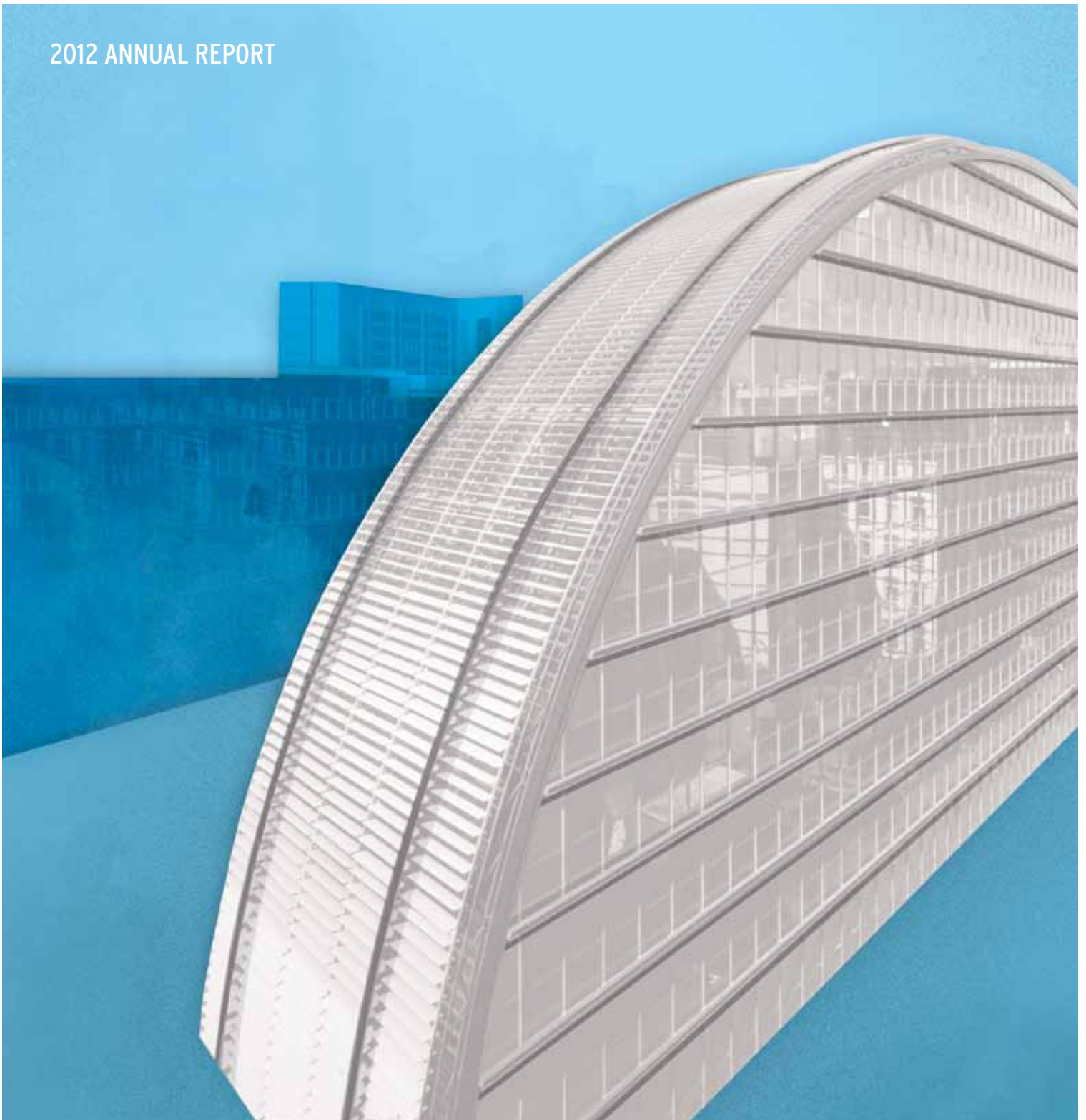


2012 ANNUAL REPORT



DUNDEE

INTERNATIONAL

REIT



LETTER TO UNITHOLDERS



2012 was Dundee International REIT's first full year of operations. Our strategy for the year was to purposefully grow our asset base by adding buildings that improve the overall quality of the portfolio and create diversity both by lenders and tenants. With our acquisitions of 20 office properties since February 2012, comprising three million square feet of gross leasable area in key office markets in Germany, including Munich, Hamburg, Frankfurt, Düsseldorf and Berlin, we have transformed our company and set the tone for growth and security.

Our focus for the year was to improve the quality of our portfolio and the Trust's long-term cash flow, mitigate our exposure to our largest tenant and consistently move towards a more staggered lease maturity profile. We added high-quality tenants to our roster, including AIG, ERGO Direkt Lebensversicherungs AG, Google, BNP Paribas Fortis and Maersk. As a result, gross rental income ("GRI") contributed by Deutsche Post, our largest tenant, was reduced from 85% of the REIT's overall GRI at the end of 2011, to 65% at the end of 2012, to approximately 42% to date.

To support our growth, we have been active on the financing front. We ended 2012 with a conservative debt-to-gross book value of 52% and a weighted average interest rate of 3.98%, an improvement year-over-year from 56% and 4.36%, respectively. Mortgage financing from European lenders continues to be available to us at attractive rates, reflecting low German government bond yields as well as the quality of our target acquisitions. In 2012, we obtained mortgages in the amount of approximately €117 million (\$152 million) at an average face rate of 2.7% and an average term to maturity of 5.7 years. Year-to-date in 2013, we obtained additional mortgage financing of €331 million (\$442 million) at an average term to maturity of 7.1 years and an annual interest rate of 2.6%.

Germany is one of the most stable economies in Europe and is expected to be among the most desirable investment locations for commercial real estate in 2013. Three German cities - Munich, Berlin and Hamburg - are among the top five investment locations in Europe, according to an emerging trend study jointly published by the Urban Land Institute and PricewaterhouseCoopers. Key drivers for Germany's success and stability are its continued low unemployment rate and strong exports, which have contributed to

monthly increases in the country's business confidence indicators in 2013. Vacancy rates in Germany's top five office markets declined from 10.7% at the end of 2011 to 9.8% at the end of 2012, largely as a result of the strong labour market and limited new supply of office space.

The opportunity to grow our business remains exceptional and we have made progress enhancing our platform. With various groups of real estate owners having to dispose of their assets due to government fund regulations, we see how large the opportunity is in Germany to buy high-quality real estate at good capitalization rates and on attractive borrowing terms. On average, the spread between the going-in capitalization rate for our acquisitions and the interest rates we obtained for mortgage financing was approximately 400 basis points. By acting quickly and taking advantage of these opportunities, we have added \$1 billion of accretive assets to our portfolio and have established a reputation as a reliable buyer within the German real estate community in the past year.

2012 was a transformational year for Dundee International REIT. We added value to our company by demonstrating our ability to execute on our strategy and delivered a 17.3% total return to our investors. We expanded our operating platform and strengthened our team by increasing the number of our staff dedicated to our operations and growth in Germany. With the ongoing support of our Board of Trustees, colleagues, employees and investors, I look forward to the next phase of Dundee International REIT and the continued transformation of our business.

A handwritten signature in black ink, appearing to read 'P. Jane Gavan', written in a cursive style.

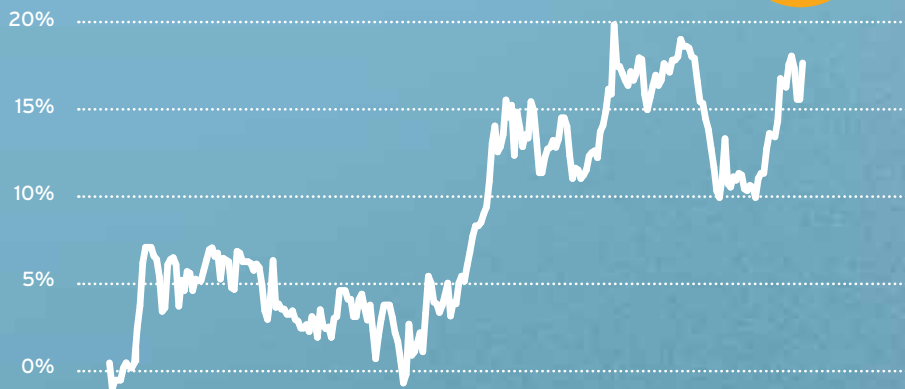
P. JANE GAVAN
President and Chief Executive Officer
March 15, 2013

AT-A-GLANCE

DECEMBER 31, 2012

Dundee International REIT is an unincorporated, open-ended real estate investment trust that provides investors with the opportunity to invest in commercial real estate exclusively outside of Canada. At December 31, 2012, Dundee International REIT's portfolio consisted of 293 properties located in Germany comprising 13.3 million square feet of gross leasable area across the country.

2012 TOTAL UNITHOLDERS' RETURN



LISTED ON THE TORONTO STOCK EXCHANGE

REIT UNITS: **DI.UN**

5.5% CONVERTIBLE DEBENTURES: **DI.DB**

TOTAL ASSETS

\$1.4 B

TOTAL LIABILITIES

\$0.8 B

MARKET
CAPITALIZATION

\$0.8 B

LOCALLY MANAGED
PORTFOLIO THROUGH
5 OFFICES
IN GERMANY

293

PROPERTIES

2012 ACQUISITIONS



GRAMMOPHON BÜROPARK | \$34.7 M

HANNOVER

HAMBURG



AM SANDTORKAI 37 | \$34.8 M

BERLIN



GREIFSWALDER STRASSE 154-156 (GOLDPUNKT-HAUS) | \$36.9 M

DÜSSELDORF



DERENDORFER ALLEE 4-4A (DOUBLEU) | \$56.0 M

FRANKFURT



KARL-MARTELL-STRASSE 60 | \$62.8 M

NUREMBERG



LEOPOLDSTRASSE 252, 252A AND 252B | \$33.9 M

MUNICH

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Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except rental rates, unit and per unit amounts.)

Section I – Overview and financial highlights

- Acquired six office properties for approximately \$259 million in some of Germany's largest office markets in 2012 with an additional \$788 million of office properties closed or under contract as at February 20, 2013;
- Diversified tenant profile with the REIT's largest tenant Deutsche Post contributing 65% to the overall gross rental income ("GRI") at the end of 2012, down from 85% at the end of 2011;
- Reached 110,000 square feet of net absorption in 2012;
- Closed three equity offerings for total gross proceeds of \$208 million and announced \$220 million equity offering on February 4, 2013.

	For the three months ended December 31, 2012 ⁽¹⁾	For the three months ended December 31, 2011 ⁽¹⁾	For the year ended December 31, 2012 ⁽¹⁾	For the period from August 3, 2011 to December 31, 2011 ⁽¹⁾
Operations				
Occupancy rate (period-end) ⁽²⁾	83%	88%		
In-place rent per square foot	\$ 8.20	\$ 7.13		
Operating results				
Investment properties revenue	\$ 35,926	\$ 31,726	\$ 138,661	\$ 54,274
Net rental income	22,057	20,969	85,439	34,500
Funds from operations ("FFO") ⁽³⁾	12,348	10,600	48,320	18,100
Adjusted funds from operations ("AFFO") ⁽⁴⁾	11,887	10,240	46,164	16,965
Distributions				
Declared distributions and interest on Exchangeable Notes	\$ 12,953	\$ 10,391	\$ 46,064	\$ 17,082
Distributions paid and payable in cash (including interest on Exchangeable Notes) ⁽⁵⁾	11,888	10,195	44,095	16,802
Financing				
Weighted average interest rate (period-end)	3.98%	4.36%	3.98%	4.36%
Interest coverage ratio	3.23 times	2.57 times	3.03 times	2.67 times
Per unit amounts				
Basic:⁽⁶⁾				
FFO ⁽³⁾	\$ 0.19	\$ 0.20	\$ 0.84	\$ 0.35
AFFO ⁽⁴⁾	0.19	0.20	0.80	0.33
Distribution rate	0.20	0.20	0.80	0.33
Basic (excluding impact of undeployed cash):				
FFO ⁽³⁾	0.24		0.98	
AFFO ⁽⁴⁾	0.24		0.94	

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

(1) Results from operations were converted into Canadian dollars from euros using the following average exchange rates: the three-month and year ended December 31, 2012 periods were converted at \$1.2861:€1 and \$1.285:€1, respectively; for 2011, the three-month and August 3 to December 31, 2011 periods were converted at \$1.379:€1 and \$1.383:€1, respectively.

(2) Including the head lease results in an 89% occupancy rate as at December 31, 2012.

(3) FFO – The reconciliation of FFO to net income can be found on page 28.

(4) AFFO – The reconciliation of AFFO to FFO and net income can be found on page 28.

(5) Exchangeable Notes were exchanged in April and September 2012.

(6) A description of the determination of basic and diluted amounts per unit can be found on page 29.

Basis of presentation

Our discussion and analysis of the financial position and results of operations of Dundee International Real Estate Investment Trust (“Dundee International REIT” or the “Trust”) should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012.

The Trust’s basis of financial reporting is International Financial Reporting Standards (“IFRS”).

This management’s discussion and analysis has been dated as at February 4, 2013, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

- “Debentures”, meaning the 5.5% convertible unsecured subordinated debentures of the Trust due July 31, 2018;
- “Exchangeable Notes”, meaning the Exchangeable Notes, Series A and the Exchangeable Notes, Series B issued by a subsidiary of Dundee International REIT;
- “GLA”, meaning gross leasable area;
- “GRI”, meaning gross rental revenue;
- “Initial Properties”, meaning the income-producing properties we acquired on August 3, 2011; and
- “Units”, meaning the Units of the Trust.

Certain information has been obtained from CB Richard Ellis Germany (“CBRE”), a commercial firm that provides information relating to the German 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.

When we refer to Deutsche Post as being the lessee or the tenant of the Initial Properties, we are referring to DPI, which is a wholly owned subsidiary of Deutsche Post. Deutsche Post has provided a letter of support with respect to DPI and its ability to carry out its obligations under leases for the Initial Properties.

In addition, certain disclosure incorporated by reference into this report includes information regarding Deutsche Post, Deutsche Postbank, ERGO Direkt Lebensversicherungs AG, Maersk Deutschland, GroupM Germany GmbH and Deutsche Telekom that has been obtained from publicly available information. We have not independently verified any of such information.

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 International 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, global and local economic, business and government conditions; the financial condition of tenants; concentration of our tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space and the timing of lease terminations; our ability to source and complete accretive acquisitions; changes in tax and other laws or the application thereof; 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 Trust is exempt from the specified investment flow-through trust (“SIFT”) rules under the *Income Tax Act* (Canada); 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 February 4, 2013, except where otherwise noted. Dundee International 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. These filings are also available on our website at www.dundeeinternational.com.

Background

Dundee International REIT is an unincorporated, open-ended real estate investment trust that was formed to provide investors with the opportunity to invest in real estate exclusively outside of Canada. Dundee International REIT was founded by Dundee Realty Corporation (“DRC”), which is our asset manager. Our Units are listed on the Toronto Stock Exchange under the trading symbol DI.UN.

As at December 31, 2012, our portfolio consisted of 293 office, mixed use and industrial properties comprising approximately 13.3 million square feet of GLA located in Germany.

We will be exempt from the SIFT rules, taking into account all proposed amendments to such rules, as long as we comply at all times with our investment guidelines which, among other things, only permit us to invest in properties or assets located outside of Canada. We do not rely on the REIT exception under the *Income Tax Act* (Canada) in order to be exempt from the SIFT rules. As a result, we are not subject to the same restrictions on our activities as those that apply to Canadian real estate investment trusts that do rely on the REIT exception. This gives us flexibility in terms of the nature and scope of our investments and other activities. Because we do not own taxable Canadian property, as defined in the *Income Tax Act* (Canada), we are not subject to restrictions on our ownership by non-Canadian investors.

Our objectives

We are committed to:

- managing our investments to provide stable, sustainable and growing cash flows through investments in commercial real estate located outside of Canada;
- building a diversified, growth-oriented portfolio of commercial properties based on an initial portfolio in Germany;
- capitalizing on internal growth and seeking accretive acquisition opportunities in our target markets;
- growing the value of our assets and maximizing the long-term value of our Units through the active and efficient management of our assets; and
- providing predictable and growing cash distributions per unit, on a tax-efficient basis.

Distributions

We currently pay monthly distributions to unitholders of \$0.06667 per unit, or \$0.80 per unit on an annual basis. At December 31, 2012, approximately 9.3% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan (“DRIP”).

	2011											2012	
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Distribution rate (\$)	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667
Month-end closing price (\$)	10.00	10.25	10.35	10.11	10.00	9.79	9.94	10.73	10.59	11.00	11.15	10.29	10.93

Our strategy

Our core strategy is to invest in income-producing properties outside of Canada that provide stable, sustainable and growing cash flows. Our methodology to execute our strategy and to meet our objectives includes:

Optimizing the performance, value and long-term cash flow of our properties

We manage our properties to optimize their performance, value and long-term cash flow. We seek to do this by achieving high occupancy and rental rates. Together with our management team in Canada, we also have an established management team in Germany and Luxembourg, bringing a history with our Initial Properties, continuity with our major tenant, deep market knowledge and established relationships with other market participants. Leasing, capital expenditure and construction initiatives are internally managed by us, while property management services, including general maintenance, rent collection and administration of operating expenses and tenant leases, are carried out by third-party service providers.

Diversifying our portfolio to mitigate risk

We continuously seek to diversify our portfolio to increase value on a per unit basis, further improve the sustainability of our distributions and strengthen our tenant profile. Our profile in Europe, our relationships, our management team in Germany and Luxembourg, and the expertise of our board members and senior management team are providing us with opportunities to take advantage of real estate transactions available in Germany and other European countries.

Investing in stable income-producing properties outside of Canada

When considering acquisition opportunities, we look for properties with quality tenancies and strong occupancy, and assess how acquisition opportunities complement our properties and have the potential to create additional value. We pursue acquisition opportunities independently as well as by partnering with existing local operators and by growing with Canadian groups as they expand their reach outside of Canada. In considering future acquisitions, we intend to focus on countries with a stable business and operating environment, a liquid market for real estate investments, a legal framework that provides adequate rights and protections for owners of property, and a manageable foreign investment regime. We will consider investment opportunities in income-producing properties that are accretive, provide stable, sustainable and growing cash flows, and enable us to realize synergies within our portfolio of properties. The execution of this strategy will be consistently reviewed and will also include engaging in dispositions of properties and optimizing our capital structure.

Maintaining and strengthening a conservative financial profile

We operate our investments in a disciplined manner, with a focus on financial analysis and balance sheet management to ensure that we maintain a prudent capital structure and conservative financial profile. We intend to generate stable cash flows sufficient to fund our distributions while maintaining a conservative debt ratio. Our preference will be to ultimately stagger our debt maturities to mitigate our interest rate risk and limit refinancing exposure in any particular period. We have also implemented a foreign exchange hedging strategy to provide greater certainty regarding the payment of distributions to unitholders and interest to debenture holders.

Our assets

As at December 31, 2012, our assets consisted of a portfolio of 293 office, mixed use and industrial properties, with a small residential component, comprising approximately 13.3 million square feet of GLA located in Germany. Our properties are strategically located in major city and town centres, often on a central square in close proximity to the main train station and/or bus station. The locations typically provide excellent visibility, access to a major street and proximity to a transportation hub and city centre pedestrian/shopping areas.

Throughout this document, we make reference to the following three asset categories:

Office

As at December 31, 2012, this category included six office properties acquired in 2012 as well as eight regional administration headquarters pertaining to the Initial Properties acquired in August 2011. The Initial Properties contain national and regional administration offices of Deutsche Post, are generally located just outside major city centres and typically have higher rental rates than the other two asset categories listed below. The properties acquired in 2012 are high-quality properties located in the largest office markets in Germany and are generally newer or recently refurbished buildings.

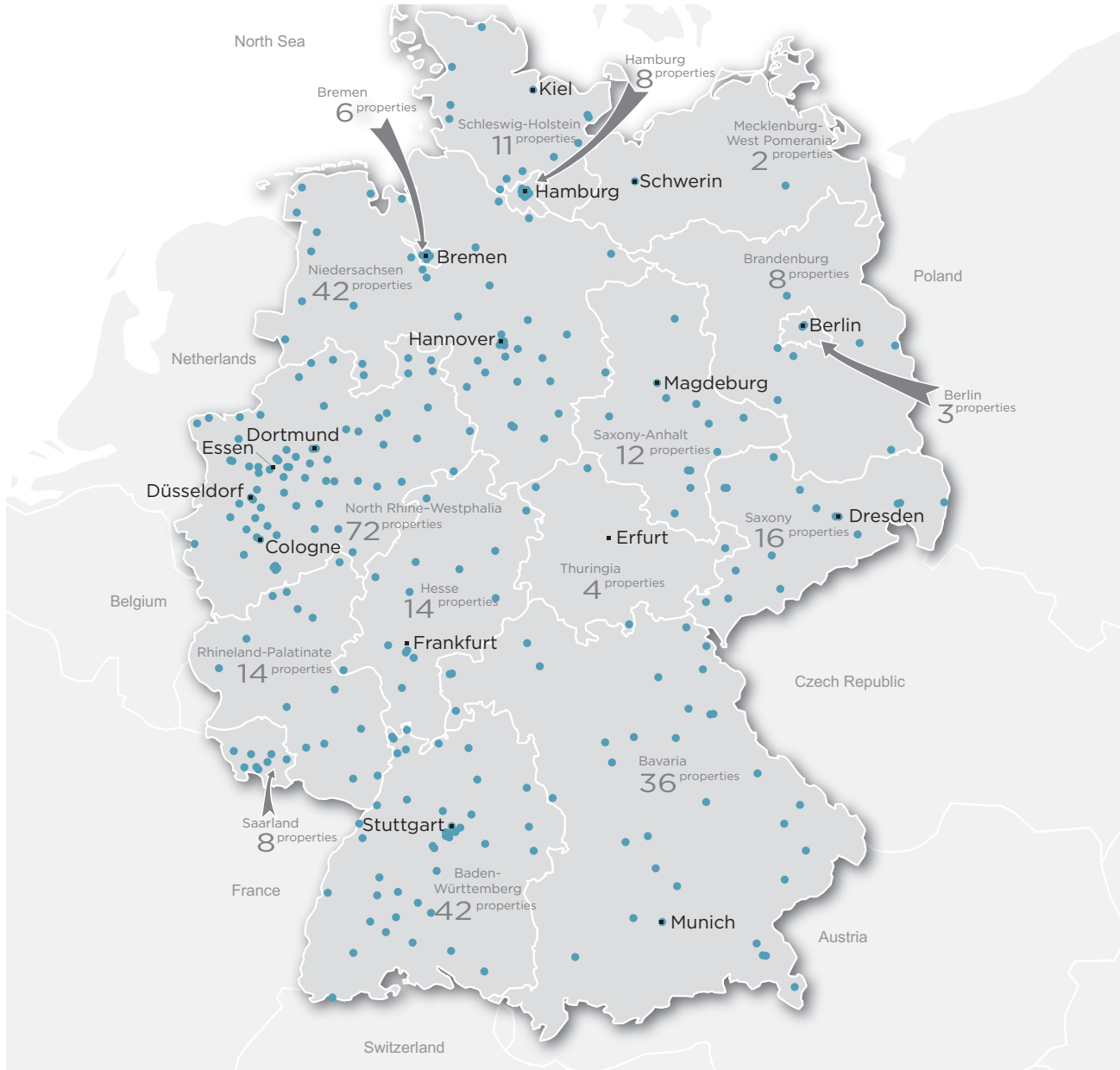
Mixed use

This category includes mixed use retail, banking and distribution properties that contain mail and distribution centres and administration offices of Deutsche Post. The properties are generally strategically located near central train stations and main retail areas and are easily accessible by public transport.

