



## DUNDEE REIT REPORTS STRONG FIRST QUARTER 2013 RESULTS

*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 8, 2013, DUNDEE REIT (D.UN-TSX)** today announced its financial results for the three months ended March 31, 2013.

### HIGHLIGHTS

- **\$459.5 million of acquisitions completed or under contract year-to-date** – 1,423,500 square feet of well leased properties have been added to the Trust's existing portfolio in key markets, including Edmonton, Vancouver, Calgary, Saskatoon and Toronto;
- **Strengthened capital structure** – 47.3% debt-to-gross book value; 2.9 times interest coverage ratio; 4.8 years average term to maturity;
- **FFO and AFFO per unit up 6% over prior quarter** – FFO and AFFO both grew by 4 cents per unit over Q4 2012 reflecting the impact of the repayment of the majority of the outstanding convertible debentures and accretive acquisitions;
- **1% growth in comparative properties net operating income (“NOI”)** - Comparative property NOI was up \$0.5 million, or 1%, over Q1 2012, with increases across most regions, driven by higher rental rates achieved on new leasing done over the past year and the benefit of higher in-place rents; and
- **Strong occupancy and rental rate increases** – Occupancy rate remains strong at 94.7%, well ahead of the national average. More than 712,900 square feet of GLA leased during the quarter at incrementally higher rental rates. Average in-place net rents approximately 11.4% below estimated market rents.

<b>SELECTED FINANCIAL INFORMATION</b>			
(unaudited)			
(\$000's except unit and per unit amounts)			
	<b>Three Months Ended</b>		
	<b>March 31, 2013</b>	December 31, 2012	March 31, 2012
Investment properties revenue <sup>(1)</sup>	\$ 189,568	\$ 191,999	\$ 139,230
Net operating income (“NOI”) <sup>(1)(2)</sup>	107,665	105,853	78,754
Funds from operations (“FFO”) <sup>(3)</sup>	72,669	68,905	55,071
Adjusted funds from operations (“AFFO”) <sup>(4)</sup>	61,615	58,060	46,653
Investment properties value <sup>(1)</sup>	6,695,410	6,536,722	3,924,592
Debt <sup>(1)</sup>	3,326,521	3,314,594	2,834,421
Debt-to-GBV	47.3%	48.0%	52.7%
<b>Per unit data (basic)</b>			
FFO	\$ 0.72	\$ 0.68	\$ 0.74
AFFO	0.61	0.57	0.63
Distributions	0.55	0.55	0.55
<b>Units (period end)</b>			
REIT Units, Series A	97,910,460	97,618,625	85,835,238
REIT Units, Series B	16,316	16,316	16,316
LP Class B Units, Series 1	3,534,432	3,528,658	3,511,837
Total number of units	101,461,208	101,163,599	89,363,391
<b>Portfolio gross leasable area (sq. ft.) <sup>(5)</sup></b>			
Occupied and committed space <sup>(5)</sup>	23,327,935	22,948,293	20,403,214
	94.7%	95.1%	95.2%

See footnotes on page 4.

“Over the last year, we have significantly improved the quality of our portfolio by adding high-quality assets and selling non-core assets to become Canada’s largest pure-play office REIT and at the same time strengthening our balance sheet by reducing Dundee REIT’s debt level.” said Michael Cooper, Vice Chairman and CEO of Dundee REIT.

Senior management will host a conference call to discuss the results tomorrow, May 9, 2013 at 10:00 a.m. (ET). To access the call, please dial: (647) 317-3471 or toll free at 1-866-551-3680 and use passcode 99548975#.

To access the conference call via webcast, please go to Dundee REIT's website at [www.dundeereit.com](http://www.dundeereit.com) and click on the link for News & Events, then click on Calendar of Events. A taped replay of the conference call and the webcast will be available 90 days.

