



## DUNDEE REIT TO ACQUIRE SIGNIFICANT OFFICE PORTFOLIO FROM BLACKSTONE

### FOR IMMEDIATE RELEASE

**TORONTO, JULY 21, 2011, DUNDEE REIT (D.UN – TSX)** today announced that it has reached agreement with affiliates of Blackstone Real Estate Advisors LP (“Blackstone”) and Slate Properties Inc. (“Slate”) on a portfolio of 29 office properties in Toronto, Ottawa, Edmonton and Calgary at a purchase price of \$831.8 million. As part of the transaction, Dundee REIT has entered into agreements to direct five of these assets to third parties for proceeds of \$142.0 million. The 24 office properties ultimately being acquired by the REIT (the “Properties” or the “Portfolio”) total \$689.8 million (excluding transaction costs). Closing is expected to take place on August 15, 2011.

In 2007, Dundee REIT completed Canada’s largest ever commercial real estate portfolio sale. Now, four years later, it has secured the largest office portfolio ever acquired by a Canadian REIT. The 24 assets total 2.7 million square feet and offer an exceptional opportunity to acquire a large portfolio of well-leased downtown office properties, the bulk of which are situated in the heart of Toronto’s vibrant financial district. The Properties are generally located in close proximity to public transit and a wide range of other amenities. The current average occupancy rate is 93% and the average lease term is 3.9 years. Average tenant size is about 9,500 square feet, or very similar to that in the REIT’s existing office portfolio.

Michael Cooper, CEO, commented that “we are buying this Portfolio at a 7.0% cap rate and, with financing available at 4.4%, this will be our second highly accretive portfolio transaction of 2011.”

Dundee REIT has achieved significant growth and produced solid results over the past couple of years. In addition to the Blackstone and Realex transactions, it has continued to demonstrate strong growth in its existing portfolio. It has also deployed its cash more efficiently in 2011. “With yet another large accretive transaction, our adjusted funds from operations will grow even faster in 2012 than in 2011,” said Mr. Cooper.

To date in 2011, Dundee REIT has acquired \$826 million of properties, primarily office buildings located in downtown core markets. Most recently, the REIT acquired 700 de la Gauchetière, a 28-storey, 1.0 million square foot Class A office building located in the heart of downtown Montréal.

Acquisitions	Property type	Approx. GLA (sq. ft.)	Purchase price (\$000’s) <sup>(1)</sup>	Date	Cap rate <sup>(2)</sup>
Saskatoon Square, Saskatoon, SK	office	209,593	50,000	January 4, 2011	
400 Cumberland Street, Ottawa, ON	office	174,921	38,300	January 17, 2011	
Realex Properties Corp., ON/AB/BC	office/industrial	1,837,277	373,430	February 8, 2011	
55 King Street West, Kitchener, ON	office	124,100	13,000	March 31, 2011	
586 Argus Road, Oakville, ON	office	74,570	16,560	May 2, 2011	
Morgex Building, Edmonton, AB	office	39,750	9,900	May 19, 2011	
Multivesco Portfolio, Gatineau, QC	office/industrial	148,198	15,535	June 9, 2011	
700 de la Gauchetière, Montréal, QC	office	1,014,047	277,750	July 11, 2011	
13888 Wireless Way, Burnaby, BC	office	116,530	31,800	July 12, 2011	
<b>Total closed in 2011</b>		<b>3,738,986</b>	<b>\$ 826,275</b>		<b>7.25%</b>
Under contract		3,094,315	763,422		
<b>Total closed and under contract in 2011</b>		<b>6,833,301</b>	<b>\$1,589,697</b>		<b>7.15%</b>

(1) Purchase price excludes transaction costs

(2) Cap rates are based on acquisition prices and exclude management income

The newly acquired Portfolio has a strong and diverse tenant base. The lease maturity profile is well balanced and affords Dundee REIT the opportunity to capitalize on rental rate increases in most markets as leases roll over. The following table provides an overview of the Portfolio:

<b>Portfolio</b>	<b>No. of properties</b>	<b>GLA (sq. ft.)</b>
<b>Toronto</b>	13	1,296,608
<b>Ottawa</b>	2	242,826
<b>Calgary</b>	5	578,757
<b>Edmonton</b>	4	545,549
<b>Total portfolio</b>	<b>24</b>	<b>2,663,740</b>

A more detailed list of properties can be found at the end of this release.

### **TORONTO PORTFOLIO**

The Toronto portfolio includes 13 properties totaling about 1.3 million square feet. Of these, 11 are located in two tight clusters in the financial district: one cluster along Bay Street adjacent to the new Bay-Adelaide Centre, and another nearby in the east financial core, in close proximity to Dundee REIT's head office, State Street Financial Centre. It is rare that office properties trade in Toronto's financial core, and the opportunity to acquire 11 such buildings in one transaction is highly unusual.