Industrial

This category includes regional logistics headquarters. The properties in this category are typically used as strategic logistics facilities which are critical elements of Deutsche Post's distribution network. The properties are mostly located near major cities and have access to significant infrastructure, including railways and highways.

The map below shows the locations of our assets in Germany.



Our properties are located throughout Germany with a heavy concentration in the Western German states of North Rhine–Westphalia, Baden–Württemberg, Niedersachsen, Bavaria and Hesse. Approximately 70% of our overall GLA is located in these five states.

The table below highlights the geographic diversification of our properties as at December 31, 2012.

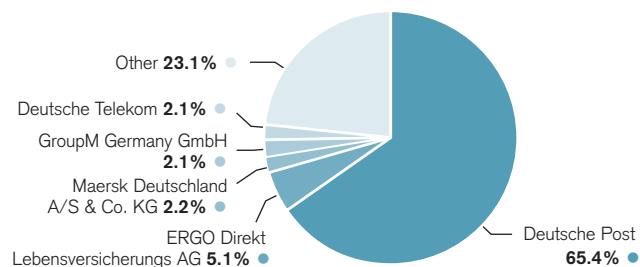
States	Total GLA (sq. ft.)	Total GLA (%)	Weighted average occupancy (%)
Baden-Württemberg	1,593,871	12%	93%
Bavaria	1,843,298	14%	87%
Berlin	304,006	2%	83%
Brandenburg	141,370	1%	88%
Bremen	328,108	2%	88%
Hamburg	600,303	4%	90%
Hesse	1,041,238	8%	79%
Mecklenburg–West Pomerania	34,347	–%	100%
Niedersachsen	1,809,546	14%	69%
North Rhine–Westphalia	2,907,638	22%	91%
Rhineland-Palatinate	501,275	4%	62%
Saarland	482,961	4%	84%
Saxony	644,414	5%	79%
Saxony-Anhalt	449,226	3%	57%
Schleswig-Holstein	536,904	4%	92%
Thuringia	127,267	1%	72%
Total	13,345,772	100%	83%

Tenants

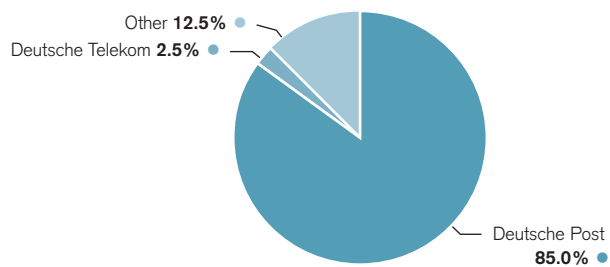
In 2012, the Trust diversified its tenant base through an active acquisitions and dispositions program. The table and charts below highlight the diversification away from the single-tenant nature of our portfolio:

Tenant	December 31, 2012		December 31, 2011	
	GRI (%)	GLA (%)	GRI (%)	GLA (%)
Deutsche Post	65.4	61.5	85.0	74.6
ERGO Direkt Lebensversicherungs AG	5.1	2.0	–	–
Maersk Deutschland A/S & Co. KG	2.2	0.6	–	–
GroupM Germany GmbH	2.1	0.6	–	–
Deutsche Telekom	2.1	1.3	2.5	1.4
Other	23.1	34.0	12.5	24.0
	100	100	100	100

2012 TENANTS
(December 31, 2012)



2011 TENANTS
(December 31, 2011)



Deutsche Post

Deutsche Post is an integral part of the German economy and continues to be an important part of day-to-day life in Germany. Deutsche Post is Europe's largest postal company and the only provider of universal postal services in Germany. Through its acquisition of DHL in 2002, Deutsche Post DHL has become a global logistics market leader. It employs approximately 470,000 people in more than 220 countries and territories. As the only provider of universal postal services in Germany, Deutsche Post must provide certain minimum levels of service to German residents. On a daily basis, it serves two to three million customers through its retail outlets and delivers 65 million letters and 3 million parcels within Germany via mail and parcel sorting facilities. Its infrastructure network in Germany includes 82 mail centres, 33 parcel centres and 20,000 retail outlets and points of sale.⁽¹⁾

Deutsche Postbank ("Postbank")

Postbank is a public company controlled by Deutsche Bank and is integral to its retail banking business. Postbank offers retail financial services in its branches within Deutsche Post's network, which generates increased traffic through the postal services offered in those branches. Our portfolio features approximately 194 Postbank branches, allowing for the delivery of integrated financial and postal services. Postbank branches are typically located at ground level with a view to attracting a high volume of retail and business customers seeking financial or postal services. These locations may include retail space (where consumer staples are offered for sale), a banking or investment advisory area, mailboxes for rent, and an automated postal/banking services station or traditional banking teller service.

ERGO Direkt Lebensversicherungs AG ("ERGO")

After Deutsche Post, ERGO is the second largest tenant in our portfolio as measured by GRI. With approximately 50,000 employees, it is one of the largest insurance companies in Germany. ERGO belongs to the Munich RE group of companies.⁽²⁾ ERGO occupies approximately 2.0% of the GLA of our properties and currently generates approximately 5.1% of the portfolio's overall GRI.

The Maersk Group ("Maersk")

Maersk, the world's largest ocean carrier, operates mainly in two industries: shipping and oil and gas. Through its various divisions, the group employs approximately 117,000 people, and generated over US\$60 billion in revenues in 2011.⁽³⁾ Maersk Deutschland A/S & Co. KG is the REIT's third largest tenant and occupies approximately 71% of the GLA in Humboldt House, a property located at Am Sandtorkai 37 in Hamburg. Maersk occupies approximately 0.6% of the REIT's overall GLA and generates approximately 2.2% of the overall GRI.

GroupM Germany GmbH ("GroupM")

GroupM is a leading global media investment management group with over 400 offices in 81 countries, billings of more than US\$90 billion and over 21,000 employees.⁽⁴⁾ GroupM is the REIT's fourth largest tenant and occupies approximately 56% of the GLA in doubleU, a property located at Derendorfer Allee 4 in Düsseldorf. GroupM occupies approximately 0.6% of the REIT's overall GLA and generates approximately 2.1% of the overall GRI.

Deutsche Telekom

Deutsche Telekom is one of the world's leading telecommunications and information technology service companies. In 2011, Deutsche Telekom Group generated revenue of approximately €58 billion, and had approximately 236,000 employees in total as of December 31, 2011.⁽⁵⁾ Deutsche Telekom, the REIT's fifth largest tenant, occupies approximately 1.3% of the GLA of our properties and currently generates approximately 2.1% of the portfolio's overall GRI. The occupied space is mainly used for server and cable rooms, forming an integral part of Deutsche Telekom's infrastructure.

⁽¹⁾ As disclosed at Deutsche Post DHL's website www.dp.dhl.com.

⁽²⁾ As disclosed at ERGO's website www.ergo.com.

⁽³⁾ As disclosed at Maersk's website www.maersk.com.

⁽⁴⁾ As disclosed at GroupM's website www.groupm.com.

⁽⁵⁾ As disclosed at Deutsche Telekom's website www.telekom.com.

Market overview – Germany

German economy

The German economy has long been a driver as well as a beneficiary of a globalized economy. Germany has established itself as a key location for production sites and is a country with a favourable business environment. Similar to Canada, Germany is a country with a history of political, legal and financial stability and provides an attractive climate for long-term investment.

Recent developments

Overall, the German economy remained stable in 2012 with German GDP increasing by 0.7%⁽¹⁾ according to the German government. Germany's unemployment rate continues to remain low with a rate of 6.7%⁽¹⁾ in December 2012. The strong labour market has been one of the main drivers of growth in Germany and remains one of the healthiest within the European Union.

Economic impact on the German real estate sector

The commercial real estate market in Germany continued to perform well in 2012. The stability in the office market is supported by a relatively moderate degree of new space coming to market as well as the redevelopment of vacant office space for alternative use. With limited new supply, overall office vacancies further decreased year-over-year in the five largest office markets from 10.7% at the end of 2011 to 9.8% at the end of 2012.⁽²⁾

Due to a year-end rally, overall commercial real estate investments in Germany increased by 11% in 2012 to approximately €25.2 billion, with €10.7 billion of transactions taking place in the fourth quarter of 2012 alone. The office sector was dominant with more than €11 billion of transactions in 2012 alone, accounting for 44% of the overall commercial properties transactions. Over half of all transactions took place in the top five locations, with Berlin accounting for the largest transaction volume.⁽³⁾

⁽¹⁾ Statistisches Bundesamt Deutschland ("Destatis").

⁽²⁾ CBRE Office Market Overview Q4 2012.

⁽³⁾ CBRE MarketView, Germany Investment Quarterly Q4 2012.

Outlook

2012 was a transformative year for Dundee International REIT and set the tone for continuous growth and diversification of our business. We acquired six office properties in Germany's largest office markets for approximately \$259 million. In addition, during the first seven weeks of 2013, we closed or have under contract an additional \$788 million of assets, including a portfolio of 11 German office properties the REIT is acquiring from investment funds managed by SEB Asset Management ("SEB").

Through these acquisitions, we have improved the quality of our portfolio, diversified our tenant base and improved the Trust's long-term cash flow. Most significantly, the gross rental income ("GRI") contributed by our largest tenant Deutsche Post was reduced from 85% of the REIT's overall GRI at the end of 2011 to 65% at the end of 2012 and will further decrease to approximately 42% after we close the acquisitions we currently have under contract.

We also continue to be quite active on the financing front. We finalized three public offerings to sell, on a bought-deal basis, \$208 million of units in 2012 and announced a \$220 million equity offering on February 4, 2013, scheduled to close in early March 2013. All our offerings have been very well received by the investment community and in each of the public offerings that closed to date, additional units were sold as part of an over-allotment option granted to the underwriting syndicate. To provide further flexibility with respect to our growth, the Trust obtained a revolving credit facility with a Canadian bank providing additional financing capacity of €10 million of operating funds and up to €35 million as a bridge-to-mortgage financing. To date, no amount has been drawn down on this facility. In addition, the Trust obtained mortgage financings in 2012 in the amount of approximately €117 million (\$152 million) from European lenders at an average face rate of 2.7% and an average term to maturity of 5.7 years.

The first full year of Dundee International REIT was a year of growth and diversification. We made significant progress growing our platform in Europe. With various groups of real estate owners having to dispose of their assets, we had started to see how big the opportunity was in Germany to buy high-quality real estate at good cap rates and attractive borrowing rates. By acting quickly and taking advantage of these opportunities, we will have added over \$1 billion of accretive assets to our portfolio once current acquisitions under contract close. We continue to see a healthy acquisition pipeline and will seek further growth in Germany, one of the most stable economies in Europe.

Section II — Executing the strategy

Our operations

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

Performance indicators	December 31, 2012	December 31, 2011
Occupancy rate ⁽¹⁾	83%	88%
In-place rental rates (per sq. ft./year)	\$ 8.20	\$ 7.13
Tenant maturity profile – average term to maturity	5.5 years	5.9 years

⁽¹⁾ Includes in-place occupancy at December 31, 2012; terminated space for which the Trust receives a head lease is reflected as vacant space as at December 31, 2012, as the termination with respect to 17 properties became effective at the beginning of July 2012, the same time payments under the head lease commenced. Including the head lease, the occupancy is 89%.

Occupancy

Effective July 1, 2012, Deutsche Post terminated 17 leases in connection with its early termination rights. The Trust receives payments pursuant to a head lease for the terminated space in these properties until June of 2014 and effectively receives rent for 88.9% of space in the portfolio, including new acquisitions.

Excluding the impact of the acquisitions, dispositions and Deutsche Post terminations, occupancy in our Initial Portfolio, on a comparative basis, would have increased to 88.4% at the end of the fourth quarter of 2012 compared to 87.9% at the end of the prior year fourth quarter, reflecting positive absorption.

The table below details the percentage of occupied and committed space for the total portfolio as well as the comparative portfolio.

(percent)	Total portfolio		Comparative properties	
	Q4 2012 ⁽¹⁾	Q4 2011	Q4 2012 ⁽¹⁾	Q4 2011
Office	84.8	84.4	72.6	84.4
Mixed use	81.7	88.3	81.7	88.4
Industrial	87.7	87.2	87.7	87.2
Total	83.2	87.8	82.1	87.9

⁽¹⁾ Includes in-place occupancy at December 31, 2012; terminated space for which the Trust receives a head lease is reflected as vacant space.

The table below details the percentage of occupied and committed space for the previous six quarters for the total portfolio, including new acquisitions.

(percent)	Q4 2012 ⁽¹⁾	Q3 2012 ⁽¹⁾	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Office	84.8	80.2	90.0	86.5	84.4	84.2
Mixed use	81.7	81.1	88.1	88.0	88.3	88.2
Industrial	87.7	88.1	87.8	87.7	87.2	87.0
Total	83.2	82.2	88.3	87.8	87.8	87.7

⁽¹⁾ Includes in-place occupancy at December 31, 2012; terminated space for which the Trust receives a head lease is reflected as vacant space.

Vacancy schedule

The tables below highlight our leasing activity. During the fourth quarter of 2012, our overall space available for lease decreased by 56,271 square feet to 2,245,524 square feet, reflecting positive absorption as well as lower overall vacancy due to the sale of a number of properties with above average vacancy rates. A total of 122,986 square feet of expiries, terminations and bankruptcies, and remeasurements was offset by 46,359 square feet of renewals and 30,873 square feet of new leases. At the end of 2012, approximately 95,952 square feet was committed for future leases, leaving approximately 2,245,524 square feet available for lease.

For the three months ended December 31, 2012

(in square feet)	Office	Mixed use	Industrial	Total
Available for lease – October 1, 2012	299,895	1,734,298	267,602	2,301,795
Acquisitions	52,796	–	–	52,796
Dispositions	–	(58,869)	–	(58,869)
Remeasurements	5,908	2,462	642	9,012
Expiries	38,238	60,158	13,447	111,843
DPI terminations	–	–	–	–
Early termination and bankruptcies	–	2,131	–	2,131
New leases	(4,548)	(25,272)	(1,053)	(30,873)
Renewals	(318)	(44,410)	(1,631)	(46,359)
Future leases	(82,847)	(10,785)	(2,320)	(95,952)
Available for lease – December 31, 2012	309,124	1,659,713	276,687	2,245,524

For the year ended December 31, 2012

(in square feet)	Office	Mixed use	Industrial	Total
Available for lease – January 1, 2012	138,976	1,074,452	287,059	1,500,487
Acquisitions	66,721	–	–	66,721
Dispositions	–	(71,797)	–	(71,797)
Remeasurements	3,329	8,038	3,221	14,588
Expiries	130,077	496,376	25,691	652,144
DPI terminations	160,104	699,950	–	860,054
Early termination and bankruptcies	17,258	19,357	3,555	40,170
New leases	(42,255)	(176,588)	(32,467)	(251,310)
Renewals	(82,239)	(379,290)	(8,052)	(469,581)
Future leases	(82,847)	(10,785)	(2,320)	(95,952)
Available for lease – December 31, 2012	309,124	1,659,713	276,687	2,245,524

In-place rental rates

The following chart and table provide a comparison between in-place rents and market rents in our portfolio as at December 31, 2012. Market rents are management's estimates of rental rates that could be achieved for space in our properties. In-place rents in our office segment have increased in the fourth quarter largely due to acquisitions completed during the quarter. In-place rents in the mixed use and industrial segments remain below market rents, allowing for rental uplifts as space is renewed or re-leased. Overall, average market rents in our portfolio remain approximately 7% above in-place rents.



(per square foot/year)	December 31, 2012							
	In-place rent ⁽¹⁾			Market rent				
Office	€	10.84	\$	14.22	€	10.84	\$	14.22
Mixed use		5.56		7.29		6.04		7.93
Industrial		4.85		6.36		5.47		7.17
Overall	€	6.25	\$	8.20	€	6.69	\$	8.78

(1) Excludes rent received under head lease guarantee.

Leasing and tenant profile

At December 31, 2012, the weighted average remaining term of all leases was approximately 5.5 years.

Average remaining lease term (years)	December 31, 2012	December 31, 2011
Office	6.54	5.07
Mixed use	5.35	5.83
Industrial	5.34	6.27
Overall	5.54	5.86

Lease rollover profile

The following table outlines our lease maturity profile by asset type as at December 31, 2012. In 2013, 277,958 square feet of our leases expire, accounting for approximately 2.1% of the overall space.

(in square feet)	Current vacancy	Month-to-month	2013	2014	2015	2016	2017 to 2031	Total
Office	309,124	29,091	68,689	71,491	42,953	216,214	1,301,258	2,038,820
Mixed use	1,659,713	278,019	180,646	70,468	140,241	61,944	6,668,244	9,059,275
Industrial	276,687	60,879	28,623	18,353	53,968	17,124	1,792,043	2,247,677
Total	2,245,524	367,989	277,958	160,312	237,162	295,282	9,761,545	13,345,772

Deutsche Post leases

The leases with Deutsche Post, which generally expire on June 30, 2018 (many of which provide Deutsche Post with an option to extend the term until June 30, 2023), comprise approximately 62% of the GLA and account for approximately 65% of the portfolio's GRI.

Rent adjustment

The rents under the Deutsche Post leases are subject to automatic adjustments (up or down) in relation to the consumer price index for Germany. If the consumer price index for Germany changes by more than 4.7 index points as compared to the index at the commencement of the applicable lease or the previous rent adjustment, the rent payable under the Deutsche Post leases is automatically adjusted by 100% of the index change of 4.7 points, with effect as of the time of the index change. The hurdle rate for an upward adjustment was last reached in December 2011.

Termination rights and head lease

In general, the Deutsche Post leases have a fixed term of ten years, expiring on June 30, 2018. Certain leases entitle Deutsche Post to terminate space in June 2012, 2014 and 2016, subject to certain limitations and requirements, including that Deutsche Post provide 12 months' prior written notice to us. The right of Deutsche Post to terminate a Deutsche Post lease is limited by various tests which apply collectively to the Deutsche Post leases and the leases in respect of the remaining properties forming the portfolio of approximately 1,200 properties that the vendor acquired from Deutsche Post in July 2008 (the "Caroline DP Leases"), considered as a whole. On June 30, 2011, Deutsche Post gave notice to terminate 17 leases with respect to the 2012 termination rights, comprising approximately 9.9% of our GRI and 1.1 million square feet (approximately 8.0% of our GLA), and waived its second termination right in respect of 21 leases (effective June 30, 2014). On June 30, 2012, Deutsche Post gave notice to terminate one additional lease subject to its 2012 termination rights which will become effective as at July 1, 2013 and for which we will receive an additional payment under the head lease. In addition, Deutsche Post waived its second termination right in respect of 24 leases (effective June 30, 2014). Deutsche Post may terminate Deutsche Post leases and Caroline DP Leases aggregating no more than 20% of the total annual Reference Rent payable under all of the Deutsche Post leases and Caroline DP Leases on June 30, 2014, and no more than an additional 10% of such rent on June 30, 2016. The "Reference Rent" for a lease is an amount set out in a specified notarial deed and may differ from the actual rent payable under the lease. To the extent that Deutsche Post does not exercise all of its available early termination rights with respect to any particular effective termination date, the unused portion may be carried forward, provided that Deutsche Post cannot terminate Deutsche Post leases and Caroline DP Leases aggregating more than 20% of the total Reference Rent of all Deutsche Post leases and Caroline DP Leases, considered as a whole, during any lease year. One property, for which Deutsche Post has not waived its termination right in 2014, was sold in September 2012. This means that Deutsche Post has the right to terminate up to 65 leases in 2014 and up to an additional 45 leases in 2016 (110 leases in total), subject to certain limitations. Although we think it is unlikely that Deutsche Post will terminate the maximum amount of space that it is entitled to terminate (being approximately 2.8 million square feet or 21% of our GLA), if it were to do so, and not re-lease any of the terminated space, our GRI would be reduced by 22%.

In light of the 2012 terminations, the vendor of the properties has set aside an amount of €17.3 million to lease the vacant space resulting from all 2012 terminations for the period commencing on July 1, 2012 to, and including, June 30, 2014. The Trust receives a portion of this amount each month for two years, until June 2014. In addition, the vendor committed to pay an additional €0.2 million in connection with the termination of one additional lease pertaining to the 2012 termination rights.

In connection with the 17 leases terminated in 2012, Postbank re-leased space in 12 of the 15 properties that feature Postbank branches, and Deutsche Post re-leased space in seven of the 17 properties, five of which feature Postbank branches, for an aggregated total of 202,000 square feet, or 17.2% of the originally terminated space, for an average lease term of 4.8 years.

Our resources and financial condition

Investment properties

The fair value of our investment property portfolio at December 31, 2012 was \$1,183 million. Since December 31, 2011, the fair value of our investment properties increased by \$241.3 million. The largest item contributing to the change is the acquisition of six properties for \$259.1 million excluding transaction costs. We also invested \$3.4 million in building improvements and lease incentive costs. During the year, we disposed of five properties which had a fair value of \$7.4 million and entered into agreements to dispose of another eight properties deemed to be non-core holdings. Under IFRS accounting rules, we reduced the value of acquired properties by \$11.6 million, representing the capitalized transaction costs and a further \$3.4 million in building improvement and lease incentive costs. A further fair value loss of \$6.7 million was also recognized for Initial Properties due to existing vacancies and the impact of termination rights exercised by Deutsche Post. The balance of the reduction relates to foreign exchange and other minor adjustments.

Fair values were determined using the capitalization method which is based upon the capitalization of stabilized net operating income ("NOI") and incorporates allowances for vacancy and re-leasing assumptions. Stabilized NOI is capitalized taking into consideration the yields for comparable market transactions. Stabilized NOI reflects all non-recoverable expenses and incorporates a provision for structural vacancy. The resulting capitalized value was further adjusted for non-recoverable capital expenditures and leasing costs, where applicable.

