weighted average interest rate of 4.86%. We also made scheduled payments of $15.3 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 September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Mortgages placed, net of costs	**$ 67,148**	$ (21)	**$ 186,436**	$ 36,248
Mortgage principal repayments	**(5,720)**	(3,892)	**(15,342)**	(11,561)
Mortgage lump sum repayments	**—**	(24,306)	**(2,567)**	(48,539)
Term debt principal repayments	**(57)**	(30)	**(77)**	(95)
Distributions paid on Units	**(19,821)**	(10,712)	**(51,192)**	(31,933)
Units issued, net of costs	**137,889**	67,244	**456,421**	67,243
Cash generated from financing activities	**$ 179,439**	$ 28,283	**$ 573,679**	$ 11,363

Debt

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

	September 30, 2010	December 31, 2009
Financing activities		
Average interest rate	**5.63%**	5.75%
Level of debt (debt-to-gross book value)	**50.4%**	59.3%
Interest coverage ratio[(1)]	**2.7 times**	2.3 times
Proportion of total debt due in current year	**1.6%**	3.4%
Debt — average term to maturity (years)	**4.7**	4.9
Variable rate debt as percentage of total debt	**2.6%**	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 September 30, 2010, was 5.63%, down slightly from the start of the year, mainly reflecting the impact of new mortgage financing completed at a weighted average rate of 4.86%. After accounting for financing costs, the weighted average effective interest rate is 5.00%.

Variable rate debt as a percentage of total debt decreased to 2.6% as a result of fixed term mortgage financing placed and assumed year-to-date.

		September 30, 2010			December 31, 2009	
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 945,988**	**$ 28,735**	**$ 974,723**	$ 695,608	$ 31,293	$ 726,901
Term debt	**367**	**—**	**367**	219	—	219
6.5% Debentures	**3,245**	**—**	**3,245**	3,293	—	3,293
5.7% Debentures	**7,750**	**—**	**7,750**	7,743	—	7,743
6.0% Debentures	**119,667**	**—**	**119,667**	118,904	—	118,904
Total	**$ 1,077,017**	**$ 28,735**	**$ 1,105,752**	$ 825,767	$ 31,293	$ 857,060
Percentage	**97.4%**	**2.6%**	**100%**	96.3%	3.7%	100%

Mortgages payable include $1.9 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2009 — $2.7 million). Amounts recorded as at September 30, 2010, for the 6.5%, 5.7% and 6.0% Debentures are net of $1.5 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 $5.7 million on mortgages. We placed $67.8 million of new mortgages with an average term to maturity of ten years and a weighted average interest rate of 4.98%. After accounting for the impact of financing costs, the weighted average effective rate is 5.11%.

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 (3.0% as at September 30, 2010) plus 1.5%, or bankers' acceptance rates, plus 3.0%. As at September 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 September 30, 2010, we had $109.8 million in cash (of which approximately $36.1 million was used subsequent to quarter-end to acquire approximately 313,000 square feet of space in the Greater Toronto Area, Ottawa and Halifax), a revolving credit facility and seven unencumbered properties, which may be leveraged to provide additional financing.

Changes in debt levels are as follows:

	For the three months ended September 30, 2010			
	Mortgages	Term debt	Convertible debentures	Total
Debt as at June 30, 2010	$ 913,405	$ 199	$ 130,473	$1,044,077
New debt placed	67,762	225	—	67,987
Scheduled repayments	(5,720)	(57)	—	(5,777)
Conversion to unity equity	—	—	(75)	(75)
Amortization and other adjustments	(724)	—	264	(460)
Debt as at September 30, 2010	$ 974,723	$ 367	$ 130,662	$ 1,105,752

	For the nine months ended September 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	187,762	225	—	187,987
Scheduled repayments	(15,342)	(77)	—	(15,419)
Lump sum repayment	(2,567)	—	—	(2,567)
Conversion to unit equity	—	—	(75)	(75)
Amortization and other adjustments	(1,631)	—	797	(834)
Debt as at September 30, 2010	$ 974,723	$ 367	$ 130,662	$ 1,105,752

	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	$ 6,083	$ 17,773	1.6	5.38	5.38
2011	71,987	23,535	95,522	8.6	6.01	6.79
2012	99,994	21,973	121,967	10.9	5.57	5.46
2013	99,914	18,974	118,888	10.7	5.04	5.43
2014	191,497	17,265	208,762	18.8	6.72	5.96
2015 and thereafter	513,051	36,772	549,823	49.4	5.35	5.28
Total	$ 988,133	$ 124,602	1,112,735	100		5.56
Fair value adjustments			368			
Transaction costs			(7,351)			
Total			$ 1,105,752			

Convertible debentures

With respect to the 6.0% Debentures, the total principal outstanding at October 29, 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 October 29, 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 136,480 REIT A Units.

Financing commitments

As of September 30, 2010, we have entered into agreements for new mortgage financing totalling approximately $71 million.

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	202,676	—	21,308	223,984
Units issued pursuant to the Unit Purchase Plan	12,238	—	—	12,238
Units issued pursuant to Deferred Unit Incentive Plan	19,463	—	—	19,463
Units issued pursuant to public offering	20,464,250	—	—	20,464,250
Conversion of 6.5% Debentures	3,000	—	—	3,000
Total units outstanding on September 30, 2010	41,949,024	16,316	3,475,496	45,440,836
Percentage of all units	92.3%	0.1%	7.6%	100%
Units issued pursuant to DRIP on October 15, 2010	23,897	—	2,068	25,965
Units issued pursuant to Unit Purchase Plan	467	—	83	550
Conversion of 6.5% Debentures	40	—	—	40
Total units outstanding on October 31, 2010	41,973,428	16,316	3,477,647	45,467,391
Percentage of all units	92.3%	0.1%	7.6%	100%

Public offering of units

On September 2, 2010, the Trust completed a public offering of 5,669,500 REIT A Units at a price of $25.40 per unit, for gross proceeds of $144,005. Costs related to the offering totalled $6,325 and were charged directly to unitholders' equity.

On June 2, 2010, the Trust completed a public offering of 4,100,000 REIT A Units at a price of $24.40 per unit for gross proceeds of $100,040. 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.

Normal course issuer bid

The Trust had a normal course issuer bid, which commenced on September 26, 2009, and expired on September 25, 2010. Under the bid, the Trust had 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. No purchases were made under this issuer bid. We are currently in the process of renewing the normal course issuer bid.

OUR RESULTS OF OPERATIONS

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Revenues				
Rental properties revenue	**$ 72,806**	$ 47,398	**$ 198,190**	$ 141,927
Interest and fee income	**357**	299	**1,040**	1,267
	73,163	47,697	**199,230**	143,194
Expenses				
Rental properties operating expenses	**28,016**	17,551	**74,276**	51,764
Interest	**15,234**	12,487	**43,461**	37,546
Depreciation of rental properties	**11,147**	6,935	**29,314**	20,487
Amortization of leasing costs, tenant improvements and intangibles	**9,786**	5,338	**27,053**	16,566
General and administrative	**2,326**	1,667	**6,692**	5,098
	66,509	43,978	**180,796**	131,461
Income before income taxes	**6,654**	3,719	**18,434**	11,733
Income taxes				
Current income taxes	**3**	4	**10**	10
Future income taxes	**—**	87	**—**	464
	3	91	**10**	474
Income before discontinued operations	**6,651**	3,628	**18,424**	11,259
Discontinued operations	**3**	4,099	**2,844**	(4,445)
Net income	**$ 6,654**	$ 7,727	**$ 21,268**	$ 6,814

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 $25.4 million, or 54%, 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 increase over the comparative quarter is mainly a result of investing the increase in undeployed cash.

