DUNDEE REIT TO ACQUIRE TWO-THIRDS INTEREST IN SCOTIA PLAZA - ONE OF CANADA'S PREEMINENT OFFICE PROPERTIES

DUNDEE REIT ALSO ANNOUNCES $300 MILLION EQUITY OFFERING

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FOR IMMEDIATE RELEASE

TORONTO, MAY 22, 2012, DUNDEE REIT (D.UN – TSX) today announced that, together with a partner, it will acquire the iconic Scotia Plaza complex ("Scotia Plaza") in downtown Toronto for a total purchase price of approximately $1.266 billion. Under the arrangements, Dundee REIT will hold a two-thirds interest and will jointly own the property with its partner, H&R REIT, who will hold the remaining one-third interest.

Highlights:

- **Going-in capitalization rate of 5.2%** - The $1.266 billion purchase price reflects a 5.2% going-in cap rate.
- **$650.0 million of 7-year first mortgage bonds, provisional A (high) rating, to be issued** – To provide partial funding of the purchase price, $650.0 million of first mortgage bonds (100% interest) will be issued with a 7-year term at an effective interest rate that will not exceed 3.45%. Dundee REIT and H&R REIT have entered into an underwriting agreement with Scotia Capital Inc. and TD Securities Inc.
- **Outstanding anchor tenant** – The Bank of Nova Scotia ("Scotiabank"), one of North America's premier financial institutions, will lease approximately 61% of Scotia Plaza for an average lease term 13.5 years. Scotiabank is an AA-rated financial institution.
- **$300 million equity offering** – Dundee REIT also announced a $300 million equity offering by way of a bought deal for 8,360,000 REIT Units, Series A at a price of $35.90 per unit co-led by TD Securities Inc. and Scotia Capital Inc. Dundee Corporation will purchase $14 million of REIT Units, Series A and Michael Cooper, Vice Chairman and Chief Executive Officer of Dundee REIT, will purchase $10 million of REIT Units, Series A.
- **Sale of non-core assets** - Dundee REIT is moving forward with plans to sell non-core assets and initiates a strategic review of its industrial portfolio.

"With the addition of Scotia Plaza, the quality of our portfolio is the best it has ever been, the average cost of our debt is the lowest it has ever been and the cash generated per unit is the highest it has ever been. Scotia Plaza is one of the most exceptional assets in Canada, by location, scale, physical condition and the strength of its tenants. That a REIT can successfully compete for the highest quality assets and enhance unitholder value is a watershed event in the history of Canadian REITs," said Michael Cooper, Chief Executive Officer of Dundee REIT.

<u>Investment overview:</u>

Dundee REIT will indirectly acquire a two-thirds interest in Scotia Plaza for a purchase price of $844.3 million, equating to a value of $640 per square foot. Dundee REIT's two-thirds investment in Scotia Plaza offers it Year 1 annual net operating income of $44.0 million, with contractual rent escalations thereafter.

To finance Dundee REIT's portion of the acquisition:

- Special purpose subsidiaries of Dundee REIT and H&R REIT have entered into an agreement to create, issue and sell to Scotia Capital Inc. and TD Securities Inc., on an underwritten basis, $650.0 million aggregate principal amount of 7-year first mortgage bonds, of which $433.3 million will be allocated to Dundee REIT. The bonds, which will bear interest at a rate not to exceed 3.45%, will be secured by a first-ranking charge on Scotia Plaza with interest to be payable semi-annually and a 30-year amortization. The final coupon rate of the bonds to the market will be determined at least three business days prior to closing of the acquisition of Scotia Plaza. The mortgage bond has a provisional A (high) rating from DBRS.
- Dundee REIT has entered into an agreement to sell 8,360,000 REIT Units, Series A on a bought deal basis at a price of $35.90 per Unit to a syndicate of underwriters co-led by TD Securities Inc. and Scotia Capital Inc. for gross proceeds of approximately $300 million (the "Equity Offering"). The Equity Offering includes $14 million of REIT Units, Series A to be purchased by Dundee Corporation at the offering price and $10 million of REIT Units, Series A to be purchased by Michael Cooper, Vice Chairman and Chief Executive Officer of Dundee REIT, at the offering price. In addition, Dundee REIT has granted the underwriters an over-allotment option, exercisable for a period of 30 days following closing, to purchase up to an additional 1,254,000 Units which, if exercised, would increase the gross offering size to $345 million. The Equity Offering is scheduled to close on or about June 12, 2012. The Equity Offering, including the purchases of units by Dundee Corporation and Michael Cooper, is subject to regulatory approval, but is not subject to completion of the Scotia Plaza acquisition.
- Dundee REIT intends to draw on its existing credit facilities to fund its portion of the remaining purchase price, and to pay down the credit facilities during the year with proceeds from long-term mortgage financings and asset dispositions.

Post-transaction, Dundee REIT's overall debt ratio will be approximately 52.5%. Management intends to operate at a target debt level of 52.0%. The following table illustrates certain of Dundee REIT's debt profile metrics on a pro forma basis, assuming the completion of the acquisition of Scotia Plaza.

Debt profile	**March 31, 2012**	**Pro forma**
Average interest rate (face rate)	4.89%	4.72%
Debt-to-IFRS book value	51.8%	52.5%
Interest coverage ratio	2.7 times	2.7 times
Debt – average term to maturity	4.5 years	4.9 years

Management estimates that the capital expenditure and leasing costs related to Scotia Plaza will be significantly lower than its existing portfolio due to the long lease term of the anchor tenant, the significant capital improvements made over the past number of years and the property's history of low vacancy and low tenant turnover**.**

The transaction is expected to close on or about June 20, 2012.