Acquisitions

During 2012, Dundee International REIT completed six office property acquisitions for approximately \$259.1 million (excluding transaction costs), comprising approximately 1.1 million square feet of office space.

Property	Property type	Acquired GLA (sq. ft.)	Occupancy at acquisition ⁽¹⁾ (%)	Purchase price ⁽¹⁾	Purchase price ⁽¹⁾	Date acquired
Grammophon Büropark, Hannover	office	212,047	95	\$ 34,732	€ 25,800	February 29, 2012
Karl-Martell-Strasse 60, Nuremberg	office	268,936	100	62,761	48,200	April 26, 2012
Derendorfer Allee 4–4a (doubleU), Düsseldorf	office	141,744	100	55,951	45,100	July 19, 2012
Greifswalder Strasse 154–156 (Goldpunkt-Haus), Berlin	office	250,239	88	36,900	28,830	December 7, 2012
Am Sandtorkai 37, Hamburg	office	112,361	90	34,784	26,516	December 31, 2012
Leopoldstrasse 252, 252a and 252b, Munich	office	153,435	97	33,923	25,860	December 31, 2012
Total		1,138,762	95	\$ 259,051	€ 200,306	

⁽¹⁾ Excludes transaction costs.

Acquisitions closed and under contract subsequent to year-end

On January 31, 2013, we completed the acquisition of a property located at Hammer Strasse 30–34 in Hamburg for \$56.3 million (excluding acquisition costs). The property comprises approximately 172,300 square feet of GLA, has an occupancy rate of 100% and a weighted average remaining lease term of 10.1 years.

On February 15, 2013, we completed the acquisition of a property located at Neue Mainzer Strasse 28 in Frankfurt for \$83.3 million (excluding acquisition costs). The property comprises approximately 123,300 square feet of GLA, has an occupancy rate of 90% and a weighted average remaining lease term of 3.0 years.

As at February 20, 2013, we have two properties under contract in Munich and Berlin for an aggregate purchase price of approximately €60 million (\$81 million) as disclosed in the table below. We expect to close on these acquisitions in the first quarter of 2013.

On February 4, 2013, the Trust announced the acquisition of a 1.5 million square foot portfolio of office properties in Germany for approximately €420 million (\$567 million) from investment funds managed by SEB Asset Management (“SEB”), the SEB Group’s specialist real estate asset manager in Germany. The properties are located in desirable locations in some of Germany’s largest office markets, have a current occupancy rate of 94% and a weighted average lease term of over 5.4 years.

Acquisitions under contract	Approx. GLA (sq. ft.)
Dillwächter Strasse 5 and Tübinger Strasse 11, Munich	81,900
Beuthstrasse 6–8, Seydelstrasse 2–5 (Löwenkontor), Berlin	258,000
SEB Portfolio (11 properties)	1,476,500
Total	1,816,400

Dispositions

Dundee International REIT completed the sale of five small properties in 2012 for an aggregate sales price of approximately €5.7 million (\$7.4 million). These properties are located at Bahnhofplatz 4 in Traunstein; Ziegelstrasse 15 in Ravensburg; Bahnhofstrasse 12 in Pullendorf; Mecklenburgstrasse 4–6 in Schwerin; and Eichendorffstrasse 14 in Traunreut. Subsequent to year-end, we sold two properties for an aggregate sales price of approximately \$2.2 million and are a party to agreements to sell six properties comprising approximately 178,000 square feet of GLA.

Building improvements

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level.

Initial direct leasing costs and lease incentives

Initial direct leasing costs include leasing fees and related costs, and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances. Initial direct leasing costs and lease incentives 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.

In 2012, we leased or renewed approximately 817,000 square feet of space and as at December 31, 2012, we had commitments for \$5.8 million of leasing costs, of which \$1 million was paid during the year.

Commitments and contingencies

We are contingently liable 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.

As at December 31, 2012, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
Less than 1 year	\$ 484
1–5 years	1,890
Longer than 5 years	473
Total	\$ 2,847

During the period, the Trust paid \$0.5 million in minimum lease payments, which have been included in comprehensive income for the period.

On March 17, 2011, the previous owner of the Initial Properties entered into agreements with Imtech Contracting GmbH ("Imtech") under which Imtech provides the entire energy requirements (heating, cooling, air, light and electricity) for the properties, unless there are existing obligations. As part of the contract, Imtech leases the central heating room and the energy supply facilities at the properties, and may lease the roof area on selected buildings for installation of solar panels. The term of the contract, which commenced on July 1, 2011, is 15.5 years.

In addition, the previous owner had entered into two energy supply agreements with GDF SUEZ Energie Deutschland AG and Watt Deutschland GmbH to purchase all the electricity requirements of the properties, each of which had a term expiring on December 31, 2012. During the third quarter of 2012, the Trust entered into a new contract with GDF SUEZ Energie Deutschland AG to purchase all electricity requirements for properties leased to Deutsche Post for a two-year term starting on January 1, 2013.

Our capital

Liquidity and capital resources

Dundee International REIT's primary sources of capital are cash generated from operating activities, credit facilities 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 interest payments and property acquisitions. We expect to meet all of our ongoing obligations through current cash and cash equivalents, cash flows from operations, debt refinancings and, as growth requires and when appropriate, new equity or debt issues.

As at December 31, 2012, we had \$181.6 million of cash on hand. After reserving for current payables, operating requirements and acquisitions under contract, approximately \$50 million is available for general purposes. Our debt-to-book value at year-end was 52%.

Financing activities

We finance our ownership of assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures.

Equity issues

On April 17, 2012, we completed a public offering of Units pursuant to which we issued 4,600,000 Units, and the holder of the Exchangeable Notes exchanged the equivalent of \$46.0 million principal value of Exchangeable Notes into 4,600,000 Units, all of which were sold to the syndicate of underwriters at a price of \$10.10 per unit. The issued amount included the exercise of the over-allotment option of 1,200,000 Units.

On September 5, 2012, we completed a public offering pursuant to which we issued 4,420,000 Units and the holder of Exchangeable Notes exchanged the equivalent of \$34.0 million in principal value of Exchangeable Notes into 3,400,000 Units at a price of \$10.55 per unit. The number of Units issued included the exercise of the over-allotment option of 1,020,000 Units.

On November 8, 2012, 12,875 Units were issued for the year ended December 31, 2012 to officers and employees pursuant to the Deferred Unit Incentive Plan, at a price of \$10.74 per unit.

On December 7, 2012, we completed a public offering of 11,166,500 Units, including an over-allotment option, at a price of \$10.30 per unit.

New debt

On September 27, 2012, we obtained a revolving credit facility with a Canadian bank for €10 million plus a senior credit facility for up to €35 million secured by investment properties. The revolving credit facility has a term of two years and was not drawn upon during 2012.

During the year we obtained the following new mortgages:

Property	Mortgage (\$'000)	Mortgage (€'000)	Face rate	Date of funding	Date of maturity
Grammophon Büropark, Hannover ⁽¹⁾	\$ 20,805	€ 15,454	4.17%	February 29, 2012	February 28, 2015
Karl-Martell-Strasse 60, Nuremberg	34,734	26,675	2.45%	May 25, 2012	June 30, 2017
Derendorfer Allee 4–4a (doubleU), Düsseldorf	32,256	26,000	2.09%	July 19, 2012	July 31, 2017
Greifswalder Strasse 154–156 (Goldpunkt-Haus), Berlin	21,758	17,000	3.22%	December 7, 2012	December 31, 2022
Am Sandtorkai 37 (Humboldt-Haus), Hamburg	22,300	17,000	2.27%	December 31, 2012	December 31, 2017
Leopoldstrasse 252, 252a and 252b, Munich	19,841	15,125	2.21%	December 31, 2012	September 30, 2019
Total	\$ 151,694	€ 117,254			

⁽¹⁾ Mortgage assumed on acquisition. Effective interest rate was marked down to 2.41%.

Debt

Debt strategy

Our debt strategy is to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of our portfolio. Our preference is to have staggered debt maturities to mitigate interest rate risk and limit refinancing exposure in any particular period. We also intend to enter into long-term loans at fixed rates when borrowing conditions are favourable. This strategy will be complemented with the use of unsecured convertible debentures and floating rate credit facilities. We intend to target a debt level in a range of 55% to 60% of the historical purchase price of properties including convertible debentures.

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

	December 31, 2012	December 31, 2011
Financing activities		
Weighted average interest rate ⁽¹⁾	3.98%	4.36%
Level of debt (debt-to-book value) ⁽²⁾	52%	56%
Interest coverage ratio ⁽³⁾	3.03 times	2.67 times
Debt-to-EBITDFV (years) ⁽⁴⁾	9.3	8.0
Proportion of total debt due in current year	0.4%	–
Debt – average term to maturity (years)	4.4	5.1
Variable rate debt as percentage of total debt	11%	15%

(1) Average interest rate (face rate) is calculated as the weighted average interest rate of all interest bearing debt.

(2) Debt-to-book value is determined as total debt divided by total assets (total assets include \$181.6 million of cash).

(3) The interest coverage ratio for the year is calculated as net rental income plus interest and fee income, less portfolio management and general and administrative expenses, divided by interest expense (excluding interest on Exchangeable Notes).

(4) Debt-to-EBITDFV is calculated as total debt divided by annualized EBITDFV for the current quarter. EBITDFV is calculated as net income less non-cash items included in revenue plus interest expense, depreciation, fair value adjustments and acquisition related costs.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio for the year is 3.03 times, and reflects our ability to cover interest expense requirements. We also monitor our debt-to-EBITDFV ratio to gauge our ability to pay off existing debt. Our current debt-to-EBITDFV ratio is 9.3 years and reflects the approximate amount of time to pay off all debt. After accounting for market adjustments and financing costs, the weighted average effective interest rate is 4.39%.

	December 31, 2012			December 31, 2011		
	Variable	Fixed	Total	Variable	Fixed	Total
Term loan credit facility ⁽¹⁾	\$ 82,512 ⁽¹⁾	\$ 344,028 ⁽²⁾	\$ 426,540	\$ 86,469	\$ 345,879	\$ 432,348
Mortgage debt	–	151,862	151,862	–	–	–
Debentures	–	148,428	148,428	–	146,658	146,658
Total	\$ 82,512	\$ 644,318	\$ 726,830	\$ 86,469	\$ 492,537	\$ 579,006
Percentage	11%	89%	100%	15%	85%	100%

(1) 20% of the term loan credit facility is subject to an interest rate swap until December 31, 2012 and has been presented as variable rate debt due to the short duration of the swap agreement.

(2) 80% of the term loan credit facility is subject to an interest rate swap in place until August 3, 2016 pursuant to the term loan credit facility agreement and has been presented as fixed rate debt.

Amounts recorded as at December 31, 2012 for the Debentures are net of \$6.8 million of premiums allocated to their conversion features on issuance. The premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Term loan credit facility

Concurrent with the closing of our Initial Public Offering, we obtained a term loan credit facility (the "Facility") from a syndicate of German and French banks for gross proceeds of €328.5 million (\$448.4 million). During the year ended December 31, 2012, we repaid \$3.4 million (€2.7 million) on disposal of five properties, including a prepayment premium. As at December 31, 2012, the remaining principal balance on the term loan credit facility was \$427.4 million (€325.8 million). The initial term of the Facility is five years with a two-year renewal option. Variable rate interest is payable quarterly under the Facility at a rate equal to the three-month EURIBOR, plus a margin of 200 basis points and agency fees of 10 basis points. Pursuant to the requirements of the Facility, we entered into an interest rate swap to fix 80% of the interest payments at 1.89% plus margin and agency fees, and purchased an instrument to cap 10% of the Facility such that interest does not exceed 5% of that portion. Effective December 30, 2011, we entered into an interest rate swap to fix the remaining 20% of the interest payments under the Facility at 3.37% for a period of one year. This contract expired on December 31, 2012.

As at December 31, 2012, the weighted average rate of the Facility is 3.91%. Including costs, net of the payment received from the vendor, the effective interest rate under the Facility is 3.98%. On January 1, 2013, as the three-month EURIBOR decreased to 0.184%, the variable rate the Trust pays on the 20% of the Facility decreased to 2.32%. As a result, the Trust paid a blended face rate of 3.7% on January 1, 2013.

The Facility requires that at each interest rate payment date the debt service coverage ratio is equal to or above 145%, and that the loan-to-value does not exceed 59% during the first three years the loan is outstanding and 54% during the final two years. As at December 31, 2012, we were in compliance with these covenants.

Under the terms of the Facility, we have the option to repay €100 million plus an applicable prepayment premium of 15% through dispositions or refinancings of a portion of the portfolio by August 3, 2013, failing which we will be required to pay additional interest of 1% on the portion of the €100 million not repaid beginning August 3, 2013. Management will explore refinancing options.

Revolving credit facility

On September 27, 2012, the Trust obtained a revolving credit facility with a Canadian bank in an aggregate amount not exceeding €10 million, and a €15 million senior secured credit facility to provide interim bridge financing for the acquisition of investment properties in Germany on a property by property basis. The latter facility may be increased by an additional €20 million, subject to prior approval and 30 days' notice. The interest rate on Canadian dollar advances is prime plus 200 basis points and/or bankers' acceptance rates plus 300 basis points. The interest rate for euro advances is 300 basis points over the three-month EURIBOR rate. The revolving credit facility has a term of two years. No amount has been drawn on this facility during the year.

Convertible debentures

As at December 31, 2012, the total principal amount of debentures outstanding was \$161.0 million, convertible into an aggregate of 12,384,619 Units. The debentures bear interest at 5.5% per annum, are payable semi-annually on July 31 and January 31 each year, and mature on July 31, 2018. Each \$1,000 principal amount of the debentures is convertible at any time by the holder thereof into 76.9231 Units, representing a conversion price of \$13.00 per unit. On or after August 31, 2014, and prior to August 31, 2016, the debentures may be redeemed by the Trust, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided the weighted average trading price for the Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after August 31, 2016, and prior to July 31, 2018, the maturity date, the debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest.

The conversion feature of the debentures is remeasured in each reporting period to fair value, with changes in fair value being recorded in comprehensive income. During the year, the fair value attributed to the conversion feature decreased by \$2.4 million.

The table below highlights the maturity and interest rate profile of our debt:

	Debt maturities	Scheduled principal repayments on non-matured debt	Total	%	Weighted average effective rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2013	\$ -	\$ 2,711	\$ 2,711	0.4	-	-
2014	-	7,317	7,317	1.0	-	-
2015	18,806	11,573	30,379	4.1	2.41%	4.17%
2016	410,193	7,278	417,471	56.3	3.98%	3.91%
2017	81,226	2,064	83,290	11.2	2.62%	2.27%
2018 and thereafter	197,791	2,347	200,138	27.0	6.50%	4.99%
Total	\$ 708,016	\$ 33,290	741,306	100.0	4.49%	4.03%
Fair value adjustments			(6,050)			
Transaction costs			(8,426)			
Total			\$ 726,830			

Equity

Our discussion of equity is inclusive of Exchangeable Notes, which are economically equivalent to our Units. In our consolidated financial statements, the Exchangeable Notes are classified as a liability under IFRS because of the redemption feature upon the exchange for a Unit.

	December 31, 2012		Unitholders' equity December 31, 2011	
	Number of Units	Amount	Number of Units	Amount
Units	72,232,494	\$ 596,078	43,872,316	\$ 350,809
Exchangeable Notes	-	-	8,000,000	80,000
Total	72,232,494	\$ 596,078	51,872,316	\$ 430,809

Units

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: Units and Special Trust Units. The Special Trust Units may only be issued to holders of securities exchangeable for Units, are not transferable and are used to provide holders of such securities with voting rights with respect to Dundee International REIT. Each Unit and Special Trust Unit entitles the holder thereof to one vote for each Unit at all meetings of unitholders of the Trust.

The Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the grant of deferred trust units and income deferred trust units to trustees, officers, employees, affiliates and their service providers, including DRC, our asset manager. On August 3, 2011, DRC elected to receive the base asset management fees of the first \$3.5 million payable on the properties acquired on August 3, 2011 by way of deferred trust units under the Asset Management Agreement for the next five years. The deferred trust units granted to DRC vest 20% annually, commencing on the fifth anniversary date of being granted. On termination of the Asset Management Agreement, unvested trust units granted to DRC vest immediately.

The following table summarizes the changes in our outstanding equity:

	Units
Total Units outstanding on December 31, 2011	43,872,316
Units issuable upon exchange of Exchangeable Notes	8,000,000
Total Units outstanding (on a fully exchanged basis) on December 31, 2011	51,872,316
Exchange of Exchangeable Notes	(8,000,000)
Units issued pursuant to public offering ⁽¹⁾	28,186,500
Units issued pursuant to the DUIP	12,875
Units issued pursuant to the DRIP ⁽²⁾	160,803
Total Units outstanding on December 31, 2012	72,232,494
Units issued pursuant to the DRIP on January 15, 2013	42,805
Total Units outstanding on January 31, 2013	72,275,299

⁽¹⁾ Includes secondary offering of 8,000,000 Units issued upon the exchange of Exchangeable Notes.

⁽²⁾ Distribution Reinvestment and Unit Purchase Plan.

On April 17, 2012, the Trust closed a public offering of Units pursuant to which the Trust issued 4,600,000 Units, and LSF REIT Holdings S.à.r.l. ("LSF") exchanged the equivalent of \$46.0 million principal value of Exchangeable Notes into 4,600,000 Units, resulting in a total of 9,200,000 Units having been sold to a syndicate of underwriters.

On September 5, 2012, the Trust closed a public offering of Units pursuant to which the Trust issued 4,420,000 Units, and LSF exchanged the equivalent of \$34.0 million principal value of its remaining Exchangeable Notes into 3,400,000 Units, resulting in a total of 7,820,000 Units having been sold to a syndicate of underwriters.

On December 7, 2012, the Trust closed a public offering of Units pursuant to which the Trust issued 11,166,500 Units which were sold to a syndicate of underwriters.

For the year ended December 31, 2012, 12,875 Units were issued pursuant to the Deferred Unit Incentive Plan (December 31, 2011 – nil).

Distributions

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of 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 our distributions. We also exclude the impact of 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. We exclude the impact of transaction costs expensed on business combinations as these are considered to be non-recurring.

In order to manage the exposure to currency risk to unitholders and holders of debentures, the Trust has entered into foreign exchange forward contracts. The Trust currently has foreign exchange forward contracts to sell €3,100 in January 2013, €3,700 each month from February 2013 to December 2014, and €1,550 each month from January 2015 to December 2015 at an average exchange rate of \$1.327:€1.

Asset management fee

On August 3, 2011, DRC elected to receive the base asset management fees payable on the Initial Properties acquired on August 3, 2011 by way of deferred trust units under the Asset Management Agreement for up to \$3.5 million per year for the next five years. These deferred trust units vest 20% annually, commencing on the fifth anniversary date of being granted. On termination of the Asset Management Agreement, unvested trust units will vest immediately.

During the year ended December 31, 2012, pursuant to the provisions of the Asset Management Agreement, \$1.9 million of asset management expense on the Initial Properties was recognized, for which 330,423 deferred units were granted during the year and 26,747 deferred units were granted on January 1, 2013. As at January 1, 2013, 504,887 unvested deferred and income deferred units were outstanding with respect to the Asset Management Agreement. The asset management fees were recorded based on the fair value of the deferred units issued, with an appropriate discount applied to reflect the restricted period of exercise.

In addition, the Trust paid an asset management fee of \$0.3 million for properties acquired in 2012, a financing fee of \$0.4 million related to new debt arranged in the year, and acquisition fees of \$2.4 million related to properties acquired during the year.

Distributions and Exchangeable Notes interest

Exchangeable Notes were economically equivalent to our Units in all material respects. Interest payable to the holder of Exchangeable Notes is therefore included in the table below. On September 5, 2012, the holder of the Exchangeable Notes exchanged its remaining holdings and therefore received its last interest payment on September 15, 2012.

	For the three months ended December 31, 2012			For the year ended December 31, 2012		
	Declared amounts	4% bonus distribution	Total	Declared amounts	4% bonus distribution	Total
2012 distributions and interest expense						
Paid in cash or reinvested in Units	\$ 8,137	\$ 25	\$ 8,162	\$ 41,248	\$ 61	\$ 41,309
Payable at December 31, 2012	4,816	–	4,816	4,816	–	4,816
Total distributions and interest expense	\$ 12,953	\$ 25	\$ 12,978	\$ 46,064	\$ 61	\$ 46,125
2012 reinvestment						
Reinvested to December 31, 2012	\$ 615	\$ 25	\$ 640	\$ 1,519	\$ 61	\$ 1,580
Reinvested on January 15, 2013	450	18	468	450	18	468
Total distributions reinvested	\$ 1,065	\$ 43	\$ 1,108	\$ 1,969	\$ 79	\$ 2,048
Distributions and interest expense						
paid in cash	\$ 11,888			\$ 44,095		
Reinvestment to distribution ratio	8.2%			4.3%		
Cash payout ratio	91.8%			95.7%		

Distributions declared and interest expense on Exchangeable Notes for the year ended December 31, 2012, were \$46.1 million. Of this amount, \$2.0 million, or approximately 4.3%, was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 95.7%. For the quarter ended December 31, 2012, distributions declared and interest expense on Exchangeable Notes amounted to \$13.0 million. Of this amount, \$1.1 million, or approximately 8.2%, was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 91.8%.

At December 31, 2012, we had various currency forward contracts in place to sell euros for Canadian dollars for the next 36 months. On settlement of a contract, we realize a gain or loss on the difference between the forward rate and the spot rate; this amounted to a gain of \$2.4 million in the year. We also mark the contracts to market quarterly and realized a gain of \$0.5 million in the current year. The Trust currently has foreign exchange forward contracts to sell €3.1 million in January 2013, €3.7 million each month from February 2013 to December 2014, and €1.5 million each month from January 2015 to December 2015 at an average exchange rate of \$1.327:€1.

We currently pay monthly distributions to unitholders of \$0.06667 per unit, or \$0.80 per unit on an annual basis. At December 31, 2012, approximately 9.3% of our total Units were enrolled in the DRIP.

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 December 31, 2012	For the year ended December 31, 2012
Net income	\$ (8,687)	\$ 10,916
Cash flow from operating activities	16,712	52,320
Distributions paid and payable (including Exchangeable Notes)	12,953	46,064
Surplus of cash flow from operating activities over distributions paid and payable	3,759	6,256
Shortfall of net income over distributions paid and payable	(21,640)	(35,148)

Cash flow from operations exceeded distributions paid and payable by \$3.8 million and \$6.3 million for the three months and year ended December 31, 2012, respectively. Distributions paid and payable exceeded net income by \$21.6 million and \$35.1 million for the three months and year ended December 31, 2012, respectively. Net income for the respective periods reflect fair value adjustments to financial instruments and investment properties. In establishing distribution payments, we do not take fluctuations in working capital into consideration and we use a normalized amount as a proxy for leasing and building improvement costs.