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 $10.5 million, or 60%, reflecting higher recoverable operating costs and the additional costs associated with properties acquired.

Interest expense

Interest expense for the quarter increased $2.7 million, or 22%, 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 2.8 times.

Depreciation of rental properties

Acquisitions completed in 2009 and 2010 resulted in a $4.2 million, or 61%, increase in depreciation over the comparative quarter.

Amortization of leasing costs, tenant improvements and intangibles

Amortization increased $4.4 million, or 83%, over the comparative quarter, largely due to acquisitions.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations. Expenses for the quarter were $2.3 million, an increase of $0.7 million, or 40%, over the comparative quarter, 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 $0.9 million for operating and administrative costs of regional offices. We paid $3.0 million related to the Asset Management Agreement.

Net operating income

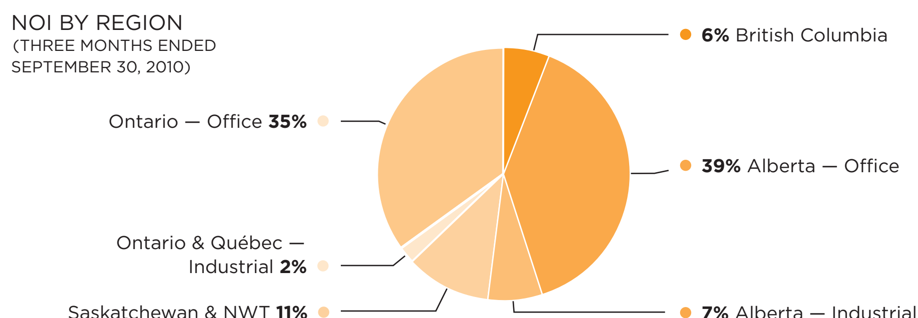
Net operating income is an important measure used by management to evaluate the operating performance of the properties; however, it is not defined by GAAP, does not have a standard meaning and may not be comparable with other income trusts. Provided below is our reconciliation of NOI to net income.

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Net income	**$ 6,654**	$ 7,727	**$ 21,268**	$ 6,814
Add (deduct):				
Interest expense	**15,234**	12,487	**43,461**	37,546
Depreciation of rental properties	**11,147**	6,935	**29,314**	20,487
Amortization of leasing costs, tenant improvements and intangibles	**9,786**	5,338	**27,053**	16,566
General and administrative expenses	**2,326**	1,667	**6,692**	5,098
Interest and fee income	**(357)**	(299)	**(1,040)**	(1,267)
Income taxes	**3**	91	**10**	474
Depreciation, amortization, interest, gain on disposal of rental properties and future income taxes, included in discontinued operations	**(3)**	(3,839)	**(2,795)**	6,641
NOI including discontinued operations	**$ 44,790**	$ 30,107	**$ 123,963**	$ 92,359

We define NOI as the total of rental property revenues, including property management income, less rental property operating expenses. NOI, before discontinued operations, increased 50% 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 September 30				For the nine months ended September 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Office	**$ 40,637**	$ 26,906	$ 13,731	51	**$ 113,612**	$ 81,969	$ 31,643	39
Industrial	**4,153**	2,941	1,212	41	**10,302**	8,194	2,108	26
NOI	**44,790**	29,847	14,943	50	**123,914**	90,163	33,751	37
Discontinued operations	**—**	260	(260)		**49**	2,196	(2,147)	
NOI including discontinued operations	**$ 44,790**	$ 30,107	$ 14,683	49	**$ 123,963**	$ 92,359	$ 31,604	34

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,576**	$ 2,539	$ 37	1	**$ 7,689**	$ 7,517	$ 172	2
Alberta	**20,598**	19,087	1,511	8	**60,592**	58,877	1,715	3
Saskatchewan & NWT	**4,705**	4,377	328	7	**13,672**	12,833	839	7
Ontario & Québec	**16,911**	3,844	13,067	340	**41,961**	10,936	31,025	284
NOI	**44,790**	29,847	14,943	50	**123,914**	90,163	33,751	37
Discontinued operations	**—**	260	(260)		**49**	2,196	(2,147)	
NOI including discontinued operations	**$ 44,790**	$ 30,107	$ 14,683	49	**$ 123,963**	$ 92,359	$ 31,604	34



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 September 30				For the nine months ended September 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Office	**$ 24,509**	$ 24,017	$ 492	2	**$ 74,148**	$ 73,450	$ 698	1
Industrial	**2,945**	2,898	47	2	**8,829**	8,101	728	9
Comparative properties	**27,454**	26,915	539	2	**82,977**	81,551	1,426	2
Acquisitions	**13,150**	159	12,991		**29,710**	159	29,551	
GAAP adjustments	**4,186**	2,773	1,413		**11,227**	8,453	2,774	
NOI	**44,790**	29,847	14,943	50	**123,914**	90,163	33,751	37
Discontinued operations	**—**	260	(260)		**49**	2,196	(2,147)	
NOI including discontinued operations	**$ 44,790**	$ 30,107	$ 14,683	49	**$ 123,963**	$ 92,359	$ 31,604	34

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,497**	$ 2,397	$ 100	4	**$ 7,409**	$ 7,121	$ 288	4
Alberta	**17,086**	16,852	234	1	**51,901**	51,830	71	—
Saskatchewan & NWT	**4,338**	4,293	45	1	**12,964**	12,572	392	3
Ontario & Québec	**3,533**	3,373	160	5	**10,703**	10,028	675	7
Comparative properties	**27,454**	26,915	539	2	**82,977**	81,551	1,426	2
Acquisitions	**13,150**	159	12,991		**29,710**	159	29,551	
GAAP adjustments	**4,186**	2,773	1,413		**11,227**	8,453	2,774	
NOI	**44,790**	29,847	14,943	50	**123,914**	90,163	33,751	37
Discontinued operations	**—**	260	(260)		**49**	2,196	(2,147)	
NOI including discontinued operations	**$ 44,790**	$ 30,107	$ 14,683	49	**$ 123,963**	$ 92,359	$ 31,604	34

Overall, NOI from comparative properties increased by 2% to $27.5 million in the third quarter. Comparative office NOI increased by 2%, reflecting occupancy rate improvements in our British Columbia, Ontario and Alberta markets. Our comparative industrial portfolio remained consistent with the prior year period reflecting an increase in occupancy offset by a slight decrease in in-place rents for the prior year period. Properties acquired in 2009 and 2010 contributed $13.0 million to NOI growth.