## PORTFOLIO ACTIVITY

### Acquisitions

Dundee REIT completed one acquisition during the first quarter: Broadmoor Plaza, a 371,600 square foot office park in Sherwood Park (Edmonton) for approximately \$84.0 million (excluding transaction costs). Broadmoor Plaza is 98.5% occupied with a strong tenant roster and a weighted average remaining lease term of 6.6 years.

Subsequent to quarter-end, the Trust completed property acquisitions in Vancouver, Saskatoon, Calgary and Toronto comprising approximately 778,100 square feet of gross leasable area for approximately \$268.8 million:

- The Vancouver property is a 164,000 square foot office complex located a few steps from the SkyTrain. It is 100% occupied with a weighted average lease term remaining of approximately 6.2 years.
- The T&T Portfolio consists of two office buildings on the northern periphery of downtown Saskatoon, and a suburban Calgary office building with some adjacent excess land. The two Saskatoon office buildings, known as T&T Towers, total 130,000 square feet and are largely leased to government tenants. The properties are of high quality and are a good complement to the Trust's existing assets in this market. The Calgary property is a 61,000 square foot suburban office building built in 2000 that is appealing to high covenant tenants. The property is 99.1% leased with a weighted average remaining lease term of approximately 3.3 years. The largest tenant is a prominent regional law firm and other key tenants include RBC Dominion Securities, Landmark Cinemas (head office), and Hershey Canada.
- Located in Toronto's financial district, 20 Toronto Street/33 Victoria Street is a high quality 15 storey, 157,000 square foot Class B office property and 137 Yonge Street/74 Victoria Street (the Arcade Building) is a 10 storey, 266,000 square foot Class B office building. Major tenants include government agencies, Macquarie Financial, Ontario Bar Association and Equicom Group (owned by TSX). The assets are a very good strategic fit with other assets owned by Dundee REIT in the area, offering property management and leasing synergies.

Three months ended March 31, 2013	Approx. GLA (sq. ft.)	Occupancy	Purchase price (\$000's)*	Date
Broadmoor Plaza, Edmonton	371,600	98.5%	\$ 84,000	March 15, 2013
887 Great Northern Way, Vancouver	164,000	100.0%	66,135**	April 8, 2013
T&T Portfolio, Saskatoon and Calgary	191,100	99.1%	61,900	April 12, 2013
20 Toronto Street and 137 Yonge Street, Toronto	423,000	99.4%	140,800	April 30, 2013
<b>Total closed to date in 2013</b>	<b>1,149,700</b>		<b>354,400</b>	
<b>Under contract</b>	<b>273,800</b>		<b>105,100</b>	

\*Purchase price excludes transaction costs.

\*\* Assumed a \$29.8 million mortgage at an interest rate of 5.5% and a term to maturity of 2.4 years.

### Dispositions

During the quarter, the Trust completed the disposition of two non-strategic assets totalling 86,700 square feet for gross proceeds of approximately \$21.5 million.

Three months ended March 31, 2013	Property type	Approx. GLA Disposed (sq. ft.)	Gross Proceeds (\$000)***	Mortgages discharged (\$000)	Date disposed
625 University Park Drive, Regina	office	17,100	5,182	-	31-Jan-13
2640, 2510 – 2550 Quance Street, Regina	office	69,600	16,300	8,767	31-Jan-13
<b>Total</b>		<b>86,700</b>	<b>\$ 21,482</b>	<b>\$ 8,767</b>	

\*\*\*Gross proceeds before transaction costs.

## OPERATIONAL HIGHLIGHTS

- **Portfolio occupancy remains strong at 94.7%** – The overall percentage of occupied and committed space across the Trust's portfolio remained strong at 94.7% and well ahead of the national industry average of 91.5% but down 40 basis points from year-end due to two vacancies, one in Calgary and one in Edmonton.
- **Leasing activity** – During the quarter, leases totalling approximately 872,400 square feet of GLA expired or were terminated and leasing activity included 230,200 square feet of new leases and 482,700 square feet of renewals. To date, the Trust has leased 50.0% of the remaining 2,669,000 square feet of expiries in 2013, and with 2013 expiring rents being 8% below market, the Trust is confident it will capture rent increases as leasing is completed.
- **Average in-place net rents 11.4% below market rents** – The portfolio average in-place rent was \$17.26 per square foot, up from \$17.22 at December 31, 2012 and \$17.18 at September 30, 2012, yet remaining approximately 11.4% below estimated market rents.