Our results of operations

	For the three months ended December 31, 2012 ⁽¹⁾	For the three months ended December 31, 2011 ⁽¹⁾	For the year ended December 31, 2012 ⁽¹⁾	For the period from August 3, 2011 to December 31, 2011 ⁽¹⁾
Investment properties revenue	\$ 35,926	\$ 31,726	\$ 138,661	\$ 54,274
Investment properties operating expenses	13,869	10,757	53,222	19,774
Net rental income	22,057	20,969	85,439	34,500
Other income and expenses				
Portfolio management	(1,019)	(894)	(4,201)	(1,566)
General and administrative	(1,638)	(2,253)	(6,579)	(3,114)
Fair value adjustments to investment properties	(16,870)	(31,704)	(23,349)	(23,147)
Interest expense	(6,100)	(8,591)	(27,379)	(13,856)
Interest and other income	289	122	503	132
Share of income from equity accounted investment	11	32	21	7
Depreciation and amortization	(7)	-	(53)	-
Fair value adjustments to financial instruments	(6,736)	(8,557)	(15,214)	(14,567)
Acquisition related costs, net	-	(467)	-	(7,853)
Loss on sale of investment property	(258)	-	(320)	-
Income before income taxes	(10,271)	(31,343)	8,868	(29,464)
Income taxes				
Current income taxes	84	-	226	-
Deferred income taxes	(1,668)	(5,367)	(2,274)	(6,263)
Income tax expense (recovery)	(1,584)	(5,367)	(2,048)	(6,263)
Net income (loss)	(8,687)	(25,976)	10,916	(23,201)
Foreign currency translation adjustment	20,758	(20,342)	(4,388)	(18,558)
Comprehensive income (loss)	\$ 12,071	\$ (46,318)	\$ 6,528	\$ (41,759)

⁽¹⁾ Results from operations were converted into Canadian dollars from euros using the following average exchange rates: the three-month and year ended December 31, 2012 periods were converted at \$1.2861:€1 and \$1.285:€1, respectively; for 2011, the three-month and August 3 to December 31, 2011 periods were converted at \$1.379:€1 and \$1.383:€1, respectively.

Statement of comprehensive income results

Net rental income

	For the three months ended December 31, 2012	For the three months ended December 31, 2011	For the year ended December 31, 2012	For the period from August 3, 2011 to December 31, 2011
Office	\$ 4,698	\$ 1,888	\$ 14,147	\$ 3,144
Mixed use	14,971	15,620	59,152	25,962
Industrial	2,388	3,461	12,140	5,394
Net rental income	\$ 22,057	\$ 20,969	\$ 85,439	\$ 34,500

Our portfolio management team comprises the employees of our advisory subsidiaries in Germany and Luxembourg who are responsible for providing asset management services for the investment properties, including asset strategy and leasing activities. The costs of these activities are not allocated to net rental income.

For the year ended December 31, 2012, net rental income was \$85.4 million, representing an increase of \$50.9 million compared to the period from April 21 to December 31, 2011. After adjusting 2011 to a full year of operations and excluding the \$6.5 million negative impact of the weakened euro, the net rental income would have increased by \$8.6 million, mainly a result of contributions from newly acquired properties in 2012.

For the three months ended December 31, 2012, net rental income was \$22.1 million, representing an increase of \$1.1 million compared to the same quarter of 2011. Excluding the \$1.6 million negative impact of the weakened euro, the net rental income would have increased by \$2.7 million, mainly a result of positive leasing absorption and contributions from newly acquired properties in 2012.

Portfolio management

Portfolio management expenses totalled \$4.2 million for the year ended December 31, 2012, an increase of \$2.6 million compared to the period from April 21 to December 31, 2011. After adjusting 2011 to a full year of operations, the increase would be \$0.4 million, representing higher personnel costs incurred in 2012.

Portfolio management expenses were \$1.0 million for the three months ended December 31, 2012, an increase of approximately \$0.1 million compared to the three months ended December 31, 2011.

General and administrative

General and administrative expenses totalled \$6.6 million for the year ended December 31, 2012, an increase of \$3.5 million compared to the period from April 21 to December 31, 2011. After adjusting 2011 to a full year of operations, the general and administrative expenses would have decreased by \$0.9 million, mainly reflecting lower asset management fee expenses and corporate expenses.

General and administrative expenses totalled \$1.6 million in the last quarter of 2012, a decrease of \$0.6 million from the same quarter last year for similar reasons as a result of lower regulatory and corporate expenses.

Fair value adjustment to investment properties

The fair value loss adjustment of investment properties amounted to \$23.3 million for the year ended December 31, 2012, compared to a loss of \$23.1 million for the period from April 21 to December 31, 2011. \$11.6 million of the loss relates to transaction costs capitalized on the six acquisitions completed during the year, and \$1.7 million of the loss (excluding payments received under head lease arrangements) relates to fair value adjustments to the properties sold or under contracts for sale. \$3.4 million of the loss relates to capital costs incurred during the year and the remaining \$6.7 million reflects the current vacancies in the Initial Properties and impact of termination rights exercised by Deutsche Post in 2012. The \$23.1 million loss in fair value for the period from April 21 to December 31, 2011 reflected an increase in cap rates since acquisition of the Initial Properties and the impact of an increase in German real estate transaction taxes.

The loss in fair value adjustment of investment properties amounted to \$16.9 million for the three months ended December 31, 2012, compared to a loss of \$31.7 million in the same quarter last year.

Interest expense

Interest expense was \$27.4 million for the year ended December 31, 2012, an increase of \$13.5 million compared to the period from April 21 to December 31, 2011. After adjusting 2011 to a full year of operation, the interest expense would have decreased by \$6.1 million. Adjusting for the \$1.3 million impact of favourable exchange rates realized, interest expense would have been \$4.8 million lower than in 2011. The decrease is a result of the reduction in interest expense of \$3.2 million on the Facility, as the three-month EURIBOR rates decreased from 1.544% in December 2011 to 0.222% in December 2012. Offsetting the decrease was mortgage interest expense of \$1.5 million due to mortgages for properties acquired in 2012 and stand-by charge on the corporate revolving line of credit of \$0.1 million in 2012. We fix our variable rate positions using interest rate swaps, and the cash outlays on the settlement of the swap contracts are presented as a component of fair value adjustments of financial instruments. During the year ended December 31, 2012, \$4.3 million of swap settlements were paid, compared to \$0.6 million paid in the period from April 21 to December 31, 2011. Including these payments, interest expenses on the credit facility were in line with the last year.

Interest expense was \$6.1 million for the quarter, a decrease of \$2.5 million compared to the same quarter last year. After adjusting for the \$0.2 million impact of favourable exchange rates realized, interest expense was \$2.3 million lower than in the same quarter last year. The decrease is a result of interest on Exchangeable Notes being \$1.6 million lower in the current quarter compared to the same quarter last year, as the holder of the Exchangeable Notes exchanged the remaining Exchangeable Notes for REIT Units by September 2012. In addition, interest on our term loan credit facility was lower by \$1.6 million, as the three-month EURIBOR rates dropped from 0.652% in September 2012 to 0.222% in December 2012. Offsetting the decrease was mortgage interest expense of \$0.8 million due to mortgage debts on acquired properties in 2012 and interest on the corporate revolving line of credit of \$0.1 million in 2012. During the quarter, \$1.7 million of swap settlements were paid compared to \$0.3 million paid in the same quarter last year. Including these payments, interest expense on the credit facility in the current quarter was in line with the same quarter last year. The actual weighted average interest on the Facility for the three months ended December 31, 2012 was 3.91%. On an effective interest rate basis, the rate was 3.98%.

Fair value adjustment to financial instruments

For the year ended December 31, 2012, we incurred an unrealized net loss in fair value of financial instruments of \$15.2 million. The net loss comprises a \$15.5 million loss recognized on the fair value change in the interest rate swaps and cap as a result of a significant decrease in the forward price of interest rates during the year. A \$17.9 million loss was recognized in 2011 for the same reasons. The REIT recognized a \$2.4 million fair value gain on the conversion feature of the convertible debentures, a \$2.3 million loss on the fair value adjustment on the Exchangeable Notes, and a \$0.5 million unrealized gain related to our foreign currency forward contracts. For the period from April 21 to December 31, 2011, the Trust recorded a gain of \$1.5 million in the fair value adjustment on the conversion feature of the convertible debentures, and a \$1.8 million unrealized gain related to our foreign currency forward contracts due to a significant depreciation of the euro compared to the Canadian dollar in 2011.

For the three months ended December 31, 2012, we incurred an unrealized net loss in fair value of financial instruments of \$6.7 million. The net loss comprises a \$2.0 million loss recognized on the fair value change in the interest rate swaps and cap as a result of a decrease in the forward price of interest rates during the quarter. A \$4.7 million loss was recognized in the same quarter last year for the same reason. The REIT recognized a \$0.7 million fair value adjustment loss on the conversion feature of the convertible debentures and a \$4.0 million unrealized loss related to our foreign currency forward contracts due to an appreciation of the euro compared to the Canadian dollar during the quarter. The comparative quarter comprises a loss of \$5.7 million in the fair value adjustment on the conversion feature of the convertible debentures and a \$2.4 million loss on the fair value adjustment on the Exchangeable Notes. During the same quarter last year, the REIT recognized a \$4.3 million unrealized gain related to our foreign currency forward contracts due to a significant depreciation of the euro compared to the Canadian dollar.

Income taxes

We recognized an income tax recovery of \$2.0 million for the year ended December 31, 2012, compared to an income tax recovery of \$6.3 million for the period from August 3 to December 31, 2011. The difference is mainly a result of the deferred income tax impact associated with the loss carry-forwards and fair value change related to financial instruments.

We recognized an income tax recovery of \$1.6 million for the three months ended December 31, 2012, compared to an income tax recovery of \$5.4 million for the same quarter last year. The difference in the income tax provision is mainly a result of the deferred income tax impact associated with the fair value change related to investment properties and financial instruments.

Impact of foreign exchange

Comprehensive income was impacted by a foreign currency translation loss of \$4.4 million for the year ended December 31, 2012. The exchange rates decreased slightly from \$1.3193:€1 as at December 31, 2011 to \$1.3118:€1 as at December 31, 2012. The results of our euro-denominated operations included in net income for the year were translated at an average exchange rate of \$1.2850:€1 compared to \$1.3830:€1 for the period from April 21 to December 31, 2011.

Comprehensive income was impacted by a foreign currency translation gain of \$20.7 million for the three months ended December 31, 2012. The exchange rates increased from \$1.2646:€1 as at September 30, 2012 to \$1.3118:€1 as at December 31, 2012. The results of our euro-denominated operations included in net income for the quarter were translated at an average exchange rate of \$1.2861:€1 compared to \$1.3788:€1 in the same quarter last year.

Funds from operations and adjusted funds from operations

	For the three months ended December 31, 2012	For the three months ended December 31, 2011	For the year ended December 31, 2012	For the period from August 3, 2011 to December 31, 2011
Net income (loss)	\$ (8,687)	\$ (25,976)	\$ 10,916	\$ (23,201)
Add (deduct):				
Depreciation of property and equipment	9	7	69	13
Amortization of lease incentives	9	-	17	-
Interest expense on Exchangeable Notes	-	1,609	2,558	2,641
Acquisition related costs, net	-	467	-	7,853
Loss on sale of investment property	258	-	320	-
Deferred income taxes	(1,668)	(5,367)	(2,274)	(6,263)
Term debt swap settlement	(1,660)	(317)	(4,255)	(573)
Gain on settlement of foreign currency contracts	481	(84)	2,406	(84)
Fair value adjustments to investment properties	16,870	31,704	23,349	23,147
Fair value adjustments to financial instruments	6,736	8,557	15,214	14,567
FFO	\$ 12,348	\$ 10,600	\$ 48,320	\$ 18,100
Add (deduct):				
Amortization of financing costs	366	265	1,183	424
Accretion of debenture conversion feature	240	223	930	366
Amortization of fair value adjustment of assumed debt	(26)	-	(206)	-
Deferred unit compensation expense	138	88	628	88
Deferred asset management fees	502	831	1,907	841
Straight-line rent	(56)	(142)	(98)	(187)
	\$ 13,512	\$ 11,865	\$ 52,664	\$ 19,632
Deduct:				
Normalized leasing costs and tenant incentives	(1,025)	(1,025)	(4,100)	(1,682)
Normalized non-recoverable recurring capital expenditures	(600)	(600)	(2,400)	(985)
AFFO	\$ 11,887	\$ 10,240	\$ 46,164	\$ 16,965

Funds from operations and adjusted funds from operations per Unit amounts

The basic weighted average number of Units outstanding used in the FFO and AFFO calculations include all Units and the aggregate number of Units issuable upon the exchange of Exchangeable Notes. The diluted weighted average number of Units assumes the conversion of the Debentures. 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. The weighted average number of Units outstanding for basic and diluted FFO calculations for the three months ended December 31, 2012 is 64,064,093 and 77,017,591, respectively. Diluted FFO includes interest and amortization adjustments related to the Debentures of \$2.7 million for the three months ended December 31, 2012. The weighted average number of Units outstanding for basic and diluted FFO calculations for the year ended December 31, 2012 is 57,379,400 and 70,201,274, respectively. Diluted FFO includes interest and amortization adjustments related to the Debentures of \$10.7 million for the year ended December 31, 2012.

On average for the quarter, the REIT had approximately \$115.0 million of cash available for acquisitions. Over the course of the year, the REIT had approximately \$73.0 million of cash available for acquisitions. Consistent with our newly acquired investment properties, we estimate that these funds, if invested, would generate a return on equity of approximately 11.0% and would have contributed \$3.2 million and \$8.0 million, respectively, to FFO and AFFO for the quarter and year ended December 31, 2012, respectively.

Funds from operations

Management believes FFO is an important measure of our operating performance. This non-IFRS 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 IFRS and is not necessarily indicative of cash available to fund Dundee International REIT's needs.

	For the three months ended December 31, 2012	For the three months ended December 31, 2011	For the year ended December 31, 2012	For the period from August 3, 2011 to December 31, 2011
FFO	\$ 12,348	\$ 10,600	\$ 48,320	\$ 18,100
FFO per unit – basic	\$ 0.19	\$ 0.20	\$ 0.84	\$ 0.35
FFO per unit – diluted	\$ 0.19	\$ 0.20	\$ 0.84	\$ 0.35

Excluding the impact of undeployed cash:

FFO per unit – basic	\$ 0.24		\$ 0.98	
FFO per unit – diluted	\$ 0.24		\$ 0.95	

Adjusted funds from operations

	For the three months ended December 31, 2012	For the three months ended December 31, 2011	For the year ended December 31, 2012	For the period from August 3, 2011 to December 31, 2011
AFFO	\$ 11,887	\$ 10,240	\$ 46,164	\$ 16,965
AFFO per unit – basic	\$ 0.19	\$ 0.20	\$ 0.80	\$ 0.33

Excluding the impact of undeployed cash:

AFFO per unit – basic	\$ 0.24		\$ 0.94	
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AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-IFRS measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Dundee International REIT's needs.

Our calculation of AFFO includes an estimated amount of normalized non-recoverable maintenance capital expenditures, initial direct leasing costs and tenant incentives, which we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity over the next two to three years multiplied by the average cost per square foot that we expect to incur. 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.

FFO and AFFO are not defined by IFRS 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 AFFO to cash generated from operating activities.

	For the three months ended December 31, 2012	For the three months ended December 31, 2011	For the year ended December 31, 2012	For the period from August 3, 2011 to December 31, 2011
Cash generated from operating activities	\$ 16,712	\$ 10,803	\$ 52,320	\$ 22,611
Add (deduct):				
Transaction costs on acquired properties	-	467	-	7,853
Change in non-cash working capital	(3,488)	477	(287)	(10,931)
Share of general and administrative expenses from equity accounted investments	13	39	37	20
Deferred (gain) loss on settlement of foreign exchange contracts	(248)	32	(417)	32
Investment in lease incentives and initial direct leasing costs	523	47	1,011	47
Normalized leasing costs and lease incentives	(1,025)	(1,025)	(4,100)	(1,682)
Normalized non-recoverable recurring capital expenditures	(600)	(600)	(2,400)	(985)
AFFO	\$ 11,887	\$ 10,240	\$ 46,164	\$ 16,965

Selected annual information

The following table provides selected information for the past two years:

	For the year ended December 31, 2012	For the period from August 3, 2011 to December 31, 2011
Revenues	\$ 138,661	\$ 54,274
Income (loss) before discontinued operations	10,916	(23,201)
Net income (loss)	10,916	(23,201)
Total Assets	1,400,269	1,039,340
Debt	726,830	579,006
Distributions declared	43,568	14,441
Units Outstanding:		
REIT Units	72,232,494	43,872,316
Exchangeable Notes	-	8,000,000

Quarterly information

The following tables show quarterly information since August 3, 2011:

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
REVENUES						
Investment properties revenue	\$ 35,926	\$ 33,765	\$ 34,896	\$ 34,074	\$ 31,726	\$ 22,548
Investment properties operating expenses	13,869	12,024	13,992	13,337	10,757	9,017
NET RENTAL INCOME	22,057	21,741	20,904	20,737	20,969	13,531
OTHER INCOME AND EXPENSES						
Portfolio management	(1,019)	(1,096)	(1,051)	(1,035)	(894)	(672)
Interest and other income	289	59	63	92	122	10
Interest expense	(6,100)	(6,531)	(6,629)	(8,119)	(8,591)	(5,265)
General and administrative	(1,638)	(1,856)	(1,598)	(1,487)	(2,253)	(861)
Fair value adjustments to investment properties	(16,870)	(2,574)	(3,010)	(895)	(31,704)	8,557
Fair value adjustments to financial instruments	(6,736)	(5,950)	130	(2,658)	(8,557)	(6,010)
Depreciation and amortization	(7)	(35)	(11)	-	-	-
Acquisition related gain, net	-	-	-	-	(467)	(7,386)
Loss on sale of investment property	(258)	(62)	-	-	-	-
Share of net losses from equity accounted investments	11	(13)	12	11	32	(25)
Income before taxes	(10,271)	3,683	8,810	6,646	(31,343)	1,879
Current income taxes	84	77	29	36	-	-
Deferred income taxes	(1,668)	(57)	(334)	(215)	(5,367)	(896)
NET INCOME (LOSS)	\$ (8,687)	\$ 3,663	\$ 9,115	\$ 6,825	\$ (25,976)	\$ 2,775
Add (deduct):						
Depreciation of property and equipment	9	38	16	6	7	6
Amortization of lease incentives	9	8	-	-	-	-
Interest on Exchangeable Notes	-	406	632	1,520	1,609	1,032
Acquisition related gain, net	-	-	-	-	467	7,386
Loss on sale of investment property	258	62	-	-	-	-
Deferred income taxes	(1,668)	(57)	(334)	(215)	(5,367)	(896)
Term debt swap settlement	(1,660)	(1,155)	(1,038)	(402)	(317)	(256)
Deferred gain/loss on settlement of Forex contracts	481	954	496	475	(84)	-
Fair value adjustments to investment properties	16,870	2,574	3,010	895	31,704	(8,557)
Fair value adjustments to financial instruments	6,736	5,950	(130)	2,658	8,557	6,010
FFO	\$ 12,348	\$ 12,443	\$ 11,767	\$ 11,762	\$ 10,600	\$ 7,500
FFO per unit – basic	\$ 0.19	\$ 0.22	\$ 0.21	\$ 0.23	\$ 0.2	\$ 0.15
FFO per unit – diluted	0.19	0.21	0.21	0.22	0.2	0.15
Funds from operations	\$ 12,348	\$ 12,443	\$ 11,767	\$ 11,762	\$ 10,600	\$ 7,500
Add (deduct):						
Amortization of financing costs	366	279	273	265	265	159
Accretion of debenture conversion feature	240	235	230	225	223	143
Amortization of FV adjustment of debt	(26)	(76)	(78)	(26)	-	-
Deferred compensation expense	138	180	158	152	88	-
Deferred asset management expense	502	504	488	413	831	10
Straight-line rent	(56)	(78)	18	18	(142)	(45)
	13,512	13,487	12,856	12,809	11,865	7,767
Deduct:						
Normalized initial direct leasing costs and tenant incentives	(1,025)	(1,025)	(1,025)	(1,025)	(1,025)	(657)
Normalized non-recoverable recurring capital expenditures	(600)	(600)	(600)	(600)	(600)	(385)
AFFO	\$ 11,887	\$ 11,862	\$ 11,231	\$ 11,184	\$ 10,240	\$ 6,725
AFFO per unit – basic	\$ 0.19	\$ 0.21	\$ 0.20	\$ 0.22	\$ 0.20	\$ 0.13
AFFO per unit – diluted	0.19	0.20	0.20	0.21	0.20	0.13
Weighted average number of units						
Basic	64,064,093	57,795,412	55,697,600	51,882,467	51,862,716	50,066,374
Diluted	77,017,591	70,666,219	68,474,767	64,565,100	64,396,562	61,739,125
Quarterly average exchange rate (\$:€1)	1.286	1.245	1.296	1.313	1.379	1.389

Section III – Disclosure controls and procedures and internal controls over financial reporting

Our Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their direct supervision, the Trust's Disclosure Controls and Procedures (as defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109")) to provide reasonable assurance that: (i) material information relating to the Trust and its consolidated subsidiaries is made known to them by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Trust in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported on a timely basis. Our Chief Executive Officer and Chief Financial Officer have also designed, or caused to be designed under their direct supervision, the Trust's Internal Control over Financial Reporting (as defined in NI 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. The Trust is continually reviewing and evaluating its systems of controls and procedures and, subject to inherent limitations noted above, has concluded that they were effective as at December 31, 2012.

Section IV – Risks and our strategy to manage

We are exposed to various risks and uncertainties, many of which are beyond our control. For a full list and explanation of our risks and uncertainties, please refer to our 2011 Annual Report or our Annual Information Form dated March 30, 2012, filed on SEDAR (www.sedar.com).

Real estate ownership

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of office and other commercial properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations and for making distributions and interest payments.

Certain significant expenditures (e.g., property taxes, maintenance costs, mortgage payments, insurance costs and related charges) must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which we may not be able to pass on to our tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction, or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. In the course of acquiring a property, undisclosed defects in design or construction or other risks might not have been recognized or correctly evaluated during the pre-acquisition due diligence process. These circumstances could lead to additional costs and could have an adverse effect on our proceeds from sales and rental income of the relevant properties.