Comparative office portfolio

	For the three months ended September 30				For the nine months ended September 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,497**	$ 2,397	$ 100	4	**$ 7,409**	$ 7,121	$ 288	4
Alberta	**14,141**	13,954	187	1	**43,072**	43,729	(657)	(2)
Saskatchewan & NWT	**4,338**	4,293	45	1	**12,964**	12,572	392	3
Ontario & Québec	**3,533**	3,373	160	5	**10,703**	10,028	675	7
Comparative properties	**24,509**	24,017	492	2	**74,148**	73,450	698	1
Acquisitions	**12,082**	159	11,923		**28,468**	159	28,309	
GAAP adjustments	**4,046**	2,730	1,316		**10,996**	8,360	2,636	
Office NOI	**$ 40,637**	$ 26,906	$ 13,731	51	**$ 113,612**	$ 81,969	$ 31,643	39

NOI from our comparative office portfolio was $24.5 million, an increase of $0.5 million over the prior year period. In Calgary, average in-place occupancy grew by 3.4% over prior year, offsetting a slight decline in in-place rates. In Ontario, NOI grew by $0.2 million, or 5%, reflecting in-place occupancy growth at the AIR MILES Tower in Toronto. In Saskatchewan and the Northwest Territories, NOI increased modestly over the prior year period as a result of slightly increased in-place rent and higher recovery revenue, offset by a decrease in average in-place occupancy. NOI in British Columbia increased by $0.1 million, or 4%, mainly reflecting increased occupancy at 4400 Dominion in Burnaby and rental rate increases at 960 Quayside Drive in New Westminster.

Comparative industrial portfolio

	For the three months ended September 30				For the nine months ended June 30			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Alberta	**$ 2,945**	$ 2,898	$ 47	2	**$ 8,829**	$ 8,101	$ 728	9
Comparative properties	**2,945**	2,898	47	2	**8,829**	8,101	728	9
Acquisitions	**1,068**	—	1,068		**1,242**	—	1,242	
GAAP adjustments	**140**	43	97		**231**	93	138	
Industrial NOI	**$ 4,153**	$ 2,941	$ 1,212	41	**$ 10,302**	$ 8,194	$ 2,108	26

Our industrial portfolio remained consistent with the prior year period, contributing $2.9 million of comparative property NOI, reflecting higher occupancy in 7102-7220 Barlow Trail SE in Calgary and 15303-128th Avenue in Edmonton.

NOI prior quarter comparison

The comparative properties disclosed in the following tables are properties acquired prior to April 1, 2010. Comparative property NOI decreased slightly by $0.6 million over the second quarter of 2010.

	For the three months ended			
			Growth	
	September 30, 2010	June 30, 2010	Amount	%
Office	**$ 32,600**	$ 33,207	$ (607)	(2)
Industrial	**2,945**	2,954	(9)	—
Comparative properties	**35,545**	36,161	(616)	(2)
Acquisitions	**5,059**	1,726	3,333	
GAAP adjustments	**4,186**	3,612	574	
NOI	**44,790**	41,499	3,291	8
Discontinued operations	**—**	7	(7)	
NOI including discontinued operations	**$ 44,790**	$ 41,506	$ 3,284	8

	For the three months ended			
			Growth	
	September 30, 2010	June 30, 2010	Amount	%
British Columbia	**$ 2,497**	$ 2,501	$ (4)	—
Alberta	**17,086**	17,305	(219)	(1)
Saskatchewan & NWT	**4,338**	4,345	(7)	—
Ontario & Québec	**11,624**	12,010	(386)	(3)
Comparative properties	**35,545**	36,161	(616)	(2)
Acquisitions	**5,059**	1,726	3,333	
GAAP adjustments	**4,186**	3,612	574	
NOI	**44,790**	41,499	3,291	8
Discontinued operations	**—**	7	(7)	
NOI including discontinued operations	**$ 44,790**	$ 41,506	$ 3,284	8

Excluding the impact of a one-time lease arbitration settlement recognized in the second quarter, comparative property NOI decreased by $0.2 million or approximately 50 basis points compared to the prior quarter.

Results from our office portfolio in Ontario decreased by 3%, mainly as a result of a $0.5 million prior year lease arbitration settlement received in the prior quarter at 720 Bay Street in Toronto. Our office portfolio in Alberta decreased by $0.2 million mainly due to an increase in provision for bad debts in the period. Our office portfolios in British Columbia and Saskatchewan and the Northwest Territories continued to provide consistent results with in-place occupancy at 96.5% and 97.5%, respectively.

Our industrial portfolio in Alberta maintained strong in-place occupancy at 95.9%, providing consistent NOI contributions quarter-over-quarter.

QUARTERLY INFORMATION

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

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Revenues								
Rental properties revenue	**$ 72,806**	$ 64,374	$ 61,010	$ 50,156	$ 47,398	$ 46,387	$ 48,142	$ 48,385
Interest and fee income	**357**	415	268	409	299	491	477	786
	73,163	64,789	61,278	50,565	47,697	46,878	48,619	49,171
Expenses								
Rental properties operating expenses	**28,016**	22,875	23,385	19,365	17,551	16,219	17,994	18,182
Interest	**15,234**	14,509	13,718	12,190	12,487	12,552	12,507	12,642
Depreciation of rental properties	**11,147**	9,632	8,535	7,025	6,935	6,767	6,785	6,711
Amortization of leasing costs, tenant improvements and intangibles	**9,786**	8,464	8,803	5,665	5,338	5,608	5,620	6,485
General and administrative	**2,326**	2,301	2,065	1,608	1,667	1,710	1,721	1,875
	66,509	57,781	56,506	45,853	43,978	42,856	44,627	45,895
Income before income and large corporations taxes	**6,654**	7,008	4,772	4,712	3,719	4,022	3,992	3,276
Income taxes (recovery)								
Current income and large corporations taxes	**3**	3	4	2	4	—	6	9
Future income taxes	**—**	—	—	(2,232)	87	137	240	150
Income tax expense (recovery)	**3**	3	4	(2,230)	91	137	246	159
Income before discontinued operations	**6,651**	7,005	4,768	6,942	3,628	3,885	3,746	3,117
Discontinued operations	**3**	(2)	2,843	(336)	4,099	(8,657)	113	449
Net income (loss)	**$ 6,654**	$ 7,003	$ 7,611	$ 6,606	$ 7,727	$ (4,772)	$ 3,859	$ 3,566
Net income (loss) per unit								
Basic	**$ 0.16**	$ 0.19	$ 0.25	$ 0.26	$ 0.35	$ (0.23)	$ 0.18	$ 0.17
Diluted[1]	**$ 0.16**	$ 0.19	$ 0.25	$ 0.26	$ 0.35	$ (0.23)	$ 0.18	$ 0.17

