



## DUNDEE REIT REPORTS STRONG FIRST QUARTER RESULTS and 2.6% GROWTH IN COMPARATIVE PROPERTY NOI

*This news release contains forward- looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained within this press release.*

**TORONTO, May 3, 2012, DUNDEE REIT (D.UN-TSX)** today posted strong financial results for the three months ended March 31, 2012, evidencing the strength of its operations and the success of its acquisition strategy.

### HIGHLIGHTS

- **2.6% growth in comparative property net operating income (“NOI”) over Q1 2011 and 1.2% over Q4 2011**
- **17% increase in per unit funds from operations (“FFO”) over Q1 2011 and 1% over Q4 2011**
- **14.5% increase in per unit adjusted funds from operations (“AFFO”) over Q1 2011 and 2% over Q4 2011**
- **50.0% debt-to-IFRS book value, net of cash; 2.7 times interest coverage**
- **Weighted average interest rate down to 4.58% from 4.96% at year-end**
- **Average in-place rents 11% below estimated market rents**
- **Occupancy strong at 95.6%**
- **\$1.6 billion of accretive acquisitions completed**
- **\$3.3 billion market capitalization – the largest office REIT and fourth largest REIT in Canada**

SELECTED FINANCIAL INFORMATION (unaudited)	Three months ended		
(\$000's except unit and per unit amounts)	March 31, 2012	December 31, 2011	March 31, 2011
Investment properties revenue <sup>(1)</sup>	\$ 150,040	\$ 136,320	\$ 91,005
Net operating income (“NOI”) <sup>(2)</sup>	87,206	78,116	53,554
Funds from operations (“FFO”) <sup>(3)</sup>	55,071	48,210	32,864
Adjusted funds from operations (“AFFO”) <sup>(4)</sup>	46,653	41,047	28,762
Fair value of investment properties portfolio <sup>(1)</sup>	6,035,422	4,426,384	
Debt <sup>(1)</sup>	3,312,656	2,254,756	
<b>Per unit data (basic)</b>			
FFO	0.74	0.73	0.63
AFFO	0.63	0.62	0.55
Distributions	0.55	0.55	0.55
<b>Units (period end)</b>			
REIT Units, Series A	85,835,238	66,193,060	50,801,757
REIT Units, Series B	16,316	16,316	16,316
LP Class B Units, Series 1	3,511,837	3,506,107	3,487,841
<b>TOTAL</b>	<b>89,363,391</b>	<b>69,715,483</b>	<b>54,305,914</b>
<b>Portfolio gross leasable area (square feet)</b>			
	<b>26,693,788</b>	18,941,594	14,719,265
<b>Occupied and committed space</b>			
	<b>95.6%</b>	95.6%	96.1%

“We started the year with a real bang - the \$1.4 billion acquisition of Whiterock REIT,” said Michael Cooper, CEO. “These assets, as well as others acquired during the quarter, strengthen our position in a number key markets across the country and have provided us with exposure to new markets. And, based on our larger portfolio and significantly higher market capitalization, Dundee REIT is now the largest office REIT in Canada.”

Senior management will be hosting a conference call to discuss the results tomorrow, Friday, May 4, 2012 at 10:00 a.m. (ET). To access the call, please dial: (416) 340-9432 or toll free at 1-866-440-9795. A taped replay of the call will be available for 30 days by dialling (905) 694-9451 or 1-800-408-3053 and using passcode 6837809. To access the conference call via webcast, please go to Dundee REIT’s website at [ww.dundeereit.com](http://ww.dundeereit.com) and click on the link for News & Events, then click on Calendar of Events. The webcast will be archived for 30 days.

## FINANCIAL HIGHLIGHTS

- **Net operating income up 63% or \$33.7 million** – Driven by income from acquired properties, NOI increased by 63% over the prior year comparative period and by 13% over Q4 2011. On a comparative property basis, NOI is up 2.6% over Q1 2011 and 1.2% over Q4 2011, including gains in both the office and industrial portfolios in both periods. Gains in the comparative portfolio primarily reflect the impact of leasing activity in the Western Canada and Calgary portfolios.
- **Funds from operations per unit up 17%** – FFO per unit was \$0.74, up 17% over Q1 2011 and 1% quarter-over-quarter. The growth in FFO reflects the impact of accretive acquisitions, as well as the impact of mark-to-market adjustments on assumed debt and changes in straight-line rents. Total FFO increased by \$22.2 million or 68% over Q1 2011, and by 14% over Q4 2011.
- **Adjusted funds from operations per unit up 14.5% to \$0.63** – AFFO per unit increased by 14.5% over Q1 2011 and by 2% over prior quarter, reflecting the impact of comparative property growth and accretive acquisitions completed in 2011. Compared to Q4 2011, this growth was muted by about 1 cent as the Trust operated at a lower leverage ratio in Q4. Total AFFO increased by \$17.9 million or 62% over Q1 2011 and \$5.6 million or 14% over Q4 2011.

## ACQUISITION HIGHLIGHTS

During the first quarter, the Trust completed the previously announced acquisition of Whiterock REIT, as well as two office properties in Toronto. Altogether, the Trust completed \$1.6 billion dollars of acquisitions adding 7.7 million square feet of gross leasable area to its national portfolio during the quarter.