Rollover of leases

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. Furthermore, the terms of any subsequent lease may be less favourable than those of the existing lease. Our cash flows and financial position would be adversely affected if our tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us.

The majority of the Deutsche Post leases expire in 2018. Deutsche Post has early termination rights entitling it to terminate certain leases prior to their expiry upon 12 months' prior notice. As of the date hereof, these termination rights pertain to approximately 21% of the Trust's GLA at December 31, 2012.

Concentration of properties and tenants

Currently, all of our properties are located in Germany and as a result are impacted by economic and other factors specifically affecting the real estate markets in Germany. These factors may differ from those affecting the real estate markets in other regions. Due to the concentrated nature of our properties, a number of our properties could experience any of the same conditions at the same time. If real estate conditions in Germany decline relative to real estate conditions in other regions, our cash flows and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

We derive a significant portion of our rental income from Deutsche Post. Consequently, these revenues are dependent on the ability of Deutsche Post to meet its rent obligations and our ability to collect rent from Deutsche Post.

Financing

We require access to capital to maintain our properties as well as to fund our growth strategy and significant capital expenditures. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing will be subject to a number of factors, including general market conditions; the market's perception of our growth potential; our current and expected future earnings; our cash flow and cash distributions; cash interest payments; and the market price of our Units.

A significant portion of our financing is debt. Accordingly, we are subject to the risks associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest, and that on maturities of such debt we may not be able to refinance the outstanding principal under such debt or that the terms of such refinancing will be more onerous than those of the existing debt. If we are unable to refinance debt at maturity on terms acceptable to us or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses and could alter our debt-to-equity ratio or be dilutive to unitholders. Such losses could have a material adverse effect on our financial position or cash flows.

The degree to which we are leveraged could have important consequences for our operations. A high level of debt will: reduce the amount of funds available for the payment of distributions to unitholders and interest payments on our debentures; limit our flexibility in planning for, and reacting to, changes in the economy and in the industry and increase our vulnerability to general adverse economic and industry conditions; limit our ability to borrow additional funds, dispose of assets, encumber our assets and make potential investments; place us at a competitive disadvantage compared to other owners of similar real estate assets that are less leveraged and therefore may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; make it more likely that a reduction in our borrowing base following a periodic valuation (or redetermination) could require us to repay a portion of the then outstanding borrowings; and impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general trust or other purposes.

Tax matters

Although we have been structured with the objective of maximizing after-tax distributions, tax charges and withholding taxes in various jurisdictions in which we invest will affect the level of distributions made to us by our subsidiaries. No assurance can be given as to the level of taxation suffered by us or our subsidiaries. Currently, our revenues are derived from our investments located in Germany. It is possible that certain of our subsidiaries could be subject to German corporate income tax on their net rental income and capital gains from the sale of properties. Although we have managed our tax affairs on the assumption that certain of our subsidiaries will be subject to German corporate income tax (with a view to minimizing, to the extent possible, the amount of taxable income from operations in Germany), there is no certainty that we will not pay German corporate income tax. In addition, German real estate transfer tax ("RETT") is triggered when, among other things, there is a transfer of legal title of properties from one legal person to another. In the case of the initial reallocation of our properties, legal title was not transferred and, consequently, no RETT should be payable in connection therewith. However, if, unexpectedly, RETT does become payable as a result of the reallocation of our properties, we will be required to pay 50% of such RETT.

Our debt financing agreements with third parties and affiliates require us to pay principal and interest. Several rules in German tax laws restrict the tax deductibility of interest expenses for corporate income and municipal trade tax purposes. Such rules have been changed considerably on several occasions in the recent past. As a result, major uncertainties exist as to the interpretation and application of such rules, which are not yet clarified by the tax authorities and the tax courts. Accordingly, there is a risk of additional taxes being triggered on the rental income and capital gains in the event the tax authorities or the tax courts adopt deviating views on such rules.

We have structured our affairs to ensure that none of the Luxembourg entities through which we hold our real property investment in Germany (our "FCPs") has a permanent establishment in Germany, which is relevant for determining whether they would also be liable to municipal trade tax. If it is determined that any of our subsidiaries does have a permanent establishment in one or more German municipalities, the overall rate of German income tax applicable to taxable income could materially increase.

Changes in law

We are subject to applicable federal, state, municipal, local and common laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in such laws or regulations or changes in their application, enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). In addition, the political conditions in the jurisdictions in which we operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which we are subject in the jurisdictions in which we operate could materially affect our rights and title in and to the properties and the revenues we are able to generate from our investments.

Foreign exchange rate fluctuations

Substantially all of our investments and operations will be conducted in currencies other than Canadian dollars; however, we pay distributions to unitholders and interest payments on our debentures in Canadian dollars. We also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through our subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on our financial results, which will be denominated and reported in Canadian dollars, and on our ability to pay cash distributions to unitholders and cash interest payments on our debentures. We have implemented active hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders and interest payments on our debentures if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, our financial results, and our ability to pay distributions to unitholders and cash interest payments on our debentures, may be negatively impacted. Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be

unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on our ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

Interest rates

When entering into financing agreements or extending such agreements, we depend on our ability to agree on terms for interest payments that will not impair our desired profit and on amortization schedules that do not restrict our ability to pay distributions on our Units and interest payments on our debentures. In addition to existing variable rate portions of our financing agreements, we may enter into future financing agreements with variable interest rates. An increase in interest rates could result in a significant increase in the amount paid by us to service debt, which could limit our ability to pay distributions to unitholders and could impact the market price of the Units and/or the debentures. We have implemented an active hedging program in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders and cash interest payments under the debentures should current variable interest rates increase. However, to the extent that we fail to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge increases in variable interest rates, our financial results, our ability to pay distributions to unitholders and cash interest payments under our financing arrangements, the debentures and future financings may be negatively affected. Hedging transactions involve inherent risks. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a significant negative effect on our ability to sell any of our properties. See "Foreign exchange rate fluctuations" above.

Environmental risk

We are subject to various laws relating to environmental matters. Our properties may contain ground contamination, hazardous substances, wartime relics or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or the buildings could bear other environmental risks. Actual and contingent liabilities may be imposed on us under applicable environmental laws to assess and, if required, undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites we currently own or operate, sites we formerly owned or operated, or sites where waste from our operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us, including under the German Federal *Soil Protection Act* (Bundesbodenschutzgesetz). According to this Act, not only the polluter but also its legal successor, the owner of the contaminated site and certain previous owners may be held liable for soil contamination. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings, as well as costs related to legal proceedings, including potential damages, regarding such matters, may be substantial, and it may be impossible, for a number of reasons, for us to have recourse against a polluter and/or former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. Furthermore, the discovery of any residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages or other breach of warranty claims against us. Environmental laws may also impose liability on us for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages.

Organizational structure

We hold a 50% equity interest in Lorac, which is the manager of our FCPs and the registered owner on title to our Initial Properties. Lorac is also the manager of another fund and the registered owner on title to a portfolio of properties on behalf of that other fund. We and the owner of the remaining Lorac shares have entered into a shareholders' agreement, which provides us with the right to appoint three of the six directors of Lorac. In addition, the directors of Lorac have adopted governance rules pursuant to which, subject to applicable law, our appointed directors generally have responsibility for matters relating to our properties, and the other three directors, who are nominated by the other owner of the Lorac shares, generally have responsibility for matters affecting other properties of which Lorac is the registered owner on title. Pursuant to such shareholders' agreement and the governance rules, certain matters such as filing tax returns and shared employee matters will require the approval of a majority of the directors. Each of the directors has a fiduciary duty to act in the best interests of Lorac and Lorac has a duty to manage our FCPs and the other fund in the best interests of the respective unitholders. However, it is possible that we will need the approval of a majority of the directors of Lorac with respect to certain matters involving our properties and there can be no assurance that such matters will be approved at all or on the terms requested. Any matter with respect to which our appointed directors and those appointed by the other owner of the Lorac shares cannot agree will be submitted to the Lorac shareholders. However, since we have only 50% of the voting shares of Lorac, there can be no assurance that any such matter will be approved in the manner in which we would hope. Such dispute could have a material and adverse effect on our cash flows, financial condition and results of operations, and on our ability to make distributions on the Units or cash interest payments on the debentures.

As manager of the other fund since 2008, Lorac has incurred and will continue to incur liabilities as a result of managing that other fund and its assets. To the extent that the other fund is unable to satisfy such liabilities, a third party could seek recourse against Lorac. If Lorac is unable to satisfy such liabilities, Lorac could be required to seek protection from creditors under applicable bankruptcy or insolvency legislation. Taking such steps could result in Lorac being replaced as the manager of our FCPs with the result that legal title to our properties would be required to be transferred to a new manager. This would result in the payment of RETT in Germany. The amount of such taxes could have a material and adverse effect on our cash flows, financial condition and results of operations. We have negotiated certain limited indemnities from the other fund in connection with any prior existing liabilities of the other fund and with those that may arise as a result of actions or omissions of the other fund. In addition to the foregoing, we have been advised by our Luxembourg counsel that creditors of the other fund could only seek recourse against the assets of the other fund and could not seek recourse against the assets of our FCPs regardless of the fact that Lorac may have entered into the contract on behalf of the other fund or our FCPs creating such right to a claim.

New properties acquired by the Trust are held through Luxembourg limited liability entities outside of the Lorac arrangement.

Competition

The real estate market in Germany is highly competitive and fragmented and we compete for real property acquisitions with individuals, corporations, institutions and other entities that may seek real property investments similar to those we desire. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. If competing properties of a similar type are built in the area where one of our properties is located or if similar properties located in the vicinity of one of our properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced.

Numerous other developers, managers and owners of properties will compete with us in seeking tenants. To the extent that our competitors own properties that are better located, of better quality or less leveraged than the properties owned by us, they may be in a better position to attract tenants who might otherwise lease space in our properties. To the extent that our competitors are better capitalized or stronger financially, they will be better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition.

Insurance

We carry general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in Germany and otherwise acceptable to our trustees. For the property risks, we carry “All Risks” property insurance including, but not limited to, flood, earthquake and loss of rental income insurance (with at least a 24-month indemnity period). We also carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. However, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. We partially self-insure against terrorism risk for our entire portfolio. We have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. We do not carry title insurance on our properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, we could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

Section V – Critical accounting policies

Critical accounting judgments, estimates and assumptions in applying accounting policies

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent liabilities. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the asset or liability affected in the future. Dundee International REIT’s critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 in the consolidated financial statements.

Changes in accounting estimates and changes in accounting policies

Future accounting policy changes

Dundee International REIT’s future accounting policy changes are described in Note 5 in the consolidated financial statements.

Additional information relating to Dundee International REIT, including our Annual Information Form dated March 30, 2012, is available on SEDAR at www.sedar.com.

Management's responsibility for financial statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dundee International Real Estate Investment Trust. These financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The audit committee, which comprises trustees, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the audit committee, with or without management present.



P. JANE GAVAN

President and Chief Executive Officer

Toronto, Ontario, February 21, 2013



RENE D. GULLIVER

Chief Financial Officer

Independent auditor's report

To the Unitholders of Dundee International Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Dundee International Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the year then ended December 31, 2012 and the period from April 21, 2011 to December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee International Real Estate Investment Trust and its subsidiaries, as at December 31, 2012 and December 31, 2011, and their financial performance and their cash flows for the year then ended December 31, 2012 and the period from April 21, 2011 to December 31, 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario, February 21, 2013

Consolidated balance sheets

(in thousands of Canadian dollars)

	Note	December 31, 2012	December 31, 2011
Assets			
NON-CURRENT ASSETS			
Investment properties	8	\$ 1,182,757	\$ 941,442
Amount in escrow	9	5,568	–
Deferred income tax assets	21	8,491	7,034
Other non-current assets	10	548	364
		1,197,364	948,840
CURRENT ASSETS			
Amounts receivable	11	4,822	2,010
Prepaid expenses		4,354	583
Amount in escrow	9	12,110	–
Cash		181,619	87,907
		202,905	90,500
Total assets		\$ 1,400,269	\$ 1,039,340
Liabilities			
NON-CURRENT LIABILITIES			
Debt	12	\$ 724,119	\$ 579,006
Exchangeable Notes	13	–	80,000
Deferred rent	9	5,568	–
Deposits		895	481
Derivative financial instruments	14	23,076	11,754
Deferred Unit Incentive Plan	15	3,629	945
		757,287	672,186
CURRENT LIABILITIES			
Debt	12	2,711	–
Amounts payable and accrued liabilities	16	26,863	13,420
Income tax payable		404	–
Deferred rent	9	12,110	–
Distributions payable	17	4,816	2,925
		46,904	16,345
Total liabilities		804,191	688,531
Equity			
Unitholders' equity		689,318	407,009
Deficit		(70,294)	(37,642)
Accumulated other comprehensive loss		(22,946)	(18,558)
Total equity	18	596,078	350,809
Total liabilities and equity		\$ 1,400,269	\$ 1,039,340

See accompanying notes to the consolidated financial statements

On behalf of the Board of Trustees of Dundee International Real Estate Investment Trust:



MICHAEL J. COOPER
Trustee



P. JANE GAVAN
Trustee

Consolidated statements of comprehensive income (loss)

(in thousands of Canadian dollars)

	Note	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Investment properties revenue		\$ 138,661	\$ 54,274
Investment properties operating expenses		53,222	19,774
Net rental income		85,439	34,500
Other income and expenses			
Portfolio management		(4,201)	(1,566)
General and administrative		(6,579)	(3,114)
Fair value adjustments to investment properties	8	(23,349)	(23,147)
Depreciation and amortization		(53)	–
Loss on sale of investment property	8	(320)	–
Share of income from equity accounted investment	10	21	7
Acquisition related costs, net		–	(7,853)
Interest and other income		503	132
Interest expense	19	(27,379)	(13,856)
Fair value adjustments to financial instruments	20	(15,214)	(14,567)
Income before income taxes		8,868	(29,464)
Current income taxes		226	–
Deferred income taxes		(2,274)	(6,263)
Provision for (recovery of) income taxes	21	(2,048)	(6,263)
Net income (loss)		10,916	(23,201)
Foreign currency translation adjustment		(4,388)	(18,558)
Comprehensive income (loss)		\$ 6,528	\$ (41,759)

See accompanying notes to the consolidated financial statements

Consolidated statement of changes in equity

(in thousands of Canadian dollars, except number of Units)

	Note	Number of Units	Unitholders' equity	Attributable to unitholders of the Trust		
				Deficit	Accumulated other comprehensive loss	Total
Balance at January 1, 2012		43,872,316	\$ 407,009	\$ (37,642)	\$ (18,558)	\$ 350,809
Net income for the year		-	-	10,916	-	10,916
Distributions paid	17	-	-	(38,752)	-	(38,752)
Distributions payable	17	-	-	(4,816)	-	(4,816)
Public offering of Units	18	28,186,500	290,436	-	-	290,436
Distribution Reinvestment Plan	18	157,432	1,644	-	-	1,644
Unit Purchase Plan	18	3,371	36	-	-	36
Deferred Unit Incentive Plan	18	12,875	138	-	-	138
Issue costs		-	(9,945)	-	-	(9,945)
Foreign currency translation adjustment		-	-	-	(4,388)	(4,388)
Balance at December 31, 2012		72,232,494	\$ 689,318	\$ (70,294)	\$ (22,946)	\$ 596,078

	Note	Number of Units	Unitholders' equity	Attributable to unitholders of the Trust		
				Deficit	Accumulated other comprehensive loss	Total
Balance at April 21, 2011		-	\$ -	\$ -	\$ -	\$ -
Units issued on formation	18	800,000	400	-	-	400
Net loss for the period		-	-	(23,201)	-	(23,201)
Distributions paid	17	-	-	(11,516)	-	(11,516)
Distributions payable	17	-	-	(2,925)	-	(2,925)
Public offering of Units	18	43,050,000	430,500	-	-	430,500
Distribution Reinvestment Plan	18	22,316	217	-	-	217
Issue costs	18	-	(24,108)	-	-	(24,108)
Foreign currency translation adjustment		-	-	-	(18,558)	(18,558)
Balance at December 31, 2011		43,872,316	\$ 407,009	\$ (37,642)	\$ (18,558)	\$ 350,809

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(in thousands of Canadian dollars)

	Note	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Generated from (utilized in) operating activities			
Net income (loss)		\$ 10,916	\$ (23,201)
Non-cash items:			
Share of income from equity accounted investment		(21)	(7)
Deferred income taxes		(2,274)	(6,263)
Amortization of lease incentives		17	–
Amortization of financing costs		1,183	424
Amortization of fair value adjustment on acquired debt		(206)	–
Amortization of initial discount on convertible debentures		930	366
Loss on sale of investment property		320	–
Depreciation and amortization		53	–
Deferred unit compensation expense and asset management fees	15	2,535	929
Straight-line rent adjustment		(98)	(187)
Fair value adjustments to financial instruments	20	15,214	14,567
Fair value adjustments to investment properties		23,349	23,147
Cash settlement on foreign exchange contracts		2,822	(116)
Interest on Exchangeable Notes	19	2,558	2,641
Cash settlement on interest rate swap		(4,255)	(573)
Lease incentives and initial direct leasing costs		(1,010)	(47)
Change in non-cash working capital	23	287	10,931
		52,320	22,611
Generated from (utilized in) investing activities			
Investment in building improvements	8	(2,391)	(488)
Acquisition of investment properties	6, 7	(241,032)	(998,266)
Prepaid transaction costs on investment properties		(2,969)	–
Proceeds from disposal of investment property		7,095	–
		(239,297)	(998,754)
Generated from (utilized in) financing activities			
Purchase of derivative instruments		–	(9,986)
Proceeds from vendor for financing charges		–	9,555
Mortgages placed		130,889	–
Financing costs on debts placed		(2,330)	–
Mortgage principal repayments		(908)	–
Lump sum repayment		(3,426)	–
Issue of convertible debentures, net of costs		–	154,069
Proceeds of term debt, net of costs		–	438,163
Issue of Exchangeable Notes		–	80,000
Units issued for cash		208,142	430,900
Unit issue costs		(8,961)	(23,838)
Distributions paid on Units		(40,033)	(11,299)
Interest on Exchangeable Notes	19	(2,558)	(2,641)
		280,815	1,064,923
Increase in cash		93,838	88,780
Effect of exchange rate changes on cash		(126)	(873)
Cash, beginning of period		87,907	–
Cash, end of period		\$ 181,619	\$ 87,907

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

(All dollar amounts in thousands of Canadian dollars, except unit or per unit amounts)

Note 1

Organization

Dundee International Real Estate Investment Trust (the "REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust dated April 21, 2011, under the laws of the Province of Ontario, and is domiciled in Ontario. The consolidated financial statements of the REIT include the accounts of the REIT and its consolidated subsidiaries. The REIT's portfolio comprises office, industrial and mixed use properties located in Germany.

The address of the Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "DI.UN". The Trust's consolidated financial statements for the year ended December 31, 2012, were authorized for issue by the Board of Trustees on February 21, 2013, after which date the consolidated financial statements may only be amended with Board approval.

On April 11, 2011, 800,000 Units were issued to Dundee Realty Corporation ("DRC") for \$400 cash. During the period from April 21, 2011 to August 2, 2011, the Trust had no operating activity.

At December 31, 2012, Dundee Corporation, the majority shareholder of DRC, directly and indirectly through its subsidiaries, held 12,800,000 Units.

Note 2

Summary of significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, which is also the Trust's functional currency. All financial information has been rounded to the nearest thousand except when otherwise indicated. The accounting policies set out below have been applied consistently in all material respects. Certain new accounting standards and guidelines relevant to the Trust that were issued at the date of approval of the financial statements but not yet effective for the current accounting period are described in Note 5.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, the conversion feature of the convertible debentures, Exchangeable Notes, financial derivatives, and the Deferred Unit Incentive Plan, which are measured at carrying values impacted by fair values.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Trust obtains control, and continue to be consolidated until the date that such control ceases. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Joint arrangements

A joint venture is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

The Trust reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, equity accounted investments are carried on the consolidated balance sheets at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses, and for post-acquisition changes in excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. The Trust's share of profits and losses is recognized in the share of net earnings from equity accounted investments in the consolidated statements of comprehensive income (loss). At each period-end, the Trust evaluates whether there is objective evidence that its interest in an equity accounted investment is impaired. The entire carrying amount of the equity accounted investment is compared to the recoverable amount, which is the higher of the value in use or fair value less costs to sell. The recoverable amount of each investment is considered separately. When the Trust's share of losses of an equity accounted investment equals or exceeds its interest in that investment, the Trust discontinues recognizing its share of further losses. Any additional share of losses is provided for and a liability is recognized only to the extent that the Trust has incurred legal or constructive obligations to fund the entity or made payments on behalf of that entity. Accounting policies of equity accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Trust.

Where the Trust transacts with its equity investments, unrealized profits and losses are eliminated to the extent of the Trust's interest in the investment. Balances outstanding between the Trust and equity accounted investments in which it has an interest are not eliminated in the consolidated balance sheets.

Note 3

Accounting policies selected and applied for significant transactions and events

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

Investment properties

Investment properties are initially recorded at cost including related transaction costs in connection with asset acquisitions, except if acquired in a business combination, in which case they are initially recorded at fair value, and include office, industrial and other commercial properties held to earn rental income and/or for capital appreciation. Investment properties are subsequently measured at fair value, determined based on available market evidence, at the consolidated balance sheet date. Related fair value gains and losses are recorded in comprehensive income in the period in which they arise. The fair value of each investment property is based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet date, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition, and subject to similar leases and other contracts. The Trust has concluded there is insufficient market evidence on which to base investment property valuation using this approach and has therefore determined to use the income approach. The income approach is one in which the fair value is estimated by capitalizing the net operating income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method whereby the net operating income is capitalized at the requisite overall capitalization rate; and/or the discounted cash flow method in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction of investment properties revenue.

Segment reporting

The Trust owns and operates investment properties located in Germany. In measuring performance, the Trust does not distinguish or group its operations on a geographic or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

The Trust's major tenant is Deutsche Post, accounting for approximately 65% of the gross rental income generated by the Trust's properties for the year ended December 31, 2012 (December 31, 2011 – 85%).

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the REIT's operating subsidiaries is euros. The consolidated financial statements are presented in Canadian dollars, which is the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the statements of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated statements of comprehensive income.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statements of income as part of the gain or loss on sale.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Other non-current assets

Other non-current assets include equity accounted investments, property and equipment, and straight-line rent receivables. Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their expected useful lives of three to ten years. The residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year-end. Cost includes expenditures that are directly attributable to the acquisition and expenditures for replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to comprehensive income during the financial period in which they are incurred.

Other non-current assets are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in comprehensive income in the year the asset is derecognized.