[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

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Net income (loss)	**$ 6,654**	$ 7,003	$ 7,611	$ 6,606	$ 7,727	$ (4,772)	$ 3,859	$ 3,566
Add (deduct):								
Depreciation of rental properties	**11,147**	9,632	8,535	7,075	7,021	7,095	7,092	6,993
Amortization of leasing costs, tenant improvements and intangibles	**9,786**	8,464	8,803	5,683	5,377	5,779	5,744	6,621
Future income taxes	**—**	—	—	(2,623)	87	(1,493)	290	221
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(52)**	(54)	(44)	(40)	(35)	(35)	(61)	(80)
Gain on disposal of rental properties and land held for sale	**(3)**	9	(2,801)	662	(3,967)	10,564	—	(336)
Funds from operations	**$ 27,532**	$ 25,054	$ 22,104	$ 17,363	$ 16,209	$ 17,138	$ 16,924	$ 16,985
Funds from operations per unit								
Basic[(1)]	**$ 0.66**	$ 0.69	$ 0.72	$ 0.70	$ 0.74	$ 0.82	$ 0.81	$ 0.82
Diluted	**$ 0.66**	$ 0.69	$ 0.71	$ 0.69	$ 0.73	$ 0.80	$ 0.79	$ 0.80
Funds from operations	**$ 27,532**	$ 25,054	$ 22,104	$ 17,363	$ 16,209	$ 17,138	$ 16,924	$ 16,985
Add (deduct):								
Amortization of marked-to-market adjustment on acquired debt	**(215)**	(168)	(206)	(182)	(198)	(196)	(222)	(191)
Amortization of deferred financing costs incurred prior to June 30, 2003	**370**	364	337	327	301	326	305	311
Deferred compensation expense	**351**	394	220	221	220	221	197	152
Straight-line rent	**(1,564)**	(1,178)	(172)	(411)	(241)	(187)	(213)	(297)
Amortization of above-market rent	**468**	239	267	126	97	99	99	120
Amortization of below-market rent	**(3,155)**	(2,728)	(3,576)	(2,426)	(2,684)	(2,715)	(2,876)	(3,390)
Amortization of tenant inducements	**66**	55	49	57	59	58	81	65
Amortization of deferred financing amortization costs incurred subsequent to June 30, 2003	**(349)**	(344)	(309)	(315)	(291)	(305)	(282)	(289)
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	**(11)**	(12)	(9)	(13)	(11)	(12)	(9)	(7)
Vendor head lease income and revenue supplement	**677**	787	95	—	—	—	—	—
Distributable income	**$ 24,170**	$ 22,463	$ 18,800	$ 14,747	$ 13,461	$ 14,427	$ 14,004	$ 13,459
Distributable income per unit								
Basic[(1)]	**$ 0.58**	$ 0.62	$ 0.61	$ 0.59	$ 0.62	$ 0.69	$ 0.67	$ 0.65
Diluted	**$ 0.59**	$ 0.62	$ 0.62	$ 0.60	$ 0.62	$ 0.68	$ 0.67	$ 0.65

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

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Distributable income	**$ 24,170**	$ 22,463	$ 18,800	$ 14,747	$ 13,461	$ 14,427	$ 14,004	$ 13,459
Adjusted for:								
Normalized leasing cost and tenant improvements	**2,505**	2,287	2,089	1,514	1,514	1,514	1,514	1,514
Normalized non-recoverable recurring capital expenditures	**75**	75	75	200	200	200	200	200
Adjusted funds from operations	**$ 21,590**	$ 20,101	$ 16,636	$ 13,033	$ 11,747	$ 12,713	$ 12,290	$ 11,745
AFFO per unit								
Basic[1]	**$ 0.52**	$ 0.55	$ 0.54	$ 0.52	$ 0.54	$ 0.61	$ 0.59	$ 0.57
Weighted average units outstanding for FFO and DI								
Basic	**41,627,961**	36,418,168	30,713,775	24,967,255	21,883,358	21,018,003	20,956,343	20,720,901
Diluted	**45,106,887**	39,871,032	34,175,445	28,417,078	25,312,351	24,456,839	24,392,013	24,144,476

(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

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

IFRS conversion plan

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

The diagnostic phase of the project was completed in 2008, which included identifying major accounting differences 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 was completed in August 2010. The implementation and review phase includes implementing recommendations that were approved during the second phase. Phase three will ensure that all policies that require changes are properly implemented and that training is provided to all stakeholders. Phase three activities are substantially complete and are expected to be finalized by December 2010.

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

Impact of adoption of IFRS

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

IFRS 1: First-Time Adoption of IFRS

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

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

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

Impact of IFRS on financial position

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

Rental properties

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

The Trust determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at January 1, 2010, less future cash outflows in respect of such leases. Fair values were determined using the discounted cash flow method and corroborated by the direct capitalization method. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates ranging between 8.0% and 10.5% and terminal capitalization rates ranging between 7.25% and 9.75%. The direct capitalization method applies a capitalization rate to stabilized NOI and incorporates allowances for vacancy, management fees and reserves for capital expenditures. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.75% to 9.5%.

Investments in joint ventures

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

Intangible assets and liabilities

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

Debt

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

Subsidiary redeemable units

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

Conversion feature of convertible debentures

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

Deferred trust units

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

Assets held for sale

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

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

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

Fair value changes of investment property

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

Depreciation and amortization expense

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

Revenue recognition

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

Distributions on subsidiary redeemable units

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

Subsidiary redeemable units

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

Conversion feature of convertible debentures

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

Deferred trust units

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

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

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

Consolidated balance sheets

(unaudited) (in thousands of dollars)	Note	**September 30, 2010**	December 31, 2009
Assets			
Rental properties	4	**$ 1,734,125**	$ 1,181,058
Leasing costs and tenant improvements	5	**65,108**	39,589
Amounts receivable	6	**11,846**	8,881
Prepaid expenses and other assets	7	**6,210**	17,718
Cash and cash equivalents		**109,786**	12,022
Intangible assets	8	**102,176**	57,558
Assets held for sale	18	**—**	18,416
		$2,029,251	$1,335,242
Liabilities			
Debt	9	**$ 1,105,752**	$ 857,060
Amounts payable and accrued liabilities	10	**39,561**	22,525
Distributions payable	11	**8,344**	4,534
Intangible liabilities	8	**46,106**	35,031
Liabilities related to assets held for sale	18	**—**	16,940
		1,199,763	936,090
Unitholders' equity	12	**829,488**	399,152
		$2,029,251	$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 and comprehensive income

(unaudited) (in thousands of dollars, except per unit amounts)	Note	**For the three months ended September 30, 2010**	For the three months ended September 30, 2009	**For the nine months ended September 30, 2010**	For the nine months ended September 30, 2009
Revenues					
Rental properties revenue		**$ 72,806**	$ 47,398	**$ 198,190**	$ 141,927
Interest and fee income		**357**	299	**1,040**	1,267
		73,163	47,697	**199,230**	143,194
Expenses					
Rental properties operating expenses		**28,016**	17,551	**74,276**	51,764
Interest	13	**15,234**	12,487	**43,461**	37,546
Depreciation of rental properties		**11,147**	6,935	**29,314**	20,487
Amortization of leasing costs, tenant improvements and intangibles		**9,786**	5,338	**27,053**	16,566
General and administrative		**2,326**	1,667	**6,692**	5,098
		66,509	43,978	**180,796**	131,461
Income before income taxes		**6,654**	3,719	**18,434**	11,733
Provision for income taxes	14				
Current income taxes		**3**	4	**10**	10
Future income taxes		**—**	87	**—**	464
		3	91	**10**	474
Income before discontinued operations		**6,651**	3,628	**18,424**	11,259
Discontinued operations	18	**3**	4,099	**2,844**	(4,445)
Net income		**$ 6,654**	$ 7,727	**$ 21,268**	$ 6,814
Basic and diluted income (loss) per unit	15				
Continuing operations		**$ 0.16**	$ 0.16	**$ 0.51**	$ 0.53
Discontinued operations		**—**	0.19	**0.08**	(0.21)
Net income		**$ 0.16**	$ 0.35	**$ 0.59**	$ 0.32
Net income		**$ 6,654**	$ 7,727	**$ 21,268**	$ 6,814
Other comprehensive income					
Change in foreign currency translation adjustment		**—**	(497)	**—**	(799)
Comprehensive income		**$ 6,654**	$ 7,230	**$ 21,268**	$ 6,015