The downtown Toronto office market recorded positive absorption of over 450,000 square feet in the first two quarters of this year according to CB Richard Ellis. The vacancy rate in downtown has declined for four consecutive quarters, falling to 5.9% in Q2 2011. As occupancy tightens in the downtown core, rental rates are experiencing upward pressure. With occupancy of 92% and an average lease term of 3.7 years, the newly acquired Toronto properties offer Dundee REIT, already a dominant landlord, a great opportunity to capitalize on these improving market conditions.

Tenants in the Toronto portfolio average less than 5,000 square feet, playing to Dundee REIT's managerial strength. Ana Radic, Senior Vice President, Eastern Canada, said that "the profile and location of these properties will provide us with greater flexibility in offering alternatives to existing tenants that, for reasons of affordability or lack of expansion space, cannot be accommodated in our other downtown buildings."

### **OTTAWA PORTFOLIO**

Two properties totalling 243,000 square feet are situated in Ottawa, both in strong downtown locations, adding to Dundee REITs growing presence in a market it knows exceptionally well. The buildings offer high quality office space, in prominent locations, at rental rates below comparable properties. The properties are 99% occupied with an average lease term of 5.2 years and an average tenant size of 10,000 square feet.

### **CALGARY PORTFOLIO**

The Calgary portfolio consists of five assets totalling 579,000 square feet, three of which are located downtown and two of which are located in the suburbs north and east of downtown. Occupancy is 92%, the average lease term is 3.2 years and the average tenant size is about 7,000 square feet. The largest tenants are typically institutional in nature. With rapidly improving fundamentals in Calgary, these properties will be a good complement to Dundee REIT's existing portfolio.

## **EDMONTON PORTFOLIO**

The Edmonton portfolio consists of four assets totalling 546,000 square feet, all of which are located downtown. Average occupancy is 95% and the average lease term is 4.2 years. Tenants in the Edmonton portfolio are larger on average than elsewhere, with an average tenant size of about 23,000 square feet. The largest is Atco Group, which at 150,000 square feet is also the largest tenant in the overall Portfolio. Other key tenants include the Province of Alberta and Jacobs Engineering. This transaction doubles Dundee REIT's gross leasable area in Edmonton and solidifies its position as a dominant office landlord in the market.

## **FINANCING**

The Portfolio is being acquired free and clear of any existing mortgage debt, providing Dundee REIT with great flexibility in choosing how to best finance the acquisition.

TD Securities Inc. has committed to finance the entire acquisition with a secured term credit facility. However, Dundee REIT does not intend to use the entire facility as it currently has cash on hand as well as new mortgage financing of \$282 million for terms ranging from 7 to 10 years. The REIT has begun a strategic review of its portfolio to identify properties that may no longer fit within its operational strategy. In less than 24 months, the REIT has transformed its portfolio with \$2.6 billion in acquisitions completed or secured under contract and its intent is to cull the portfolio and utilize the proceeds to repay debt.

Dundee REIT has a very conservative debt profile. Over the last two years, the REIT has raised over \$600 million of new mortgage financing for an average term of 7.5 years and at an effective average interest rate of 4.9%. Prior to this transaction, the REIT operated at a debt-to-enterprise value below 50%. While leverage will increase in the near term, it is the REIT's intention to operate at a debt-to-enterprise value in the range of 48-54%.

Dundee Real Estate Asset Management ("DREAM") and Dundee REIT jointly engaged TD Securities and Brookfield Financial to act as advisers on this transaction at DREAM's expense. Blackstone and Slate were advised by CIBC World Markets.

Dundee REIT is an unincorporated, open-ended real estate investment trust and provides high quality, affordable business premises. It is focused on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties. Dundee REIT's portfolio currently consists of approximately 16.1 million square feet of gross leasable area across Canada. Dundee REIT's portfolio is well diversified by geographic location and tenant mix. For more information, please visit [www.dundeereit.com](http://www.dundeereit.com).

## PORTFOLIO DETAILS

The following table outlines the properties included in the Portfolio:

<b>CITY</b>	<b>GLA (sq. ft)</b>
<b>Toronto</b>	
8 King Street East	145,944
10 King Street East	57,052
18 King Street East	231,505
36 Toronto Street	215,918
56 Temperance Street	32,145
80 Richmond Street West	99,999
330 Bay Street	161,446
350 Bay Street	52,782
357 Bay Street	62,932
360 Bay Street	56,937
366 Bay Street	37,070
425 Bloor Street East	83,429
885 Don Mills Road	59,449
	1,296,608
<b>Ottawa</b>	
130 Slater Street (National Building)	135,629
360 Laurier Avenue West	107,197
	242,826
<b>Calgary</b>	
510 5th Street SW	109,176
Rocky Mountain Plaza (615 MacLeod Trail SE)	196,500
Northland Building (910 7th Avenue SW)	145,562
1701 Centre Street NW (Braithwaite Boyle Centre)	53,222
3115 12th Street NE	74,297
	578,757
<b>Edmonton</b>	
Baker Centre (10025 106th Street)	145,469
Milner Building (10040 104th Street)	178,095
HSBC Building (10055 106th Street)	119,073
Highfield Place (10010 106th Street)	102,912
	545,549
<b>Total Portfolio</b>	<b>2,663,740</b>

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