Provisions

Provisions for legal claims are recognized when the Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Revenue recognition

The Trust accounts for leases with tenants as operating leases, as it has retained substantially all of the risks and benefits of ownership of its investment properties. Revenues from investment properties include base rents, recoveries of operating expenses including property taxes, lease termination fees, parking income and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred and collectability reasonably assured. Other revenues are recorded as earned.

Lease incentives, such as cash, rent-free periods and lessee or lessor owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying value of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Business combinations

The purchase method of accounting is used for acquisitions meeting the definition of a business. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Trust's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust's share of the net assets acquired, the difference is recognized directly in comprehensive income for the year as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

Distributions

Distributions to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as an increase to the deficit.

Income taxes

The REIT is taxed as a mutual fund trust under the *Income Tax Act* (Canada). The REIT is not a specified investment flow-through trust ("SIFT"), and will not be, provided that the REIT complies at all times with its investment restrictions, which preclude the REIT from investing in any entity other than a portfolio investment entity or from holding any non-portfolio property. The Trust intends to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes. The tax deductibility of the REIT's distributions to unitholders represents, in substance, an exception from current Canadian tax, and from deferred tax relating to temporary differences in the REIT, so long as the REIT continues to expect to distribute all of its taxable income and taxable capital gains to its unitholders. Accordingly, no net current Canadian income tax expense or deferred income tax assets or liabilities have been recorded in these consolidated financial statements.

The tax expense related to non-Canadian taxable subsidiaries for the period comprises current and deferred taxes. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Unit-based compensation plan

The Trust has a Deferred Unit Incentive Plan ("DUIP"), as described in Note 18, that provides for the grant of deferred trust units and income deferred trust units to trustees, officers, employees, affiliates and their service providers (including the asset manager). Unvested deferred trust units are recorded as a liability and compensation expense and, where applicable, asset management expense. Grants to trustees, officers and employees are recognized as compensation expense and included in general and administrative expense. They are recognized over the vesting period at the amortized cost based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost based on the fair value of the corresponding units, with changes in fair value being recognized in comprehensive income, as a fair value adjustment to financial instruments. Deferred units granted to DRC for payment of asset management fees are included in general and administrative expense during the period for accounting purposes as they relate to services provided during the period and the units and fees are initially measured by applying a discount to the fair value of the corresponding units. The discount is estimated by applying the Black-Scholes model, taking into consideration the volatility of the Canadian REIT equity market and the German real estate industry. Once recognized, the liability is remeasured at each reporting date at a discount to the fair values of the corresponding units, with the change being recognized in comprehensive income as fair value adjustment to financial instruments.

Cash and cash equivalents

Cash and cash equivalents include all short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. Excluded from cash and cash equivalents are amounts held for repayment of tenant security deposits as required by various lending agreements.

Financial instruments

Designation of financial instruments

The following summarizes the Trust's classification and measurement of financial assets, liabilities and financial derivatives:

	Classification	Measurement
Financial assets		
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash and deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Mortgage debt	Other liabilities	Amortized cost
Term loan credit facility	Other liabilities	Amortized cost
Convertible debentures – host instrument	Other liabilities	Amortized cost
Exchangeable Notes	Other liabilities	Amortized cost
Deposits	Other liabilities	Amortized cost
Deferred Unit Incentive Plan	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost
Income taxes payable	Other liabilities	Amortized cost
Financial derivatives		
Derivative assets	Fair value through profit and loss	Fair value
Derivative liabilities	Fair value through profit and loss	Fair value
Convertible debentures – conversion feature	Fair value through profit and loss	Fair value

Financial assets

The Trust classifies its financial assets upon initial recognition as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs. Subsequently, financial assets are measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income within investment property operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment property operating expenses in the consolidated statements of comprehensive income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in income or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Trust transfers substantially all risks and rewards of ownership.

Financial liabilities

The Trust classifies its financial liabilities upon initial recognition as either fair value through income and loss or other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value (net of transaction costs). Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive income over the expected life of the debt. The Trust's financial liabilities that are classified as fair value through income and loss are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value recognized in comprehensive income.

Term loans are initially recognized at fair value less attributable transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, term loans are recognized at amortized cost.

Upon issuance, convertible debentures are separated into two financial liability components: the host instrument and the conversion feature. This presentation is required because the conversion feature permits the holder to convert the debenture into Units that, except for the available exemption under IAS 32, "Financial Instruments: Presentation" ("IAS 32"), would normally be presented as a liability because of the redemption feature attached to the Units. Both components are measured based on their respective estimated fair values at the date of issuance. The fair value of the host instrument is net of any related transaction costs. The fair value of the host instrument is estimated based on the present value of future interest and principal payments due under the terms of the debenture using a discount rate for similar debt instruments without a conversion feature. Subsequent to initial recognition, the host instrument is accounted for at amortized cost. The conversion feature is accounted for at fair value with changes in fair value recognized in comprehensive income each period. When the holder of a convertible debenture converts its interest into Units, the host instrument and conversion feature are reclassified to unitholders' equity in proportion to the units converted over the total equivalent units outstanding.

The DUIP and the Exchangeable Notes are measured at amortized cost because they are settled in Units, which in accordance with IAS 32 are liabilities. Consequently, the DUIP and Exchangeable Notes are remeasured each period based on the fair value of Units, with changes in the liabilities recorded in comprehensive income. Distributions paid on Exchangeable Notes are recorded as interest expense in comprehensive income.

The Trust considers interest expense on the Exchangeable Notes to be a financing activity in the statements of cash flows.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Derivative instruments are recorded in the consolidated balance sheets at fair value. Changes in fair value of derivative instruments that are not designated as hedges for accounting purposes are recognized in fair value adjustments to financial instruments.

The Trust has not designated any derivatives as hedges for accounting purposes.

Interest

Interest on debt includes coupon interest on term loans and mortgage debt, amortization of premiums allocated to the conversion features of the convertible debentures, amortization of ancillary costs incurred in connection with the arrangement of borrowings, and net settlement of financial interest rate derivatives and interest on Exchangeable Notes. Finance costs are amortized to interest expense unless they relate to a qualifying asset.

Equity

The Trust classifies the Units as equity. Under IAS 32 the Units are considered a puttable financial instrument because of the holder's option to redeem Units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by the REIT in any calendar month shall not exceed \$50 unless waived by the REIT's trustees at their sole discretion. The Trust has determined that the Units can be classified as equity and not financial liabilities because the Units have the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- Units entitle the holder to a pro rata share of the Trust's net assets in the event of the Trust's liquidation. The Trust's net assets are those assets that remain after deducting all other claims on its assets.
- Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.
- All instruments in the class of instruments that are subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the Units over their life are based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the Trust over the life of the Units.

In addition to the Units meeting all of the above criteria, the REIT has determined it has no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognized assets, or the change in the fair value of the recognized and unrecognized net assets of the REIT. The REIT also has no other financial instrument or contract that has the effect of substantially restricting or fixing the residual return to unitholders.

Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

Note 4

Critical accounting judgments, estimates and assumptions in applying accounting policies

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on experience in the industry and other various factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Critical accounting judgments

The following are the critical judgments made in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Investment properties

Critical judgments are made by the Trust in respect of the fair values of investment properties. The fair value of these investments is reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuers are experienced and nationally recognized and qualified in the professional valuation of office, industrial and other commercial buildings in the geographic areas of the properties held by the Trust. Judgment is also applied in determining the extent and frequency of independent appraisals.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property or are of a repair and maintenance nature.

Leases

In applying the revenue recognition policy, the Trust makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as additions to the investment property.

The Trust also makes judgments in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in a property and those long-term ground leases where the Trust is lessor, are operating or finance leases. The Trust has determined that all of its leases are operating leases.

Income tax treatment

The REIT indirectly owns a majority of its properties through 15 FCPs (fonds commun de placement). The income tax treatment of non-German residents, such as the FCP unitholders indirectly owned by the REIT, is not entirely clear and is subject to significant judgment, and accordingly it is not currently possible to determine with certainty whether the FCP unitholders will or will not be taxable in Germany on their net rental income and capital gains. In light of this uncertainty, the REIT has structured its affairs assuming that the FCP unitholders would be subject to corporate income tax in Germany, and has prepared these consolidated financial statements on that basis.

On January 30, 2013, the German federal government approved a draft of an *Investment Tax Act* reform bill. Based on the draft bill, it is considered likely that foreign investment funds such as the FCPs will become subject to corporate income tax in Germany. Although the draft bill is subject to change and the consequences of such bill are still to be definitively determined, the REIT does not believe that the draft bill will have a material impact. Further, the REIT believes that the consequences of the draft would be the same from a German corporate tax perspective irrespective of whether it is the FCPs or the FCP unitholders that are determined to be the taxpayer.

The Trust computes current and deferred income taxes included in the consolidated financial statements based on the following:

- The rate of corporate tax payable on German taxable income is 15.825%, including a 5.5% solidarity surcharge;
- Taxable income for German corporate income tax purposes is determined by deducting certain expenses incurred in connection with the acquisition and ownership of real property as well as certain operating expenses, provided that the costs are incurred under arm's length terms;
- Buildings can generally be amortized on a straight-line basis at a rate of 2% to 3% depending on the age of the property; and
- The deduction of interest expense, which must reflect arm's length terms, is generally restricted by the so-called "interest capping rules". These rules apply to limit the deduction of all interest expense incurred up to a maximum of 30% of the taxable earnings before interest, tax, depreciation and amortization. However, an exception is available when annual interest expense is less than €3,000 for each taxpayer.

Treatment of Units

The Trust has considered the criteria in IAS 32 and has presented the Units as equity because of the puttable exemption.

Treatment of Exchangeable Notes

The Trust has considered the criteria in IAS 32 and has presented the Exchangeable Notes as liabilities because they do not have identical features to Units, and are not the most subordinated instrument.

Business combinations

Accounting for business combinations under IFRS 3, "Business Combinations" ("IFRS 3"), only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. The Trust applies judgment in determining whether property acquisitions qualify as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the Trust applies judgment when considering the following:

- whether the investment property or properties are capable of producing outputs
- whether the market participant could produce outputs if missing elements exist

In particular, the Trust considers the following:

- whether employees were assumed in the acquisition
- whether an operating platform has been acquired

Currently, when the Trust acquires properties or a portfolio of properties, does not take on or assume employees or does not acquire an operating platform, it classifies the acquisition as an asset acquisition.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable and other assets.

Estimates and assumptions

The Trust makes estimates and assumptions that affect carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of other comprehensive income for the period. Actual results could differ from estimates. The estimates and assumptions critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

Valuation of investment property

The Trust's critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates, and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the Exchangeable Notes, the Deferred Unit Incentive Plan, the convertible debenture conversion feature, derivative instruments, and the fair value disclosure of the convertible debentures, mortgages and term loans. The critical assumptions underlying the fair value measurements and disclosures include the market price of Units, market interest rates for debt and interest rate derivatives, unsecured debentures and foreign currency derivatives.

For certain financial instruments, including cash and cash equivalents, amounts receivable, amounts payable and accrued liabilities, income taxes payable, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair value of term loans and mortgage debt is determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures uses quoted market prices from an active market.

Note 5

Future accounting policy changes

The following are future accounting policy changes to be implemented by the Trust in future years:

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities and the derecognition of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Trust does not expect any impact on its consolidated financial statements upon the adoption of IFRS 9.

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"). This new standard replaces IAS 31, "Interests in Joint Ventures", and eliminates the option to proportionately consolidate interests in certain types of joint ventures. The Trust will start the application of IFRS 11 in the consolidated financial statements effective January 1, 2013. The Trust does not expect any impact on its consolidated financial statements upon the adoption of IFRS 11.

Financial instruments: Disclosures (amendment regarding disclosures on transfer of financial assets and presentation)

IFRS 7 requires the Trust to provide disclosures related to offsetting financial assets and liabilities. The Trust is currently evaluating the impact of IFRS 7 on its consolidated financial statements and will start the application of this amendment on January 1, 2013. IAS 32, "Financial Instruments: Presentation" ("IAS 32"), has been amended to clarify requirements for offsetting financial assets and financial liabilities. The Trust will start the application of this amendment on January 1, 2014, and will report the required disclosures in its consolidated financial statements.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces the guidance on control and consolidation in the current IAS 27, "Consolidated and Separate Financial Statements". IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control. The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Trust will start the application of IFRS 10 in the consolidated financial statements effective January 1, 2013, and does not expect it to have any impact on the consolidated financial statements.

Disclosure of interests in other entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. The Trust will start the application of IFRS 12 in the consolidated financial statements effective January 1, 2013, and does not expect it to have an impact on the consolidated financial statements.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurement. The Trust will start the application of IFRS 13 in the consolidated financial statements effective January 1, 2013, and will report the required disclosures as per IFRS 13 on its consolidated financial statements.

Presentation of items of other comprehensive income

Amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"), provide guidance on the presentation of items contained in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not they may be recycled to profit or loss in the future. The Trust will start the application of this amendment in the consolidated financial statements effective January 1, 2013, and does not expect it to have an impact on the consolidated financial statements as a result of adopting this standard.

Note 6

Property acquisitions

Detailed below are the acquisitions during the year ended December 31, 2012:

For the year ended December 31, 2012	Property type	Interest acquired	Purchase price ⁽¹⁾	Date acquired
Grammophon Büropark, Hannover	office	100%	\$ 35,632	February 29, 2012
Karl-Martell-Strasse 60, Nuremberg	office	100%	65,935	April 26, 2012
Derendorfer Allee 4–4a (doubleU), Düsseldorf	office	100%	56,620	July 19, 2012
Greifswalder Str. 154–156 and Erich-Weinert-Str. 145, (Goldpunkt-Haus), Berlin	office	100%	39,570	December 7, 2012
Am Sandtorkai 37, (Humboldt-Haus), Hamburg	office	100%	37,074	December 31, 2012
Leopoldstrasse 252, 252a and 252b (Leo252), Munich	office	100%	35,830	December 31, 2012
Total			\$ 270,661	

⁽¹⁾ Includes transaction costs.

On February 29, 2012, the REIT acquired Grammophon Büropark, an office property located in Hannover, Germany, for \$35,632. The acquisition was partially financed by assuming a mortgage with a fair value of \$21,803. After working capital adjustments, the REIT paid \$13,692 for the acquisition in cash.

On April 26, 2012, the REIT acquired Karl-Martell-Strasse 60, an office property located in Nuremberg, Germany, for \$65,935. In May 2012, mortgage financing was obtained for this property in the amount of \$34,196, net of costs of \$538.

On July 19, 2012, the REIT acquired doubleU, an office property located at Derendorfer Allee 4 in Düsseldorf, Germany, for a price of \$56,620. The acquisition was partially financed by a new mortgage for \$31,956, net of costs of \$300.

On December 7, 2012, the REIT acquired Goldpunkt-Haus, an office and retail complex located in Berlin, Germany, for \$39,570. The acquisition was partially financed by a new mortgage for \$21,406, net of costs of \$352.

On December 31, 2012, the REIT acquired Humboldt-Haus, an office building located in Hamburg, Germany, for \$37,074. The acquisition was partially financed by a new mortgage for \$21,861, net of costs of \$439.

On December 31, 2012, the REIT also acquired Leo252, an office building located in Munich, Germany, for \$35,830. The acquisition was partially financed by a new mortgage of \$19,643, net of costs of \$198.

The assets acquired and liabilities assumed in the transaction were allocated as follows:

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Investment properties ⁽¹⁾	\$ 270,661	\$ —
Total purchase price	\$ 270,661	\$ —
The consideration paid consists of:		
Cash	\$ 241,032	\$ —
Assumed non-cash working capital	812	—
Fair value of mortgage debt assumed	21,803	—
Transaction costs accrued	7,014	—
Total consideration	\$ 270,661	\$ —

⁽¹⁾ Includes transaction costs.

Note 7

Business combinations

On August 3, 2011, the REIT indirectly through a wholly owned subsidiary acquired 292 commercial properties (the “properties”) located in Germany. Costs relating to the acquisition were \$7,853 and were charged directly to comprehensive income as acquisition related costs. The acquisition was financed by way of net proceeds from the offering of Units, a term loan credit facility and Units issued to DRC and Dundee Corporation, and the issuance of Exchangeable Notes, Series A and Exchangeable Notes, Series B (“Exchangeable Notes”).

The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values:

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Investment properties	\$ —	\$ 1,006,334
Vendor payment for capital costs	—	(8,557)
		997,777
Equity investments	—	221
Working capital adjustments	—	268
Cash	—	998,266
Fair value of consideration transferred	\$ —	\$ 998,266

In conjunction with the acquisition, the REIT received payment from the vendor totalling \$8,557, which related to adjustments for capital costs at certain properties. The accounting treatment of the payment received for capital costs reduced the fair value of the investment properties below the appraised value on acquisition.

Note 8

Investment properties

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Balance at beginning of period	\$ 941,442	\$ –
Additions:		
Acquisitions	270,661	997,777
Building improvements	2,391	488
Lease incentives and initial direct leasing costs	1,011	47
Amortization of lease incentives	(17)	–
Disposals	(7,415)	–
Fair value adjustment	(23,349)	(23,147)
Foreign currency translation	(1,967)	(33,723)
Balance at end of period	\$ 1,182,757	\$ 941,442

The fair value of investment properties has been reduced by \$278 (December 31, 2011 – \$177) as a result of straight-line rent receivable being reclassified to other non-current assets.

Investment properties with an aggregate fair value of \$1,182,757 at December 31, 2012 (December 31, 2011 – \$941,442), were valued by qualified valuation professionals during the year. During 2012, six investment properties were acquired for \$270,661 representing a capitalization rate of approximately 7.22%; refer to Note 6 for details of the acquisitions.

During 2012, the REIT also disposed of five investment properties valued at \$7,415. These properties were acquired in 2011 as part of the Initial Properties. On September 13, 2012, the Trust sold a property located at Bahnhofplatz 4 in Traunstein, for net proceeds of \$1,027. A loss of \$55 was recorded for this transaction in connection with transaction costs. On November 13, 2012, the Trust sold a property located at Ziegelstr. 15, 15A in Ravensburg for net proceeds of \$1,815. A loss of \$77 was recorded for this transaction in connection with transaction costs. On November 30, 2012, the Trust sold a property located at Bahnhofstr. 12 in Pullendorf for net proceeds of \$803. A loss of \$39 was recorded in connection with transaction costs. On December 28, 2012, the Trust sold a property located at Eichendorffstr. 14 in Traunreut for net proceeds of \$877. A loss of \$42 was recorded in connection with transaction costs. On December 31, 2012, the Trust sold a property located at Mecklenburgstr. 4–6 in Schwerin for net proceeds of \$2,548. A loss of \$107 was recorded in connection with transaction costs.

On December 31, 2012, the fair values of the investment properties were adjusted downwards by \$23,349, of which \$11,582 related to capitalized transaction costs associated with the six property acquisitions. Another write-down amount of \$3,402 related to building improvement and leasing costs incurred during the year and \$1,661 pertained to the five properties sold and properties under contract for sale. The remaining \$6,704 pertained to the decrease in fair value of the Initial Properties since the end of 2011. During the year ended December 31, 2012, the value of investment properties decreased by \$1,967 due to the slight depreciation of the euro against the Canadian dollar from 2011.

The valuation methodology adopted in the calculation of fair values of investment properties is European-based and is different from the methodology adopted in North America. The methodology commonly used by European valuers is a net basis whereas in North America a gross basis is used. The primary difference in approaches is the adjustment to values for transaction costs including real estate transfer taxes, which results in a lower valuation under a net basis. In measuring value, it is appropriate to use the valuation approach used in the market where the real estate is located rather than the method practised in the market where the entity reports.

Fair values at December 31, 2012 and December 31, 2011 were determined using the direct capitalization method. The direct capitalization method applies a capitalization rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. If the cap rates were to increase by 25 bps, the investment properties balance would decrease by \$39,164. If cap rates were to decrease by 25 bps, the investment properties balance would increase by \$41,942.

The Initial Properties were acquired on August 3, 2011, for \$1,006,334, representing a capitalization rate of approximately 8.2%. An amount of \$8,557 received from the vendor at the time of closing for capital costs reduced the acquisition price by the same amount, to \$997,777.

Future minimum contractual rent (excluding service charges) under current operating leases is as follows:

	December 31, 2012 ⁽¹⁾
Less than 1 year	\$ 103,070
1–5 years	339,624
Longer than 5 years	115,947
Total	\$ 558,641

⁽¹⁾ Includes income from head lease.

Note 9

Amount in escrow and deferred rent

	December 31, 2012	December 31, 2011
Amount in escrow	\$ 17,678	\$ –
Less: current portion	12,110	–
Non-current portion	\$ 5,568	\$ –
Deferred rent	\$ 17,678	\$ –
Less: current portion	12,110	–
Non-current portion	\$ 5,568	\$ –

On June 30, 2011, Deutsche Post gave notice to terminate 17 leases with respect to its 2012 termination rights. In light of these terminations, the vendor of the properties has entered into a lease agreement with the Trust for the space and has paid an amount of \$22,372 (€17,329) plus all interest accrued thereon for the rent covering the period commencing on July 1, 2012 to, and including, June 30, 2014. This amount has been set aside by the vendor in a bank account out of which the REIT will be paid on a monthly basis, starting from July 1, 2012, the net rent payable for two years plus prepayments of operating costs. On June 30, 2012, Deutsche Post gave notice to terminate one additional lease, pursuant to their 2012 termination rights. This termination, for which we received an additional payment from the vendor of approximately \$218 (€169), will become effective as at July 1, 2013. During the year ended December 31, 2012, the Trust has received \$10,424 out of escrow.

Note 10

Other non-current assets

	December 31, 2012	December 31, 2011
Equity accounted investment	\$ 192	\$ 173
Computer equipment	78	14
Straight-line rent receivable	278	177
Total	\$ 548	\$ 364

Investment in joint ventures

The Trust participates in a jointly controlled corporate entity (the "joint venture") with other parties and accounts for its interests using the equity accounting method.

Details of the Trust's joint venture:

Name	Principal activity	Location	Ownership interest (%) December 31, 2012
Lorac Investment Management S.à r.l.	Investment management	Luxembourg	50

Note 11

Amounts receivable

	December 31, 2012	December 31, 2011
Trade receivables	\$ 247	\$ 1,607
Less: Provision for impairment of trade receivables	(239)	(76)
Trade receivables, net	8	1,531
Other amounts receivable	4,814	479
Total	\$ 4,822	\$ 2,010

At December 31, 2012, other amounts receivable includes proceeds receivable from the sale of a property at Mecklenburgstr. 4–6 in Schwerin for \$2,420, which was subsequently received on January 8, 2013. It also includes amounts receivable from tenants regarding operating cost recoveries of \$1,404.

The carrying amount of amounts receivable approximates fair value due to their current nature.