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 loss	Total
Unitholders' equity, January 1, 2010		**24,717,901**	**$ 607,282**	**$ 819,835**	**$(1,021,356)**	**$ (6,609)**	**$ 399,152**
Net income		**—**	**—**	**21,268**	**—**	**—**	**21,268**
Distributions paid	11	**—**	**—**	**—**	**(52,244)**	**—**	**(52,244)**
Distributions payable	11	**—**	**—**	**—**	**(8,344)**	**—**	**(8,344)**
Public offering of REIT A Units	12	**20,464,250**	**477,685**	**—**	**—**	**—**	**477,685**
Distribution Reinvestment Plan	12	**223,984**	**5,586**	**—**	**—**	**—**	**5,586**
Unit Purchase Plan	12	**12,238**	**306**	**—**	**—**	**—**	**306**
Deferred Unit Incentive Plan	12	**—**	**965**	**—**	**—**	**—**	**965**
Deferred Units exchanged for REIT A Units	12	**19,463**	**—**	**—**	**—**	**—**	**—**
Conversion of 6.5% Debentures		**3,000**	**75**	**—**	**—**	**—**	**75**
Issue costs	12	**—**	**(21,570)**	**—**	**—**	**—**	**(21,570)**
Change in foreign currency translation adjustment	18	**—**	**—**	**—**	**—**	**6,609**	**6,609**
Unitholders' equity, September 30, 2010		**45,440,836**	**$ 1,070,329**	**$ 841,103**	**$ (1,081,944)**	**$ —**	**$ 829,488**

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 loss	Total
Unitholders' equity, January 1, 2009		20,417,744	$ 536,093	$ 806,415	$ (972,790)	$ (5,275)	$ 364,443
Net income		—	—	6,814	—	—	6,814
Distributions paid		—	—	—	(30,447)	—	(30,447)
Distributions payable		—	—	—	(4,525)	—	(4,525)
Public offering of REIT A Units		3,852,500	70,693	—	—	—	70,693
Distribution Reinvestment Plan	12	156,505	2,263	—	—	—	2,263
Unit Purchase Plan	12	8,727	135	—	—	—	135
Deferred Unit Incentive Plan		—	638	—	—	—	638
Deferred Units exchanged for REIT A Units		239,873	—	—	—	—	—
Issue costs		—	(3,585)	—	—	—	(3,585)
Unit redemption		(30)	—	—	—	—	—
Change in foreign currency translation adjustment		—	—	—	—	(799)	(799)
Unitholders' equity, September 30, 2009		24,675,319	$ 606,237	$ 813,229	$(1,007,762)	$ (6,074)	$ 405,630

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(unaudited) (in thousands of dollars)	Note	**For the three months ended Sept. 30, 2010**	For the three months ended Sept. 30, 2009	**For the nine months ended Sept. 30, 2010**	For the nine months ended Sept. 30, 2009
Generated from (utilized in) operating activities					
Net income		**$ 6,654**	$ 7,727	**$ 21,268**	$ 6,814
Non-cash items:					
Depreciation of rental properties		**11,147**	7,021	**29,314**	21,208
Amortization of leasing costs, tenant improvements and intangibles		**9,786**	5,377	**27,053**	16,900
Amortization of financing costs		**369**	302	**1,070**	933
Amortization of fair value adjustment on acquired debt		**(215)**	(200)	**(589)**	(618)
Gain on disposal of rental properties	18	**(3)**	(3,968)	**(2,795)**	6,596
Deferred unit compensation expense		**351**	220	**965**	638
Future income taxes		**—**	87	**—**	(1,116)
Amortization of market rent adjustments on acquired leases		**(2,687)**	(2,586)	**(8,485)**	(7,979)
Amortization of straight-line rent adjustment		**(1,564)**	(241)	**(2,914)**	(641)
		23,838	13,739	**64,887**	42,735
Leasing costs incurred		**(1,479)**	(1,166)	**(4,897)**	(3,023)
Change in non-cash working capital	20	**397**	3,400	**(198)**	8,453
		22,756	15,973	**59,792**	48,165
Generated from (utilized in) investing activities					
Investment in rental properties		**(2,985)**	(1,191)	**(8,093)**	(3,222)
Investment in tenant improvements		**(3,054)**	(1,369)	**(6,129)**	(4,821)
Acquisition of rental properties	3	**(156,737)**	(26,481)	**(532,651)**	(26,481)
Acquisition deposit on rental properties		**265**	—	**(235)**	—
Net proceeds from disposal of rental properties	18	**—**	14,937	**10,850**	14,937
Change in restricted cash, net		**353**	92	**353**	360
		(162,158)	(14,012)	**(535,905)**	(19,227)
Generated from (utilized in) financing activities					
Mortgages placed, net of costs		**67,148**	(21)	**186,436**	36,248
Mortgage principal repayments		**(5,720)**	(3,892)	**(15,342)**	(11,561)
Mortgage lump sum repayments		**—**	(24,306)	**(2,567)**	(48,539)
Term debt principal repayments		**(57)**	(30)	**(77)**	(95)
Distributions paid on Units	11	**(19,821)**	(10,712)	**(51,193)**	(31,933)
Units issued for cash, net of costs	12	**137,889**	67,244	**456,422**	67,243
		179,439	28,283	**573,679**	11,363
Increase in cash and cash equivalents		**40,037**	30,244	**97,566**	40,301
Cash and cash equivalents, beginning of period — continuing operations		**69,749**	79,324	**12,022**	69,267
Cash and cash equivalents, beginning of period — held for sale		**—**	—	**198**	—
Cash and cash equivalents, end of period		**$ 109,786**	$ 109,568	**$ 109,786**	$ 109,568

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 September 30, 2010, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 964,005 REIT A Units and 3,475,496 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 conform 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 International Financial Reporting Standards ("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; however, an earlier adoption is permitted.

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 periods ended September 30, 2010 and September 30, 2009.

For the nine months ended September 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	89,963	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
275 Wellington Street East, Aurora	industrial	100	317,000	100	25,438	—	July 30, 2010
8000 Av Blaise-Pascal, Montréal	industrial	100	206,305	100	11,296	—	July 30, 2010
6509 Airport Road, Mississauga	office	100	60,000	100	12,295	—	August 3, 2010
3035 Orlando Drive, Mississauga	office	100	16,754	86	2,410	—	August 3, 2010
2075 Kennedy Road, Toronto	office	100	201,730	96	31,750	—	August 12, 2010
1421 Rue Ampère Street, Boucherville	industrial	100	457,875	100	29,381	—	September 2, 2010
1313 Autoroute Chomedey, Laval	industrial	100	184,493	100	12,716	—	September 2, 2010
150 Metcalfe Street, Ottawa	office	100	109,374	91	34,540	—	September 16, 2010
Total			3,571,696	98	$ 639,489	$ 79,611	

[1] Excludes redevelopment component of the property.