## FINANCIAL HIGHLIGHTS

- **Comparative property NOI up \$0.5 million, or 1%** – Comparative property NOI was up \$0.5 million, or 1%, over Q1 2012, with increases across most regions driven by higher rental rates achieved on new leasing done over the past year and the benefit of higher in-place rents. Total NOI for the quarter is up \$28.9 million, or 37%, driven largely by gains of \$28.9 million from acquisitions and a \$0.2 million gain resulting from lease termination fees offset by a \$0.5 million decline in contribution from properties held for redevelopment.
- **Total FFO and AFFO both up 6% over Q4 2012** – FFO and AFFO both grew by 4 cents per unit over Q4 2012, reflecting the impact of the repayment of the majority of the outstanding convertible debentures and accretive acquisitions. Compared to the prior year comparative quarter, FFO and AFFO per unit were both down 2 cents, primarily reflecting the impact of de-leveraging the balance sheet over the last nine months by paying down debt.

## CAPITAL INITIATIVES

The Trust remains focused in strengthening its balance sheet. On December 31, 2012, \$126.5 million was utilized by the Trust to redeem four series of its convertible debentures bearing interest at a weighted average face rate of 6.0%, which resulted in reduced interest expense on debt going forward, providing the Trust with more cash flow to redeploy. The Trust continues to strategically review its overall debt profile and identify areas where it can repay high-interest bearing debt, and where appropriate, enter into new or refinancing arrangements where it takes advantage of longer terms at lower interest rates. When compared to Q4 2012, the Trust's overall debt metrics have improved.

Key performance metrics	March 31, 2013	December 31, 2012
<b>Financing activities<sup>(6)</sup></b>		
Weighted average face interest rate	<b>4.49%</b>	4.50%
Level of debt (debt-to-gross book value) <sup>(7)</sup>	<b>47.3%</b>	48.0%
Interest coverage ratio <sup>(8)</sup>	<b>2.9 times</b>	2.7 times
Proportion of total debt due in current year	<b>8.0%</b>	10.4%
Debt — average term to maturity (years)	<b>4.8</b>	5.1
Variable rate debt as percentage of total debt	<b>5.4%</b>	4.3%

See footnotes on page 4

**New Equity Issue** – Subsequent to quarter-end, on May 1, 2013, Dundee REIT completed a public offering and issued 6,353,750 REIT A Units at a price of \$36.20 per unit for gross proceeds of \$230.0 million, including 828,750 units issued pursuant to the exercise of an overallotment option granted to the underwriters. The proceeds of the offering were used to fund acquisitions.

## Other information

Information appearing in this news release is a select summary of results. The consolidated 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. 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 24.1 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](http://www.dundeereit.com).

## FOOTNOTES

- (1) Metrics include results and balances of equity accounted investments and exclude discontinued operations.
- (2) NOI – net rental income, exclude net rental income from properties held for sale and discontinued operations.
- (3) FFO - net income, adjusted for items including fair value adjustments on investment properties and financial instruments, gains 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.
- (5) Excludes development and redevelopment properties and properties held for sale, and the prior period also excludes discontinued operations – industrial properties.
- (6) The key performance indicators for December 31, 2012, exclude the results of operations and the debt of discontinued operations.
- (7) Level of debt is determined as total debt, including debt 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).
- (8) The interest coverage ratio for the period, including results from equity accounted investments, is calculated as net rental income plus interest and fee income, less general and administrative expenses, all divided by interest expense on debt.

### 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, which 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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