Note 12

Debt

	December 31, 2012	December 31, 2011
Mortgage debt	\$ 151,862	\$ –
Convertible debentures	148,428	146,658
Term loan credit facility	426,540	432,348
Total	726,830	579,006
Less: Current portion	2,711	–
Non-current debt	\$ 724,119	\$ 579,006

First-ranking mortgages on all of the investment properties have been provided as security for either the mortgage debt or the term loan credit facility.

Mortgage debt

On February 29, 2012, the Trust assumed a mortgage with a principal balance of €15,454 (\$20,805) at a fixed interest rate of 4.17% per annum maturing on February 28, 2015, in connection with the acquisition of Grammophon Büroпарк. The mortgage requires monthly repayments with a principal amortization of 2.00% per year. As a result of the non-market rate debt assumed, a fair value adjustment of \$998 was recorded.

On May 25, 2012, the Trust obtained a mortgage with a principal balance of €26,675 (\$34,734) at a fixed interest rate of 2.45% per annum maturing June 30, 2017, on the newly acquired property Karl-Martell-Strasse 60. The mortgage requires monthly repayments with principal amortization increasing from 2% to 4% incrementally starting from July 2012 to maturity.

On July 19, 2012, the Trust obtained a mortgage with a principal balance of €26,000 (\$32,256) at a fixed interest rate of 2.09% per annum maturing July 31, 2017, on the newly acquired property doubleU. The mortgage requires monthly repayments with principal amortization of 1.4% per annum throughout the term.

On December 7, 2012, the Trust obtained a mortgage with a principal balance of €17,000 (\$21,758) at a fixed rate of 3.22% per annum maturing December 31, 2022, on acquisition of Goldpunkt-Haus. The mortgage requires quarterly payments with principal repayments of 1.75% of the initial loan amount.

On December 31, 2012, the Trust obtained a mortgage with a principal balance of €17,000 (\$22,300) at a fixed rate of 2.27% per annum maturing December 31, 2017, on acquisition of Humboldt-Haus. The mortgage requires quarterly payments with principal repayments of 2%. On the same day, the Trust obtained another mortgage with a principal balance of €15,125 (\$19,841) at a fixed rate of 2.21% per annum maturing September 30, 2019, on acquisition of Leo252. The mortgage requires monthly payments with principal repayments of 1%.

Convertible debentures

On August 3, 2011, the Trust issued \$140,000 principal amount of convertible unsecured subordinated debentures (the "Debentures"). On August 29, 2011, the Trust issued an additional \$21,000 principal amount of Debentures. The Debentures bear interest at 5.5% per annum, payable semi-annually on July 31 and January 31 each year, and mature on July 31, 2018. Each Debenture is convertible at any time by the debenture holder into 76.9231 Units per one thousand dollars of face value, representing a conversion price of \$13.00 per REIT Unit. On or after August 31, 2014, and prior to August 31, 2016, the Debentures may be redeemed by the Trust, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest on not more than 60 days', and not less than 30 days' prior written notice, provided the weighted average trading price for the Trust's Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after August 31, 2016,

and prior to July 31, 2018, the maturity date, the Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. The Debentures were initially recorded on the consolidated balance sheet as debt of \$152,894 less costs of \$6,931. In addition, the Trust allocated \$8,106 to the conversion feature upon initial recognition. The conversion feature will be accreted to the principal amount of the Debenture over its term. As at December 31, 2012, the outstanding principal amount is \$161,000 (December 31, 2011 – \$161,000).

Term loan credit facility

On August 3, 2011, the Trust obtained a term loan credit facility (the “Facility”) for gross proceeds of €328,500 (\$448,395). Costs relating to the Facility were \$10,832. During the year ended December 31, 2012, additional costs of \$64 were incurred. These costs were reduced by proceeds received from the vendor to compensate the Trust for higher than expected financing costs in the amount of \$9,555. The Facility has a term of five years, which may be extended for a further two years, subject to the satisfaction of certain conditions precedent at the time of the extension. Variable rate interest is calculated and payable quarterly under the Facility at a rate equal to the aggregate of the three-month EURIBOR plus a margin of 200 basis points (the “margin”) and an agency fee of 10 basis points. Pursuant to the Facility, the Trust was required to enter into an interest rate swap that fixed 80% of the variable interest rate payable under the Facility at a fixed interest rate not to exceed 3.5%, excluding the margin, and was required to purchase a cap instrument to cover 10% of the variable rate interest payable so that such interest rate does not exceed 5% (excluding the margin). The remaining 10% of interest payable would continue to be calculated quarterly on a variable rate basis. To comply with the Facility’s requirement, on the day of closing the Trust entered into an interest rate swap to pay a fixed rate of 4.05% on 80% of the Facility and an interest rate cap of 5.00% on 10% of the Facility at a cost of \$9,986. In December 2011, the Trust entered into another interest rate swap to pay a fixed rate of 3.37% on the 20% variable portion of the Facility for 2012. This contract expired on December 31, 2012. As at December 31, 2012, the Trust paid a fixed rate of 4.05% (December 31, 2011 – 4.05%) on 80% and a variable rate of 3.37% (December 31, 2011 – 3.69%) on the remaining 20% of the Facility. As a result, the Trust paid a blended rate of 3.91% in 2012.

No amortization of principal under the Facility is required during the first three years after closing. Thereafter, interest together with amortization of principal equal to 2% per annum of the initial loan amount will be payable on a quarterly basis (including the extension term, if any). In addition, the Trust has the option to repay between 110% and 125% (with the average being 115%) of a principal amount of €100,000 through dispositions and refinancing of a portion of the Initial Properties by August 3, 2013. The applicable prepayment fee decreases from 1.5% of the repayment amounts for repayment made prior to August 3, 2012, to 0.95% for repayments made prior to August 3, 2013, to 0.6% for repayments made prior to August 3, 2014 and to 0.25% for repayments made prior to August 3, 2015. There is no repayment fee for repayments made in the final year of the Facility. If the full optional principal repayment is not repaid by August 3, 2013, the Trust will be required to pay additional interest of 1% on the portion of the €100,000 that has not been repaid, starting on August 3, 2013. During the year ended December 31, 2012, the Trust repaid €2,665 in connection with the disposition of five properties of the Initial Properties, including prepayment premiums, in accordance with the terms of the Facility.

The Facility requires that certain bank accounts are to be pledged, and that all net rental income from the Initial Properties be paid into a rent collections account established by the Trust, to be released only after budgeted non-recoverable operating expenses (including an agreed property and asset management fee) are paid.

The Facility includes default and cash trap covenants requiring the Trust to maintain certain loan-to-value and debt service coverage ratios, each of which are calculated on a quarterly basis. The Facility agreement requires the debt service coverage ratio to be equal to or above 145% at each interest payment date. If these ratios are not met at any time, the lenders may withhold 50% of the excess cash flow on a monthly basis as additional security for the Facility until the ratios are once again satisfied. Upon satisfaction of the relevant ratio, the excess cash flow may again be distributed to the Trust; however, any cash previously trapped will not be released and will be used at the time of each future quarterly testing date until the ratio is satisfied for two consecutive quarters. As at December 31, 2012, the Trust was in compliance with its loan covenants.

In addition, the Facility requires that DRC and Dundee Corporation combined maintain at least \$120,000 of equity in the REIT for a two-year period from closing and at least \$48,000 of equity for the remainder of the term of the Facility.

Revolving credit facility

On September 27, 2012, the Trust obtained a revolving credit facility with a Canadian bank for an aggregate amount not exceeding €10,000 for general corporate purposes, available by way of EURIBOR-based loans in euros, Canadian dollar prime loans and/or Canadian dollar bankers' acceptances, and a €15,000 senior credit facility secured by a first charge on investment properties to provide interim bridge financing for acquisitions of such properties in Germany on a property by property basis. The latter facility may be increased by an additional €20,000, subject to prior approval and 30 days' notice. The advances are to be repaid when permanent financing is in place or within six months from the date of the advance. Amounts in excess of €15,000 are to be repaid within a year. The interest rate on any Canadian dollar advances is prime plus 200 basis points and/or bankers' acceptance rates plus 300 basis points. For euro advances, the rate is 300 basis points over the three-month EURIBOR rate. The facility required an upfront fee payment of €187. Total financing costs incurred amounted to \$439 in 2012. An additional 35 basis point fee will be payable per advance, up to a maximum of €150, for advances drawn in excess of €15,000. Undrawn amounts under the facility will be subject to a stand-by fee of 75 basis points. Funding requests in excess of €15,000 from this facility will be subject to a 75 basis point stand-by fee if the advance has not been made within 45 days of the funding request. The revolving credit facility agreement requires the Trust to maintain a debt-to-book value rating not to exceed 0.6:1; a minimum interest coverage ratio of 2:1; and a minimum net worth of \$300,000. The revolving credit facility has a term of two years. As at December 31, 2012, the outstanding balance of the credit facility was \$nil and the Trust is in compliance with the covenants of the revolving credit facility.

The weighted average interest rates for the fixed and floating components of debt are as follows:

	Face interest rates		Weighted average effective interest rates		Maturity dates	Debt amount	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011		Dec. 31, 2012	Dec. 31, 2011
FIXED RATE							
Mortgage debt	2.66%	–	2.69%	–	2015–2022	\$ 151,862	\$ –
Term loan credit facility ⁽¹⁾	4.05%	4.05%	4.12%	4.11%	2016	344,028	345,879
Convertible debentures	5.50%	5.50%	7.31%	7.31%	2018	148,428	146,658
Total fixed rate debt	4.05%	4.48%	4.52%	5.06%		644,318	492,537
VARIABLE RATE							
Term loan credit facility ⁽²⁾	3.37%	3.69%	3.43%	3.75%	2016	82,512	86,469
Total variable rate debt	3.37%	3.69%	3.43%	3.75%		82,512	86,469
Total debt	3.98%	4.36%	4.39%	4.86%		\$ 726,830	\$ 579,006

⁽¹⁾ 80% of the Facility is subject to an interest rate swap in place until August 3, 2016, pursuant to the Facility agreement and has been presented as fixed rate debt.

⁽²⁾ 20% of the Facility is subject to an interest rate swap until December 31, 2012, and has been presented as variable rate debt due to the short duration of the swap agreement.

The scheduled principal repayments and debt maturities are as follows:

	Mortgage	Term debt	Convertible debentures	Total
2013	\$ 2,711	\$ –	\$ –	\$ 2,711
2014	3,008	4,309	–	7,317
2015	21,760	8,619	–	30,379
2016	2,969	414,502	–	417,471
2017	83,290	–	–	83,290
2018 and thereafter	39,138	–	161,000	200,138
	<u>\$ 152,876</u>	<u>\$ 427,430</u>	<u>\$ 161,000</u>	<u>\$ 741,306</u>
Acquisition date fair value adjustments				(6,050)
Transaction costs				(8,426)
				<u>\$ 726,830</u>

Note 13

Exchangeable Notes

The Trust had the following Exchangeable Notes outstanding:

	December 31, 2012	December 31, 2011
Balance at beginning of period	\$ 80,000	\$ 80,000
Conversion to REIT Units	(82,330)	–
Remeasurement of carrying amount	2,330	–
Balance at end of period	\$ –	\$ 80,000

In conjunction with the initial public offering (the "Offering"), a subsidiary of the Trust issued Exchangeable Notes for gross proceeds of \$80,000. Each €7.326 (the euro equivalent of \$10.00 based on the same exchange rate as the proceeds of the Offering) principal amount of Exchangeable Notes is exchangeable by the holder for one Unit, subject to customary anti-dilutive adjustments. The Exchangeable Notes and corresponding Special Trust Units (see Note 18) together have economic and voting rights equivalent in all material respects to the Units.

On April 17, 2012, \$46,000 principal amount of Exchangeable Notes was exchanged into 4,600,000 Units and concurrently these Units were sold as part of the public offering completed on April 17, 2012, when a total of 9,200,000 Units were issued and sold to the public at an issue price of \$10.10 per unit. Issue costs related to the 4,600,000 Units sold by the Exchangeable Notes holder were borne by the holder.

On September 5, 2012, \$34,000 principal amount of Exchangeable Notes was exchanged into 3,400,000 Units and concurrently these Units were sold as part of the public offering completed on September 5, 2012, when a total of 7,820,000 Units were issued and sold to the public at an issue price of \$10.55 per unit. Issue costs related to the 3,400,000 Units sold by the Exchangeable Notes holder were borne by the holder.

Interest was payable at an amount per month equal to the product of the aggregate number of Units for which the outstanding Exchangeable Notes are exchangeable multiplied by the cash distribution declared for each Unit on such month, converted into euros at an exchange rate equivalent to the rate of the foreign exchange contract the Trust entered for payment of monthly distributions to holders of Units. During the year ended December 31, 2012, the Trust incurred \$2,558 as interest on the Exchangeable Notes (period ended December 31, 2011 – \$2,641), which is included as interest expense in comprehensive income.

As at December 31, 2012, the Trust no longer had any Exchangeable Notes outstanding.

Note 14

Derivative financial instruments

	December 31, 2012	December 31, 2011
Interest rate swaps (Note 26)	\$ 18,513	\$ 7,204
Interest rate cap (Note 26)	(11)	(97)
Foreign exchange forward contracts (Note 26)	429	(1,942)
Conversion feature of the Debentures	4,145	6,589
Total	\$ 23,076	\$ 11,754

The movement in the conversion feature on the convertible debentures for the period was as follows:

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Balance at beginning of period	\$ 6,589	\$ 8,106
Remeasurement of conversion feature	(2,444)	(1,517)
Balance at end of period	\$ 4,145	\$ 6,589

The Trust currently has foreign exchange forward contracts to sell €3,100 in January 2013, €3,700 each month from February 2013 to December 2014, and €1,550 each month from January 2015 to December 2015 at an average exchange rate of \$1.327 per euro.

Note 15

Deferred Unit Incentive Plan

The movement in the Deferred Unit Incentive Plan (see Note 18) balance was as follows:

Opening liability at April 21, 2011	\$ -
Compensation during the period	88
Asset management fees during the period	841
Remeasurements of carrying value	16
As at December 31, 2011	945
Compensation during the period	628
Asset management fees during the period	1,907
Issue of deferred units	(138)
Remeasurements of carrying value	287
As at December 31, 2012	\$ 3,629

On August 3, 2011, DRC elected to receive the first \$3,500 of the base asset management fees payable on the properties acquired on August 3, 2011, by way of deferred trust units under the Asset Management Agreement in each year for the next five years. The deferred trust units granted to DRC vest annually over five years, commencing on the fifth anniversary date of being granted.

On termination of the Asset Management Agreement, unvested trust units granted to DRC vest immediately.

During the year ended December 31, 2012, \$1,907 (period ended December 31, 2011 – \$841) of asset management fees were recorded based on the fair value of the deferred units issued with an appropriate discount to reflect the restricted period of exercise and included in general and administrative expenses. The fees were settled by the grant of 357,170 deferred trust units (for the period ended December 31, 2011 – 147,717 deferred trust units). At December 31, 2012, 504,887 unvested deferred trust units and income deferred units (December 31, 2011 – 147,717) were outstanding with respect to the asset management fee.

On November 8 and December 8, 2011, 87,000 and 33,784 deferred trust units were granted to senior management and trustees, respectively. Of the 87,000 units granted, 66,000 relate to trustees and key management personnel. The 33,784 deferred trust units were granted to trustees who elected to receive their 2011 and 2012 annual retainer in the form of deferred trust units rather than cash. The grant date values for the deferred units of the two grants were \$9.65 and \$9.84, respectively.

Deferred units granted to DRC for payment of asset management fees are initially measured, and subsequently remeasured at each reporting date, at fair value. The deferred units are considered to be restricted stock and the fair value is estimated by applying a discount to the market price of the corresponding Units. The discount is estimated based upon a hypothetical put-call option, valued using a Black-Scholes option-pricing model which takes into consideration the volatility of the Canadian REIT and the German real estate equity markets, the respective holding period of the deferred units, and the risk-free interest rate. The carrying value of the deferred units granted to DRC is most sensitive to changes in volatility and the relative weighting of the put option and call option values.

Note 16

Amounts payable and accrued liabilities

	December 31, 2012	December 31, 2011
Trade payables	\$ 7,398	\$ 2,675
Accrued liabilities and other payables	15,551	6,555
Accrued interest	3,914	4,190
Total	\$ 26,863	\$ 13,420

Note 17

Distributions

The following table breaks down distribution payments for the periods ended December 31:

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Paid in cash	\$ 40,033	\$ 11,299
Paid by way of reinvestment in Units	1,644	217
Less: Payable at December 31, 2011	(2,925)	–
Plus: Payable at December 31, 2012 (December 31, 2011)	4,816	2,925
Total	\$ 43,568	\$ 14,441

The distribution for the month of December 2012 in the amount of \$0.06667 per unit, declared on December 31, 2012, and payable on January 15, 2013, amounted to \$4,816. The amount payable at December 31, 2012, was satisfied on January 15, 2013, by \$4,366 cash, and \$450 through the issuance of 40,958 Units. The distribution for the months of January 2013 and February 2013 were declared in the amount of \$0.06667 per unit per month, payable on February 15, 2013 and March 15, 2013, respectively.

The REIT's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The Declaration of Trust provides the trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund the leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect the REIT's distribution policy, the REIT disregards it when determining its distributions. The REIT also excludes the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. The REIT evaluates the impact of leasing activity based on averages for its portfolio over a two- to three-year time frame. The REIT excludes the impact of transaction costs expensed on business combinations as these are considered to be non-recurring. Additionally, the REIT deducts amortization of non-real estate assets such as software and office equipment incurred after the formation of the Trust. The Trust declared distributions of \$0.06237 per unit for the month of August 2011 and \$0.06667 per unit per month for the months of September to December 2011, or \$14,441 in 2011. The Trust declared distributions of \$0.06667 per unit per month for the months of January to December 2012, or \$43,568 in 2012.

Note 18 Equity

	December 31, 2012		December 31, 2011	
	Number of Units	Amount	Number of Units	Amount
Total	72,232,494	\$ 596,078	43,872,316	\$ 350,809

REIT Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Trust Units. The Special Trust Units may only be issued to holders of Exchangeable Notes.

Special Trust Units were issued in connection with Exchangeable Notes. The Special Trust Units were not transferable separately from the Exchangeable Notes to which they related and were automatically redeemed for a nominal amount and cancelled upon the settlement of the Exchangeable Notes. Each Special Trust Unit entitled the holder to the number of votes at any meeting of unitholders that was equal to the number of Units that could be obtained upon the surrender or exchange of the Exchangeable Notes to which they related. As at December 31, 2012, there were no Special Trust Units outstanding (December 31, 2011 – 8 million).

On April 21, 2011, 800,000 Units were issued to DRC for \$400 cash.

Public offering of REIT Units

On December 7, 2012, the REIT completed a public offering of 11,166,500 Units, including an over-allotment option, at a price of \$10.30 per unit. The Trust received gross proceeds of \$115,015. Costs related to the offering totalled \$5,362 and were charged directly to unitholders' equity.

On September 5, 2012, the REIT completed a public offering of 7,820,000 Units, including an over-allotment option, at a price of \$10.55 per unit. The offering included the 3,400,000 Units offered for sale by the Exchangeable Notes holder, who had concurrently exchanged 3,400,000 Exchangeable Notes for 3,400,000 Units. The Trust received gross proceeds of \$46,631. Costs related to the offering totalled \$2,278 and were charged directly to unitholders' equity.

On April 17, 2012, the REIT completed a public offering of 9,200,000 Units, including an over-allotment option, at a price of \$10.10 per unit. The offering included the 4,600,000 Units offered for sale by the Exchangeable Notes holder, who had concurrently exchanged 4,600,000 Exchangeable Notes for 4,600,000 Units. The Trust received gross proceeds of \$46,460. Costs related to the offering totalled \$2,277 and were charged directly to unitholders' equity.

On August 3, 2011, the REIT completed a public offering of 27,000,000 Units at a price of \$10.00 per unit for gross proceeds of \$270,000. On August 29, 2011, the REIT issued an additional 4,050,000 Units at a price of \$10.00 per unit. Costs related to the offering totalled \$24,078 and were charged directly to unitholders' equity. In addition to the initial public offering, 10,000,000 Units were purchased by Dundee Corporation at the offering price and 2,000,000 Units were purchased by DRC at the offering price.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment Plan ("DRIP") allows holders of Units, other than unitholders who are resident of or present in the United States of America, to elect to have all cash distributions from the REIT reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 4% of each cash distribution that was reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the Units on the Toronto Stock Exchange preceding the relevant distribution date, which is typically on or about the 15th day of the month following the declaration. For the year ended December 31, 2012, 157,432 Units were issued pursuant to the DRIP for \$1,644 (December 31, 2011 – 22,316 Units were issued for \$217).

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional Units that may be acquired. The price per unit is calculated in a similar manner to the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the year ended December 31, 2012, 3,371 Units were issued under the Unit Purchase Plan for \$36 (December 31, 2011 – \$nil).

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit and the related distribution of income deferred trust units vest evenly over a three- or five-year period on the anniversary date of the grant except for certain deferred trust units granted to DRC under the Asset Management Agreement. Subject to an election option available for certain participants to postpone receipt of units, such units will be issued immediately upon vesting. Up to a maximum of 2,074,000 deferred trust units are issuable under the Deferred Unit Incentive Plan.

For the year ended December 31, 2012, 12,875 Units were issued to officers and employees pursuant to the Deferred Unit Incentive Plan for \$138 (December 31, 2011 – \$nil).