For the nine months ended September 30, 2009	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
720 Bay Street, Toronto	office	50	123,870	100	$ 25,948	$ —	September 1, 2009
Total			123,870	100	$ 25,948	$ —	

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

For the nine months ended September 30	**2010**	2009
Rental properties		
Land	**$ 64,540**	$ 2,415
Buildings	**502,736**	19,836
Properties under development	**5,693**	—
	572,969	22,251
Tenant improvements acquired	**24,771**	1,844
Intangible assets		
Value of in-place leases	**22,855**	842
Lease origination costs	**5,846**	443
Value of above-market rent leases	**13,344**	—
Value of tenant relationships	**20,239**	1,089
	660,024	26,469
Intangible liabilities		
Value of below-market rent leases	**(20,535)**	(521)
Total purchase price	**$ 639,489**	$ 25,948

The consideration paid consists of:

For the nine months ended September 30	**2010**	2009
Cash		
Paid during the period	**$ 532,651**	$ 26,481
Deposits applied	**13,755**	—
	546,406	26,481
Assumed mortgages at fair value	**79,611**	—
Assumed non-cash working capital and adjustments to purchase price	**13,472**	(533)
Total consideration	**$ 639,489**	$ 25,948

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

	September 30, 2010			December 31, 2009		
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Land	**$ 299,563**	**$ —**	**$ 299,563**	$ 235,025	$ —	$ 235,025
Buildings and improvements	**1,562,387**	**(139,312)**	**1,423,075**	1,053,465	(110,358)	943,107
Fixed assets and equipment	**2,041**	**(835)**	**1,206**	2,011	(843)	1,168
Rental properties under development	**10,281**	**—**	**10,281**	1,758	—	1,758
Total	**$ 1,874,272**	**$ (140,147)**	**$ 1,734,125**	$ 1,292,259	$ (111,201)	$ 1,181,058

Note 5

LEASING COSTS AND TENANT IMPROVEMENTS

	September 30, 2010			December 31, 2009		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Leasing costs	**$ 18,458**	**$ (5,319)**	**$ 13,139**	$ 14,214	$ (4,292)	$ 9,922
Tenant improvements	**76,782**	**(24,813)**	**51,969**	49,418	(19,751)	29,667
Total	**$ 95,240**	**$ (30,132)**	**$ 65,108**	$ 63,632	$ (24,043)	$ 39,589

Note 6

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments totalling $6,399 (December 31, 2009 — $2,972).

	September 30, 2010	December 31, 2009
Trade receivables, net	**$ 2,732**	$ 2,048
Straight-line rent receivables	**10,023**	7,409
Other accounts payable	**(909)**	(576)
Total	**$ 11,846**	$ 8,881

	September 30, 2010	December 31, 2009
Trade receivables	**$ 3,503**	$ 3,141
Less: Provision for impairment of trade receivables	**(771)**	(1,093)
Trade receivables, net	**$ 2,732**	$ 2,048

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

	2010	2009
As at January 1	$ 1,093	$ 549
Provision for impairment of trade receivables	287	1,015
Receivables written off during the period as uncollectible	(609)	(572)
Translation adjustment	—	(20)
As at September 30	$ 771	$ 972

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

	September 30, 2010	December 31, 2009
Prepaid expenses	$ 4,070	$ 2,110
Deposits	772	13,887
Restricted cash	1,368	1,721
Total	$ 6,210	$ 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

	September 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	$ 17,108	$ (1,962)	$ 15,146	$ 3,914	$ (1,140)	$ 2,774
Value of in-place leases	55,206	(20,974)	34,232	37,727	(17,625)	20,102
Lease origination costs	14,522	(4,682)	9,840	9,383	(3,718)	5,665
Value of tenant relationships	57,767	(14,809)	42,958	39,635	(10,618)	29,017
Total	$ 144,603	$ (42,427)	$ 102,176	$ 90,659	$ (33,101)	$ 57,558
Intangible liabilities						
Value of below-market rent leases	$ 74,961	$ (28,855)	$ 46,106	$ 60,854	$ (25,823)	$ 35,031

Note 9
DEBT

	September 30, 2010	December 31, 2009
Mortgages	**$ 974,723**	$ 726,901
Convertible debentures	**130,662**	129,940
Term debt	**367**	219
Total	**$ 1,105,752**	$ 857,060

Mortgages are secured by charges on specific rental properties.

Convertible debentures comprise $119,667 of the 6.0% Debentures, $7,750 of the 5.7% Debentures and $3,245 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 September 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 September 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 September 30, 2010, the outstanding principal amount is $3,413 (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 (3.0% as at September 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 September 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	
	September 30, 2010	December 31, 2009	Maturity dates	**September 30, 2010**	December 31, 2009
Fixed rate					
Mortgages	**5.52%**	5.68%	2010—2020	**$ 945,988**	$ 695,608
Convertible debentures	**7.03%**	7.03%	2014—2015	**130,662**	129,940
Term debt	**8.77%**	9.03%	2013	**367**	219
Total fixed rate debt	**5.71%**	5.90%		**1,077,017**	825,767
Variable rate					
Mortgages	**2.64%**	2.01%	2013	**28,735**	31,293
Total variable rate debt	**2.64%**	2.01%		**28,735**	31,293
Total debt	**5.63%**	5.75%		**$ 1,105,752**	$ 857,060

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Convertible debentures	Total
2010 (remainder of)	$ 17,756	$ 17	$ —	$ 17,773
2011	95,415	107	—	95,522
2012	121,851	116	—	121,967
2013	118,761	127	—	118,888
2014	80,349	—	128,413	208,762
2015 and thereafter	542,017	—	7,806	549,823
	976,149	367	136,219	1,112,735
Financing costs and fair value adjustments	(1,426)	—	(5,557)	(6,983)
	$ 974,723	$ 367	$ 130,662	$ 1,105,752

Included in mortgages is $1,884 in fair value adjustments (December 31, 2009 — $2,671), which reflects the fair value adjustments for mortgages assumed as part of acquisitions, reduced by $3,310 of unamortized financing costs (December 31, 2009 — $2,465). The convertible debentures are reduced by a $1,516 premium allocated to their conversion features (December 31, 2009 — $1,724) and $4,041 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.

	September 30, 2010	December 31, 2009
Mortgages	**$1,023,775**	$ 730,809
Convertible debentures	**140,388**	134,923
Term debt	**367**	219
Total	**$ 1,164,530**	$ 865,951

Note 10
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2010	December 31, 2009
Trade payables	**$ 6,099**	$ 1,602
Accrued liabilities and other payables	**18,033**	9,521
Accrued interest	**6,356**	3,426
Deposits	**7,555**	6,159
Rent received in advance	**1,518**	1,817
Total	**$ 39,561**	$ 22,525

Note 11

DISTRIBUTIONS

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

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 45,970	$ 27	$ 5,196	$ 51,193
Paid by way of reinvestment in REIT A Units	5,056	—	—	5,056
Paid by way of reinvestment in LP B Units	—	—	529	529
Less: Payable at December 31, 2009	(3,899)	(3)	(632)	(4,534)
Plus: Payable at September 30, 2010	7,703	3	638	8,344
Total	$ 54,830	$ 27	$ 5,731	$ 60,588