Acquisitions	Property type	Approx. GLA (sq. ft.)	Purchase price (\$000's) <sup>(1)</sup>	Date
5001 Yonge Street, Toronto	office	309,138	\$ 107,775	January 19, 2012
67 Richmond Street, Toronto	office	44,996	13,500	January 30, 2012
Whiterock Portfolio	office/industrial/retail	7,368,679	1,419,899	March 2, 2012
Saskatoon parking lots, Saskatoon		9,567	18,000	March 12, 2012
<b>Total closed and under contract in 2012</b>		<b>7,732,380</b>	<b>1,559,174</b>	

(1) Purchase prices exclude transaction costs

### Subsequent to quarter-end

On April 26, 2012, the Trust completed the acquisition of 1 Riverside Drive, a 14-storey Class A office property in Windsor, Ontario for approximately \$35.3 million. The property comprises 236,000 square feet and includes an office tower with attached ground floor retail.

### Dispositions

On February 2, 2012, the Trust sold its 100% interest in the ARAM Building (7236 – 10th Street NE), a 36,400 square foot office property in Calgary for net proceeds of approximately \$7.5 million.

## OPERATIONAL HIGHLIGHTS

**Leasing activity** – The strength of Dundee REIT's leasing team and the appeal of its properties is demonstrated by their ability to renew tenants and attract new tenants to their portfolio. Renewal activity during the quarter included 324,000 square feet and 49,000 square feet of office and industrial space, respectively. New leasing activity included 221,000 square feet and 102,000 square feet of office and industrial space, respectively. In addition, 191,000 square feet is committed for future occupancy.

**Portfolio occupancy remains ahead of national industry averages at 95.6%** – the overall percentage of occupied and committed space across the Trust's portfolio remained strong at 95.6%. Average occupancy across the Trust's industrial portfolio increased to 97.4% (December 31, 2011 – 96.6%, March 31, 2011 – 97.0%) reflecting leasing in the Calgary portfolio. Occupancy across the office portfolio was flat at 95.2% (December 31, 2011 – 95.4%, March 31, 2011 – 95.8%). Overall, Dundee REIT's average office and industrial occupancy rates remain well above the national industry averages of 91.8% and 93.5%, respectively, as provided by CB Richard Ellis.

**In-place net rents 11% below market rents** – Average in-place office and industrial rents remain approximately 12% and 4% below estimated market rents, respectively. Estimated market rents continue to rise across all regions, including in Calgary where they increased for the sixth consecutive quarter, up by about 12% over year-end. This gap provides an

opportunity to crystalize value on imbedded growth through future leasing activity. Average in-place rents were lower than at year-end, reflecting the portfolio acquisition with lower average in-place rents than the Trust's initial portfolio.

## CAPITAL INITIATIVES

- **New equity issues** – In connection with the acquisition of Whiterock REIT on March 2, 2012, Dundee REIT issued 12,580,347 REIT A Units, representing total equity consideration of \$434.8 million. On March 28, 2012, the Trust completed an equity offering, issuing 6,555,000 units at a price of \$35.35 per unit for gross proceeds of \$231.7 million. The proceeds of the offering were [primarily used to repay debt and to fund acquisitions].
- **Assumed Debentures** – In connection with the acquisition of Whiterock REIT, the Trust assumed the \$60.0 million principal outstanding related to three convertible debentures and \$45.0 million principal outstanding with respect to two non-convertible debentures.
- **Debt** – During the quarter, the Trust entered into a \$220 million bridge loan to facilitate the acquisition of Whiterock. Subsequent to quarter-end, \$10 million of this facility was re-paid and the remaining \$210 million was converted into a secured revolving credit facility and repaid with proceeds from the March 28, 2012 equity offering. In connection with acquisitions completed during the quarter, the Trust assumed mortgages totalling \$727.2 (before accounting for mark-to-market adjustments) with an average face rate of 5.15% and an average term to maturity of 4.5 years.

	March 31, 2012	December 31, 2011
<b>Financing activities</b>		
Average effective interest rate <sup>(1)</sup>	4.58%	4.96%
Level of debt (debt-to-gross book value) <sup>(2)</sup>	51.8%	49.0%
Level of debt (debt-to-gross book value), net of cash	50.0%	47.6%
Interest coverage ratio <sup>(3)</sup>	2.7 times	2.6 times
Proportion of total debt due in current year	7.0%	7.5%
Debt — average term to maturity (years)	4.5	5.2
Variable rate debt as percentage of total debt	7.4%	1.3%

(1) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt, including debts related to equity accounted investments.

(2) Level of debt is determined as total debt including debts related to equity accounted investments divided by total assets (including total assets of equity accounted investments and adjusted for accumulated amortization on property and equipment).

(3) The interest coverage ratio for the year, including results from equity accounted investments, is calculated as NOI plus interest and fee income, less general and administrative expenses, excluding income from properties, held for sale all divided by interest expense on debt.

## Other information

Information appearing in this news release is a select summary of results. The financial statements and management's discussion and analysis for the Trust, as well as its Supplementary Information Package are available at [www.dundeereit.com](http://www.dundeereit.com) and on [www.sedar.com](http://www.sedar.com).

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 in Canada. Dundee REIT's portfolio currently consists of approximately 26.7 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).

## FOOTNOTES

(1) All metrics include results and balances of equity accounted investments.

(2) NOI – net rental income, excluding redevelopment and income from disposed properties.

(3) FFO - net income, adjusted for fair value adjustments on investment property and financial instruments, gain on sale, and amortization of equipment.

(4) AFFO – FFO adjusted for amortization of debt costs, deferred unit compensation expense, straight line rent and the Trust's estimates of normalized leasing costs and normalized non-recoverable recurring capital expenditures.

**Non-IFRS supplemental measures**

NOI, FFO and AFFO are key measures of performance used by real estate operating companies; however, they are not defined by International Financial Reporting Standards (“IFRS”), do not have standard meanings and may not be comparable with other industries or income trusts.

**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](http://www.dundeereit.com).*

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