"With this transaction, the stability of our cash flow will be enhanced while keeping a conservative balance sheet. We've again been able to secure long-term debt at low rates and will continue to actively seek opportunities to reduce our financing costs, extend our debt maturities and improve our overall capital structure," said Mario Barrafato, Chief Financial Officer of Dundee REIT.

Class "AAA" Property:

Located in the heart of Toronto's financial district – the largest office node in Canada. The Scotia Plaza complex comprises approximately 2.0 million square feet across four connected buildings and concourse leases, including 40 King Street West, the landmark 68-storey 1.5 million square foot red granite tower which opened in 1989, and the adjacent 26-storey historic 44 King Street building located on the north-east corner of Bay Street and King Street, which has been occupied by Scotiabank since its opening in 1951 and totals over 0.4 million square feet. Scotia Plaza is connected to the underground PATH network, providing easy access to major downtown office towers, transportation hubs (the King Street subway station and Union Station) and extensive retail amenities. Scotia Plaza will remain the international headquarters for Scotiabank, one of North America's premier financial institutions and Canada's most international bank.

High Quality, LEED Certified:

Scotia Plaza has been maintained to high institutional standards with more than $100 million invested in building improvements and modernizations over the past ten years. In addition, Scotiabank, as vendor, has committed to complete the final stages of a modernization, at its cost, over the next two years.

Adding to the overall quality and appeal of Scotia Plaza is its LEED Canada for Existing Buildings: Operations and Maintenance Gold Certification. This certification reflects Scotia Plaza's ongoing commitment to excellence in environmental performance, maximizing operational efficiency and minimizing environmental impacts. It is the 6th largest building in North America, and the 8th largest commercial office building in the world, to achieve this certification. The LEED standard is highly regarded in the industry and management believes that LEED certified buildings tend to lease faster and at higher rates, and hold their value better over time, than non-LEED certified buildings. Dundee REIT estimates that only 13% of the office inventory in Toronto is LEED certified.

Exceptional Lease Profile:

The property is 99.5% occupied and has a weighted average lease term of approximately 10.6 years. Through various real estate cycles, Scotia Plaza has maintained high occupancy, attracted quality tenants and proven to be resilient during economic downturns, consistently outperforming the Toronto office market. The property houses 66 tenants, the four largest being Scotiabank, and three of Canada's major law firms; Borden Ladner Gervais LLP, Cassels Brock & Blackwell LLP and Miller Thomson LLP, which altogether account for approximately 84% of the total gross leaseable area and approximately 84% of the gross rent. In total, Scotiabank will lease approximately 61% of the property for an average lease term of 13.5 years and account for approximately 61% of gross rent.

The current weighted average in-place office rent is approximately $31.45 per square foot, more than 10% below estimated current market rates of $34.49 per square foot.

Outlook:

Dundee REIT has transformed its business over the past 36 months, evolving from an office and industrial portfolio significantly weighted in Western Canada, to Canada's largest office real estate investment trust with a national footprint.

The pro forma impact of the Scotia Plaza acquisition on Dundee REIT's key portfolio metrics is detailed below:

Portfolio	March 31, 2012	Pro forma
Gross leasable area (GLA)	26,135,970	28,112,663
Office GLA	20,403,214	22,379,907
Industrial GLA	5,732,756	5,732,756
Average remaining lease term (years)	5.67	5.94
Average in-place rent	$14.07	$15.02
Average market rent	$15.67	$16.63
Occupancy rate	95.6%	95.9%
% NOI from Central Business District assets	60%	64%

Once the transaction closes, Dundee REIT will own and manage approximately 3.4 million square feet of properties in Toronto's financial core. This is a sizeable portfolio that management believes will provide for operational synergies, a great deal of flexibility in meeting tenant space requirements and will competitively position Dundee REIT in the financial core.

On a recent conference call, management indicated that it intends to cull non-strategic assets and reinvest the proceeds in higher quality assets that will continue to enhance Dundee REIT`s profile and improve cash flow. In addition, in order to ensure that all opportunities are explored, Dundee REIT has initiated a strategic review of its industrial portfolio.

"It's not about one property, one acquisition or one disposition. We're looking at our entire business with a view to cultivating as much value as possible. To do so, we are identifying assets that no longer fit our business plan and intend to replace them with assets that will better support our long-term growth strategy. In addition, we are actively managing our debt and will look for other ways to extract additional value from our portfolio, such as development or redevelopment opportunities." said Michael Cooper, Chief Executive Officer of Dundee REIT.

This press release is not an offer of securities for sale in the United States. The securities being offered have not been and will not be registered under the United States Securities Act of 1933 and accordingly are not being offered for sale and may not be offered, sold or delivered, directly or indirectly within the United States, its possessions and other areas subject to its jurisdiction or to, or for the account or for the benefit of a U.S. person, except pursuant to an exemption from the registration requirements of that Act.

Dundee REIT is an unincorporated, open-ended real estate investment trust. Dundee REIT is focused on owning, acquiring, leasing and managing well-located, high-quality central business district and suburban office properties. Its portfolio currently comprises approximately 26.1 million square feet of gross leasable area in major urban centres across Canada. Dundee REIT's portfolio is well diversified by geographic location and tenant mix. For more information, please visit www.dundeereit.com.

Forward looking information

This press release may contain forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dundee REIT's control, 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; and interest and currency rate functions. Our objectives and forward-looking statements are based on certain assumptions, including that the general economy remains stable, interest rates remain stable, conditions within the real estate market remain consistent, competition for acquisitions remains consistent with the current climate and that the capital markets continue to provide ready access to equity and/or debt. All forward-looking information in this press release speaks as of the date of this press release. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in Dundee REIT's filings with securities regulators, including its latest annual information form and MD&A. These filings are also available at Dundee REIT's website at www.dundeereit.com.

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