The amount payable at September 30, 2010, was satisfied on October 15, 2010, by $7,605 in cash, $678 of 24,053 REIT A Units and $61 of 2,394 LP B Units. Included in the total distributions is $225 representing the 4% bonus distribution that forms part of the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

Note 12

UNITHOLDERS' EQUITY

	September 30, 2010		December 31, 2009	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**41,949,024**	**$ 739,641**	21,247,397	$ 312,743
REIT Units, Series B	**16,316**	**362**	16,316	362
LP Class B Units, Series 1	**3,475,496**	**89,485**	3,454,188	92,656
Cumulative foreign currency translation adjustment	**—**	**—**	—	(6,609)
Total	**45,440,836**	**$ 829,488**	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 September 30, 2010, 3,475,496 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	—	19,210	—	27	—	2,031	—	—	21,268
Distributions paid	—	(47,127)	—	(24)	—	(5,093)	—	—	(52,244)
Distributions payable	—	(7,703)	—	(3)	—	(638)	—	—	(8,344)
Public offering of REIT A Units	20,464,250	477,685	—	—	—	—	—	20,464,250	477,685
Distribution Reinvestment Plan	202,676	5,057	—	—	21,308	529	—	223,984	5,586
Unit Purchase Plan	12,238	306	—	—	—	—	—	12,238	306
Deferred Unit Incentive Plan	—	965	—	—	—	—	—	—	965
Deferred Units exchanged for REIT A Units	19,463	—	—	—	—	—	—	19,463	—
Conversion 6.5% equity	3,000	75	—	—	—	—	—	3,000	75
Issue costs	—	(21,570)	—	—	—	—	—	—	(21,570)
Change in foreign currency translation adjustment	—	—	—	—	—	—	6,609	—	6,609
Unitholders' equity, September 30, 2010	41,949,024	$ 739,641	16,316	$ 362	3,475,496	$ 89,485	$ —	45,440,836	$ 829,488

Public offering of REIT A Units

On September 2, 2010, the Trust completed a public offering of 5,669,500 REIT A Units at a price of $25.40 per unit, for gross proceeds of $144,005. Costs related to the offering totalled $6,325 and were charged directly to unitholders' equity.

On June 2, 2010, the Trust completed a public offering of 4,100,000 REIT A Units at a price of $24.40 per Unit for gross proceeds of $100,040. 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 nine months ended September 30, 2010, 202,676 REIT A Units and 21,308 LP B Units were issued under the DRIP for $5,586 (September 30, 2009 — 156,505 REIT A Units and nil LP B Units for $2,263). For the same period, 12,238 REIT A Units were issued under the Unit Purchase Plan for $306 (September 30, 2009 — 8,727 REIT A Units for $135).

Conversion of debentures

During the period ended September 30, 2010, the Trust issued 3,000 REIT A Units upon conversion of $75 of the principal amount of the 6.5% Debentures (September 30, 2009 — nil).

Deferred Unit Incentive Plan

During the nine months ended September 30, 2010, $965 of compensation expense was recorded (September 30, 2009 — $638) 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	22,812	121,478
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 September 30, 2010	**$ 27.67**	**300,447**	**67,461**	**367,908**
Vested but not issued at September 30, 2010	**$ 28.27**	**81,788**	**30,964**	**112,752**

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 had a normal course issuer bid, which commenced on September 26, 2009, and expired on September 25, 2010. Under the bid, the Trust had 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. No purchases were made under this issuer bid. The Trust is currently in the process of renewing the bid.

Note 13
INTEREST

Interest incurred and charged to earnings is recorded as follows:

	For the three months ended Sept. 30, 2010	For the three months ended Sept. 30, 2009	**For the nine months ended Sept. 30, 2010**	For the nine months ended Sept. 30, 2009
Interest expense incurred, at stated rate of debt	**$ 15,156**	$ 12,392	**$ 43,162**	$ 37,279
Amortization of financing costs	**368**	301	**1,070**	903
Amortization of fair value adjustments on acquired debt	**(215)**	(200)	**(589)**	(618)
Interest capitalized	**(75)**	(6)	**(182)**	(18)
Interest expense	**$ 15,234**	$ 12,487	**$ 43,461**	$ 37,546

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 PER UNIT

The weighted average number of units outstanding was as follows:

	For the three months ended Sept. 30, 2010	For the three months ended Sept. 30, 2009	**For the nine months ended Sept. 30, 2010**	For the nine months ended Sept. 30, 2009
REIT A Units and REIT B Units	**38,051,413**	18,376,182	**32,731,691**	17,757,535
LP B Units	**3,464,935**	3,454,188	**3,461,438**	3,454,188
Vested deferred trust units	**111,613**	52,988	**106,584**	77,574
Total weighted average number of units outstanding for basic income per unit amounts	**41,627,961**	21,883,358	**36,299,713**	21,289,297
Add incremental units:				
Unvested deferred trust units	**53,567**	—	**47,415**	—
Income deferred trust units	**8,261**	9,883	**6,967**	9,788
Total weighted average number of units outstanding for diluted income per unit amounts	**41,689,789**	21,893,241	**36,354,095**	21,299,085

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 3,415,843 incremental REIT A Units to be issued upon an assumed conversion of all debentures outstanding at September 30, 2010 (September 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 September 30, 2010	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 67,139	$ 5,667	$ 72,806	$ —	$ 72,806
Operating expenses	26,502	1,514	28,016	—	28,016
Net operating income	40,637	4,153	44,790	—	44,790
Depreciation of rental properties	10,183	964	11,147	—	11,147
Amortization of leasing costs, tenant improvements and intangibles	9,385	401	9,786	—	9,786
Segment income	$ 21,069	$ 2,788	$ 23,857	$ —	23,857
Interest expense					(15,234)
General and administrative expenses					(2,326)
Interest and fee income					357
Income taxes					(3)
Discontinued operations					3
Net income					$ 6,654
Segment rental properties	$ 1,557,590	$ 166,254	$1,723,844	$ 10,281	$ 1,734,125
Capital expenditures					
Investment in rental properties	$ (1,712)	$ (464)	$ (2,176)	$ (809)	$ (2,985)
Investment in tenant improvements	(2,044)	(1,010)	(3,054)	—	(3,054)
Acquisition of rental properties	(78,940)	(77,797)	(156,737)	—	(156,737)
Leasing costs	(1,625)	146	(1,479)	—	(1,479)
Total capital expenditures	$ (84,321)	$ (79,125)	$ (163,446)	$ (809)	$ (164,255)

For the three months ended September 30, 2009	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 43,237	$ 4,161	$ 47,398	$ —	$ 47,398
Operating expenses	16,331	1,220	17,551	—	17,551
Net operating income	26,906	2,941	29,847	—	29,847
Depreciation of rental properties	6,126	809	6,935	—	6,935
Amortization of leasing costs, tenant improvements and intangibles	4,973	365	5,338	—	5,338
Segment income	$ 15,807	$ 1,767	$ 17,574	$ —	17,574
Interest expense					(12,487)
General and administrative expenses					(1,667)
Interest and fee income					299
Income taxes					(91)
Discontinued operations					4,099
Net income					$ 7,727
Segment rental properties	$ 1,026,356	$ 90,776	$ 1,117,132	$ 1,132	$ 1,118,264
Capital expenditures					
Investment in rental properties	$ (1,188)	$ —	$ (1,188)	$ (3)	$ (1,191)
Investment in tenant improvements	(1,330)	(39)	(1,369)	—	(1,369)
Acquisition of rental properties	(26,481)	—	(26,481)	—	(26,481)
Leasing costs	(1,003)	(154)	(1,157)	(9)	(1,166)
Total capital expenditures	$ (30,002)	$ (193)	$ (30,195)	$ (12)	$ (30,207)

For the nine months ended September 30, 2010	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 183,529	$ 14,661	$ 198,190	$ —	$ 198,190
Operating expenses	69,917	4,359	74,276	—	74,276
Net operating income	113,612	10,302	123,914	—	123,914
Depreciation of rental properties	26,929	2,385	29,314	—	29,314
Amortization of leasing costs, tenant improvements and intangibles	25,808	1,245	27,053	—	27,053
Segment income	$ 60,875	$ 6,672	$ 67,547	$ —	67,547
Interest expense					(43,461)
General and administrative expenses					(6,692)
Interest and fee income					1,040
Income taxes					(10)
Discontinued operations					2,844
Net income					$ 21,268
Segment rental properties	$1,557,590	$ 166,254	$1,723,844	$ 10,281	$ 1,734,125
Capital expenditures					
Investment in rental properties	$ (4,935)	$ (1,330)	$ (6,265)	$ (1,828)	$ (8,093)
Investment in tenant improvements	(4,810)	(1,319)	(6,129)	—	(6,129)
Acquisition of rental properties	(437,666)	(87,930)	(525,596)	(7,055)	(532,651)
Leasing costs	(4,115)	(782)	(4,897)	—	(4,897)
Total capital expenditures	$ (451,526)	$ (91,361)	$ (542,887)	$ (8,883)	$ (551,770)

For the nine months ended September 30, 2009	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 129,695	$ 12,232	$ 141,927	$ —	$ 141,927
Operating expenses	47,726	4,038	51,764	—	51,764
Net operating income	81,969	8,194	90,163	—	90,163
Depreciation of rental properties	18,288	2,199	20,487	—	20,487
Amortization of leasing costs, tenant improvements and intangibles	15,424	1,142	16,566	—	16,566
Segment income	$ 48,257	$ 4,853	$ 53,110	$ —	53,110
Interest expense					(37,546)
General and administrative expenses					(5,098)
Interest and fee income					1,267
Income taxes					(474)
Discontinued operations					(4,445)
Net income					$ 6,814
Segment rental properties	$1,026,356	$ 90,776	$ 1,117,132	$ 1,132	$ 1,118,264
Capital expenditures					
Investment in rental properties	$ (3,097)	$ (16)	$ (3,113)	$ (109)	$ (3,222)
Investment in tenant improvements	(3,895)	(540)	(4,435)	(386)	(4,821)
Acquisition of rental properties	(26,481)	—	(26,481)	—	(26,481)
Leasing costs	(2,632)	(216)	(2,848)	(175)	(3,023)
Total capital expenditures	$ (36,105)	$ (772)	$ (36,877)	$ (670)	$ (37,547)

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 nine months ended September 30, 2010, the Trust received total fees from DRC of $1,526 (September 30, 2009 — $1,403). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the period ended September 30, 2010, include $3,374 for operating and administrative costs of regional offices (September 30, 2009 — $2,597), which are included in operating expenses of the Trust.

For the nine months ended September 30, 2010, the Trust incurred total fees of $8,648 (September 30, 2009 — $3,920) under the Asset Management Agreement. Of this amount, $4,237 (September 30, 2009 — $3,405) is included in general and administrative expenses; $3,792 (September 30, 2009 — $nil) is included in property acquisitions; and $619 (September 30, 2009 — $515) is included in financing costs and reported with debt.

Included in amounts receivable at September 30, 2010, is $(147) related to the Services Agreement (December 31, 2009 — $(155)), $320 related to the Asset Management Agreement (December 31, 2009 — $224) and $115 related to other amounts owed by DRC (December 31, 2009 — $158). Accrued liabilities and other payables at September 30, 2010, include $337 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 $2,200.

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 September 30, 2010.

The following table summarizes the net income from discontinued operations:

	For the three months ended Sept. 30, 2010	For the three months ended Sept. 30, 2009	**For the nine months ended Sept. 30, 2010**	For the nine months ended Sept. 30, 2009
Revenues				
Rental properties revenue	**$ —**	$ 623	**$ 319**	$ 4,756
Interest and other income	**—**	1	**—**	17
	—	624	**319**	4,773
Expenses				
Rental properties operating expenses	**—**	363	**270**	2,560
Interest	**—**	25	**—**	587
Depreciation of rental properties	**—**	86	**—**	721
Amortization of leasing costs, tenant improvements and intangibles	**—**	39	**—**	334
	—	513	**270**	4,202
Income before undernoted	**—**	111	**49**	571
(Gain) loss on disposal of rental properties	**(3)**	(3,968)	**(2,795)**	6,596
Current income taxes	**—**	(20)	**—**	—
Future income taxes recovery	**—**	—	**—**	(1,580)
Net income (loss) from discontinued operations	**$ 3**	$ 4,099	**$ 2,844**	$ (4,445)

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	$ 277	$ 33
2011	990	133
2012	846	133
2013	709	132
2014	12	—
Total	$ 2,834	$ 431

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of approximately $5,700.

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 $550 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 a total minimum payment of $150 during the remainder of 2010, and $600 annually for 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 $3,100 has 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 Sept. 30, 2010	For the three months ended Sept. 30, 2009	**For the nine months ended Sept. 30, 2010**	For the nine months ended Sept. 30, 2009
Decrease in accounts receivable	**$ 4,694**	$ 1,489	**$ 1,811**	$ 3,790
Decrease in deferred costs, other than leasing costs	**60**	91	**170**	316
Increase in prepaid expenses and other assets, excluding restricted cash and promissory notes	**(1,682)**	(32)	**(2,537)**	(735)
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)	**(2,750)**	1,954	**129**	5,314
Increase (decrease) in accounts payable relating to leasing costs	**75**	(102)	**229**	(232)
Change in non-cash working capital	**$ 397**	$ 3,400	**$ (198)**	$ 8,453

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

	For the three months ended Sept. 30, 2010	For the three months ended Sept. 30, 2009	**For the nine months ended Sept. 30, 2010**	For the nine months ended Sept. 30, 2009
Interest	**$ 13,184**	$ 10,809	**$ 40,989**	$ 36,113
Income taxes	**15**	16	**31**	21

Note 21

SUBSEQUENT EVENTS

Effective October 5, 2010, the Trust completed the acquisition of an office building located in Halifax, Nova Scotia, consisting of approximately 60,739 square feet. The purchase price of the property, excluding transaction costs, was approximately $7,200.

Effective October 19, 2010, the Trust completed the acquisition of an office building located in Burlington, Ontario, consisting of approximately 95,444 square feet. The purchase price of the property, excluding costs, was approximately $6,800.

Effective November 2, 2010, the Trust completed the acquisition of an office property located in Ottawa, Ontario, consisting of approximately 156,551 square feet. The purchase price of the property, exlcluding transaction costs, was approximately $22,100.

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Investor relations

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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

DUNDEE REAL ESTATE INVESTMENT TRUST

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