Note 19

Interest expense**Interest on debt**

Interest on debt incurred and charged to comprehensive income is recorded as follows:

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Interest on term loan credit facility	\$ 12,348	\$ 6,840
Interest on convertible debentures	8,887	3,585
Interest on mortgage debt	1,551	–
Interest on bank indebtedness	128	–
Amortization of financing costs and discounts	1,907	790
Interest on Exchangeable Notes	2,558	2,641
Interest expense	\$ 27,379	\$ 13,856

Interest on Exchangeable Notes

Interest payments on the Exchangeable Notes charged to comprehensive income is recorded as follows:

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Paid in cash	\$ 2,558	\$ 2,115
Plus: Payable at December 31	–	526
Total	\$ 2,558	\$ 2,641

Note 20

Fair value adjustments to financial instruments

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Fair value adjustment on interest rate swaps and cap	\$ (15,493)	\$ (17,895)
Fair value adjustment on conversion feature of convertible debentures	2,444	1,517
Fair value adjustment on Deferred Unit Incentive Plan	(287)	(16)
Fair value adjustment on Exchangeable Notes	(2,330)	–
Fair value adjustment on foreign exchange forward contracts	452	1,827
	\$ (15,214)	\$ (14,567)

Note 21

Income taxes

Reconciliation of tax expense

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Income before income taxes	\$ 8,868	\$ (29,464)
Tax calculated at the German corporate tax rate of 15.825%	1,403	(4,662)
Increase (decrease) resulting from:	-	-
Expenses not deductible for tax	369	81
Effect of different tax rates in countries in which the group operates	(119)	(93)
Income distributed and taxable to unitholders	(3,473)	(1,528)
Tax benefits not previously recognized	(220)	-
Other items	(8)	(61)
Income taxes (recovery of taxes)	\$ (2,048)	\$ (6,263)

Deferred income tax assets consist of the following:

	December 31, 2012	December 31, 2011
Deferred tax asset related to difference in tax and book basis of investment properties	\$ 1,812	\$ 2,065
Deferred tax asset related to difference in tax and book basis of Exchangeable Notes	-	771
Deferred tax asset related to difference in tax and book basis of financial instruments	4,045	2,537
Deferred tax asset related to tax loss carry-forwards	1,603	319
Deferred tax asset related to differences in tax and book basis of deferred financing costs	1,031	1,342
Total deferred income tax assets	\$ 8,491	\$ 7,034

Note 22

Related party transactions and arrangements

The REIT entered into an asset management agreement with DRC ("Asset Management Agreement") pursuant to which DRC provides certain asset management services to the REIT and its subsidiaries. The Asset Management Agreement provides for a broad range of asset management services for the following fees:

- base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the historical purchase price of the properties;
- incentive fee equal to 15% of the REIT's adjusted funds from operations per unit in excess of \$0.93 per unit; increasing annually by 50% of the increase in the weighted average consumer price index (or other similar metric as determined by the trustees) of the jurisdictions in which the properties are located;
- capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of \$1,000, excluding work done on behalf of tenants or any maintenance capital expenditures;
- acquisition fee equal to: (a) 1.0% of the purchase price of a property, on the first \$100,000 of properties in each fiscal year; (b) 0.75% of the purchase price of a property on the next \$100,000 of properties acquired in each fiscal year; and (c) 0.50% of the purchase price on properties in excess of \$200,000 in each fiscal year. DRC did not receive an acquisition fee in respect of the acquisition of the Initial Properties; and
- financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of the REIT to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions. DRC did not receive a financing fee in respect of the acquisition of the Initial Properties.

Pursuant to the Asset Management Agreement, DRC may elect to receive all or part of the fees payable to it for its asset management services in deferred trust units under the Deferred Unit Incentive Plan. The number of deferred trust units issued to DRC will be calculated by dividing the fees payable to DRC by the fair value for this purpose on the relevant payment date of the Units. Fair value for this purpose is the weighted average closing price of the Units on the principal market on which the Units are quoted for trading for the five trading days immediately preceding the relevant payment date. The deferred trust units will vest on a five-year schedule, pursuant to which one-fifth of the deferred trust units will vest, starting on the sixth anniversary date of the grant date for deferred trust units granted during the first five years of the Asset Management Agreement and starting on the first anniversary date of the grant date thereafter. Income deferred trust units will be credited to DRC based on distributions paid by the Trust on the Units and such income deferred trust units will vest on the same five-year schedule as their corresponding deferred trust units. For accounting purposes, the deferred units relate to services provided during the period and the corresponding expense is recognized during the period. DRC has irrevocably elected to receive the first \$3,500 of the fees payable to it in each year for the first five years for its asset management services in deferred trust units.

During the year ended December 31, 2012, the REIT recognized \$2,251 (period ended December 31, 2011 – \$841) in general and administrative expense in relation to asset management fees under the Asset Management Agreement with DRC, of which \$1,907 (period ended December 31, 2011 – \$841) was payable in deferred trust units and \$344 (period ended December 31, 2011 – \$nil) was payable in cash. The REIT also paid \$2,430 for asset acquisition fees incurred on acquisition of Grammophon, Karl-Martell-Strasse, doubleU, Goldpunkt-Haus, Humboldt-Haus and Leo252 during the year, which were capitalized as acquisition costs. The REIT also incurred \$358 in financing fees related to the September and December equity offerings. The fees were charged against equity as equity issue costs. As at December 31, 2012, 504,887 deferred trust and income units were granted under this agreement and remained unvested.

Included in amounts payable at December 31, 2012, is \$490 (December 31, 2011 – \$nil) related to the Asset Management Agreement, and general and administrative expenses DRC has incurred on behalf of the Trust.

Note 23

Supplementary cash flow information

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Increase in amounts receivable	\$ (2,622)	\$ –
Increase in prepaid expenses and other assets	(440)	(1,276)
Increase (decrease) in amounts payable and accrued liabilities	3,057	(583)
Increase in deposits	292	12,790
Change in non-cash working capital	\$ 287	\$ 10,931

The following amounts were paid on account of interest:

	For the year ended December 31, 2012	For the period from April 21 to December 31, 2011
Debt	\$ 22,663	\$ 6,641
Exchangeable Notes	\$ 3,084	\$ 2,115

Note 24**Commitments and contingencies**

The 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 the REIT.

As at December 31, 2012, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
Less than 1 year	\$ 484
1–5 years	1,890
Longer than 5 years	473
Total	\$ 2,847

During the period the Trust paid \$497 in minimum lease payments, which have been included in comprehensive income for the period.

The REIT also has commitments for lease incentives and initial direct leasing costs of approximately \$4,807.

Note 25**Capital management**

The primary objective of the Trust's capital management is to ensure that it remains within its quantitative banking covenants.

At December 31, 2012, the Trust's capital consists of debt and unitholders' equity. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions and to fund leasing costs and capital expenditure requirements.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage and debt-to-book value ratios. Other significant indicators include weighted average interest rate, average term to maturity of debt, and variable debt as a portion of total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions and capital expenditures, and for evaluating the need to raise funds for further expansion.

The Trust's equity consists of Units, in which the carrying value is impacted by earnings and unitholder distributions. The Trust endeavours to make annual distributions of \$0.80 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditure and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, total distributions as a percentage of distributable income and distributable income per unit.

The Trust monitors capital primarily using a debt-to-book value ratio, which is calculated as the amount of outstanding debt divided by total assets. During the period the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The term loan credit facility agreement requires the debt service coverage ratio to be equal to or above 145% at each interest rate payment date. For the year ended December 31, 2012, the REIT's debt service coverage ratio was 303% and therefore in compliance with the term loan credit facility's requirement.

Note 26

Financial instruments

Risk management

IFRS 7, "Presentation of Financial Statements" ("IFRS 7"), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has exposure to interest rate risk primarily as a result of its term loan credit facility, which has a variable rate of interest. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, manage maturities of fixed rate debt and match the nature of the debt with the cash flow characteristics of the underlying asset. Additionally, the Trust has entered into interest rate swaps and caps to economically hedge the variable rate debt and has entered into foreign exchange forward contracts to manage its currency risk from paying distributions and debt servicing in Canadian dollars. The Trust is also exposed to interest rate risk on its derivatives.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for a prospective 12-month period. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

	Carrying amount	Interest rate risk			
		-1%		1%	
		Income	Equity	Income	Equity
Financial assets					
Cash ⁽¹⁾	\$ 181,619	\$ (1,816)	\$ (1,816)	\$ 1,816	\$ 1,816
Amount in escrow	17,678	(177)	(177)	177	177
Financial liabilities					
Term loan credit facility	\$ 82,512	\$ 825	\$ (825)	\$ (825)	\$ 825

⁽¹⁾ Cash excludes cash subject to restrictions that prevent its use for current purposes. These balances generally receive interest income at bank prime less 1.85%. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

The Trust is exposed to currency risk. The Trust's functional and presentation currency is Canadian dollars. The Trust's operating subsidiaries' functional currency is the euro, accordingly the assets and liabilities are translated at the prevailing rate at period end, and comprehensive income is translated at the average rate for the period. In order to manage the exposure to currency risk to unitholders and holders of Debentures, the Trust has entered into foreign exchange forward contracts. The Trust currently has foreign exchange forward contracts to sell €3,100 in January 2013, €3,700 each month from February 2013 to December 2014, and €1,550 each month from January 2015 to December 2015 at an average exchange rate of \$1.327:€1.

The Trust is exposed to credit risk from its leasing activities and from its financing activities and derivatives. The Trust manages credit risk by requiring tenants to pay rents in advance and monitoring the credit quality of the tenants on a regular basis. The Trust monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Credit risk with respect to financing activities and derivatives is managed by entering into arrangements with highly reputable institutions.

The Trust does not use derivatives for speculative purposes.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Trust manages maturities of its debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

Interest rate derivatives

The following table provides details on interest rate derivatives outstanding as at December 31, 2012:

Hedging item	Notional	Rate	Maturity	Carrying value
Interest rate swap	\$ 344,741	4.05%	2016	\$ (18,513)
Interest rate cap	41,345	5.00%	2016	11
	\$ 386,086			\$ (18,502)

Foreign currency derivatives

The following table provides details on foreign currency hedging (foreign currency forward contracts) outstanding as at December 31, 2012 and December 31, 2011:

Hedging currency	For the year ended December 31, 2012				
	Notional amount of future contracts	Blended exchange rate	Forward contracts start date	Forward contracts end date	Carrying value
Euro	106,800	1.327	January 2, 2013	December 15, 2015	\$ (429)

Hedging currency	For the period ended December 31, 2011				
	Notional amount of future contracts	Blended exchange rate	Forward contracts start date	Forward contracts end date	Carrying value
Euro	62,400	1.368	January 3, 2012	December 16, 2013	\$ 1,942

Fair value of financial instruments

	December 31, 2012		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Amounts receivable	\$ 4,822	\$ 4,822	\$ 2,010	\$ 2,010
Cash and cash equivalents	181,619	181,619	87,907	87,907
Financial liabilities				
Convertible debentures including conversion feature	152,573	165,717	153,247	157,394
Mortgage debt	151,862	152,012	–	–
Term loan credit facility	426,540	426,540	432,348	432,348
Exchangeable Notes	–	–	80,000	80,000
Derivative financial instruments, excluding conversion feature of the Debentures	18,931	18,931	5,165	5,165
Deferred Unit Incentive Plan	3,629	3,629	945	945
Deposits	895	895	481	481
Amounts payable and accrued liabilities	26,863	26,863	13,420	13,420
Distributions payable	4,816	4,816	2,925	2,925
Income taxes payable	404	404	–	–

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognized in the consolidated balance sheet at fair value by level of fair value hierarchy.

	December 31, 2012			December 31, 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial instruments						
Exchangeable Notes	\$ -	\$ -	\$ -	\$ -	\$ (80,000)	\$ -
Interest rate derivatives	-	(18,502)	-	-	(7,107)	-
Foreign currency derivatives	-	(429)	-	-	1,942	-
Conversion feature of Debentures	-	(4,145)	-	-	(6,589)	-

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data;

Level 3 – use of a model with inputs that are not based on observable market data.

Note 27

Subsequent events

On January 31, 2013, the REIT acquired an office building, located at Hammer Strasse 30–34 in Hamburg, Germany, for €41,500. The acquisition was partially financed by a new mortgage of €24,900 at a face interest rate of 2.41%.

On February 14, 2013, the REIT filed its final prospectus in connection with the issuance of 20,200,000 Units at a price of \$10.90 per unit for a net proceed of approximately \$210,853, with an over-allotment option of issuing an additional 3,030,000 Units at the same price per unit for additional net proceed of \$31,706. The offering is expected to close on March 5, 2013.

On February 15, 2013, the REIT acquired an office building located at Neue Mainzer Strasse 28 in Frankfurt for €60,625. The acquisition was partially financed by a new mortgage of €37,700 at a face rate of 2.92%.

Appendix

(unaudited)

December 31, 2012	CITY	STATE	GLA (sq)	OCCUPANCY
Office properties				
Karl-Martell-Str. 60	Nürnberg	Bavaria	268,936	100%
Greifwalder Str. 154-156	Berlin	Berlin	250,239	84%
Grammophon Büropark	Hannover	Niedersachsen	212,047	95%
Gradestr. 22	Hannover	Niedersachsen	195,783	4%
Kurfürstenallee 130	Bremen	Bremen	195,163	82%
Überseering 17/Mexikoring 22	Hamburg	Hamburg	160,785	94%
Leopoldstr. 252	Munich	Bavaria	153,435	99%
Derendorfer Allee 4-4a	Düsseldorf	Nordrhein-Westfalen	142,145	100%
Am Sandtorkai 37	Hamburg	Hamburg	112,361	90%
Zimmermannstr. 2/Eisenstr.	Marburg	Hessen	99,751	98%
Saalburgallee 19	Frankfurt	Hessen	98,224	96%
Wiener Str. 43	Stuttgart	Baden-Württemberg	72,192	88%
Koblenzer Str. 67	Bonn	Nordrhein-Westfalen	42,774	100%
Ölmühlweg 12	Königstein	Hessen	34,984	100%
Total office			2,038,820	85%
Mixed use properties				
Grüne Str. 6-8/Kurfürstenstr. 2	Dortmund	Nordrhein-Westfalen	299,567	100%
Am Hauptbahnhof 16-18	Saarbrücken	Saarland	290,901	91%
Poststr. 4-6, Göbelstr. 30, Bismarckstr.	Darmstadt	Hessen	230,681	37%
Bahnhofstr. 16	Regensburg	Bayern	229,827	71%
H-v-Stephan-Str. 1-15/W-Brandt-Pl. 13	Mannheim	Baden-Württemberg	227,298	96%
Bahnhofstr. 82-86	Gießen	Hessen	156,378	88%
E.-Kamieth-Str. 2b	Halle	Sachsen-Anhalt	152,661	1%
Marienstr. 80	Offenbach am Main	Hessen	114,114	96%
Rüppurrer Str. 81, 87, 89/Ettlinger 67	Karlsruhe	Baden-Württemberg	111,778	93%
Gerokstr. 14-20	Dresden	Sachsen	110,434	86%
Hindenburgstr. 9/Heeserstr. 5	Siegen	Nordrhein-Westfalen	99,027	90%
Kaiserstr. 24	Gütersloh	Nordrhein-Westfalen	94,488	61%
Klubgartenstr. 10	Goslar	Niedersachsen	87,460	23%
Bahnhofplatz 2, 3, 4, Pepperworth 7	Hildesheim	Niedersachsen	86,343	9%
Am Hauptbahnhof 2	Mülheim	Nordrhein-Westfalen	84,303	79%
Pausaer Str. 1-3	Plauen	Sachsen	83,867	76%
Bahnhofstr. 33	Böblingen	Baden-Württemberg	82,628	100%
Berliner Platz 35-37	Münster	Nordrhein-Westfalen	80,975	92%
Husemannstr. 1	Gelsenkirchen	Nordrhein-Westfalen	80,591	94%
Stresemannstr. 15	Wuppertal	Nordrhein-Westfalen	79,185	100%
Bahnhofring 2	Leer	Niedersachsen	78,259	92%
Heinrich-von-Bibra-Platz 5-9	Fulda	Hessen	77,606	100%
Bahnhofplatz 10	Fürth	Bayern	77,246	49%
Kaiser-Karl-Ring 59-63/Dorotheenstr.	Bonn	Nordrhein-Westfalen	75,815	100%
Bürgerreuther Str. 1	Bayreuth	Bayern	75,534	100%
Logenstr. 37	Kaiserslautern	Rheinland-Pfalz	72,198	6%
Bahnhofplatz 1	Schweinfurt	Bayern	67,503	87%
Bahnhofstr. 9	Ingolstadt	Bayern	67,432	100%
Rathausplatz 2	Wilhelmshaven	Niedersachsen	64,970	97%
Bahnhofstr. 40	Flensburg	Schleswig-Holstein	61,826	98%
Niemeyerstr. 1	Hannover	Niedersachsen	61,692	74%
Möhringer Landstr. 2/Emilienstr. 30	Stuttgart	Baden-Württemberg	61,194	93%
Heinrich-von-Stephan-Str. 8-10	Leverkusen	Nordrhein-Westfalen	61,011	89%
Joachim-Campe-Str. 1.3/5/7, Posthof	Salzgitter	Niedersachsen	61,887	63%
Friedrich-Ebert-Str. 28	Pinneberg	Schleswig-Holstein	59,218	100%
Paulinenstr. 52	Detmold	Nordrhein-Westfalen	57,614	77%
Postplatz 3	Bautzen	Sachsen	57,571	74%
Poststr. 2 U 3	Helmstedt	Niedersachsen	53,468	52%
Ostbahnstr. 5	Landau	Rheinland-Pfalz	53,401	94%
Bahnhofplatz 9	Emden	Niedersachsen	53,327	86%
Kavallerstr. 30-32	Dessau	Sachsen-Anhalt	52,206	90%
Friedrich-Ebert-Str. 75-79	Bremerhaven	Bremen	51,727	97%
Baarstr. 5	Iserlohn	Nordrhein-Westfalen	51,472	78%
Hainstr. 5A	Bad Hersfeld	Hessen	51,207	100%
Europaplatz 17	Bad Kreuznach	Rheinland-Pfalz	50,704	38%
Rathausplatz 4	Lüdenscheid	Nordrhein-Westfalen	50,050	42%

December 31, 2012	CITY	STATE	GLA (sf)	OCCUPANCY
Mixed use properties (continued)				
Marktstr. 9	Völklingen	Saarland	49,577	9%
Zuffenhäuser Kelterplatz 1	Stuttgart	Baden-Württemberg	47,552	82%
Unter den Zwicken 1-3	Halberstadt	Sachsen-Anhalt	47,145	76%
Stadtparkstr. 2	Schwabach	Bayern	46,799	77%
Schützenstr. 17, 19	Peine	Niedersachsen	46,996	87%
Bahnhofstr. 2	Cham	Bayern	46,129	61%
Theodor-Heuss-Platz 13	Neuss	Nordrhein-Westfalen	46,128	95%
Stembergstr. 27-29	Amsberg	Nordrhein-Westfalen	45,820	99%
Poststr. 14	Rastatt	Baden-Württemberg	45,659	92%
Bahnhofplatz 3, 5	Heidenheim	Baden-Württemberg	45,656	83%
Poststr. 2	Gummersbach	Nordrhein-Westfalen	45,558	98%
Willy-Brandt-Str. 6	Auerbach	Sachsen	45,504	54%
Königstr. 12	Rottweil	Baden-Württemberg	45,494	88%
Möllner Landstr. 47-49/Reclamstr. 20	Hamburg	Hamburg	45,371	90%
Lutherplatz 5	Nordhausen	Thüringen	44,699	82%
Münchener Str. 1	Bad Kissingen	Bayern	43,971	74%
Martinistr. 19	Recklinghausen	Nordrhein-Westfalen	43,807	82%
Bahnhofstr. 169	Bietigheim-Bissingen	Baden-Württemberg	43,620	99%
Veegesacker Heerstr. 111	Bremen	Bremen	43,484	90%
Südbrede 1-5	Ahlen	Nordrhein-Westfalen	43,382	83%
Kardinal-Galen-Ring 84/86	Rheine	Nordrhein-Westfalen	42,191	100%
Kalkumer Str. 70	Düsseldorf	Nordrhein-Westfalen	41,781	52%
Ehrenfeldgürtel 125	Köln	Nordrhein-Westfalen	41,645	97%
Poststr. 2	Deggendorf	Bayern	41,640	96%
Robert-Wahl-Str. 7/7a	Balingen	Baden-Württemberg	41,487	94%
Bahnhofplatz 1	Freising	Bayern	41,139	95%
Balhornstr. 15, 17/B.Köthenbürger-Str.	Paderborn	Nordrhein-Westfalen	40,927	93%
August-Bebel-Str. 6	Torgau	Sachsen	40,745	86%
Cavaillonstr. 2	Weinheim	Baden-Württemberg	40,540	91%
Steinerother Str. 1 U 1a	Betzdorf	Rheinland-Pfalz	39,972	89%
Hauptstr. 279/Hommelstr. 2	Idar-Oberstein	Rheinland-Pfalz	39,041	10%
Stuttgarter Str. 5, 7	Fellbach	Baden-Württemberg	38,288	96%
Bismarckstr. 21-23	Bünde	Nordrhein-Westfalen	38,276	96%
Heinrich-von-Stephan-Platz 6	Naumburg	Sachsen-Anhalt	37,612	91%
Hindenburgstr. 8/Hohenstauf 9, 17, 19	Bocholt	Nordrhein-Westfalen	37,512	93%
Mühlenstr. 5-7	Delmenhorst	Niedersachsen	37,266	99%
Alsenberger Str. 61	Hof	Bayern	36,687	65%
Lübecker Str. 23-25	Bad Oldesloe	Schleswig-Holstein	36,290	41%
Apostelweg 4-6	Hamburg	Hamburg	36,273	97%
Brückenstr. 21	Neunkirchen	Saarland	35,971	100%
Lönsstr. 20-22	Castrop-Rauxel	Nordrhein-Westfalen	35,795	88%
Friedrich-Wilhelm-Str. 52 U 4	Eschwege	Hessen	35,433	53%
Verdener Str. 9	Nienburg	Niedersachsen	35,313	79%
Kurt-Schumacher-Str. 5	Lünen	Nordrhein-Westfalen	35,290	100%
Lilienstr. 3	Leipzig	Sachsen	35,234	97%
Stadttring 3-5	Nordhorn	Niedersachsen	35,189	79%
Heinzelmannstr. 1/Hauberrisserstr.	Kaufbeuren	Bayern	34,894	90%
Bahnhofplatz 10, 12, 14	Kleve	Nordrhein-Westfalen	34,871	100%
Goethestr. 2-6	Duisburg	Nordrhein-Westfalen	34,839	88%
Zwieseler Str. 27-29	Regen	Bayern	34,174	90%
Gustav-König-Str. 42	Sonneberg	Thüringen	33,959	46%
Lotzbeckstr. 4	Lahr	Baden-Württemberg	33,511	70%
Kieler Str. 501	Hamburg	Hamburg	33,511	81%
Bahnhofplatz 4	Homburg	Saarland	33,241	98%
Große Str. 29-33	Rotenburg	Niedersachsen	33,240	94%
Worthingtonstr. 15	Crailsheim	Baden-Württemberg	33,136	100%
Hellersdorfer Str. 78	Berlin	Berlin	32,580	64%
Kreuzstr. 20-24	Bonn	Nordrhein-Westfalen	32,253	99%
Bahnhofstr. 6/Luisenstr. 4-5	Villingen-Schwenningen	Baden-Württemberg	32,191	97%
Münchener Str. 38	Neuburg	Bayern	31,486	70%
Poststr. 30	Albstadt	Baden-Württemberg	31,263	84%
Tunnelweg 1	Husum	Schleswig-Holstein	31,116	89%

December 31, 2012	CITY	STATE	GLA (sf)	OCCUPANCY
Mixed use properties (continued)				
Volksdorfer Str. 5/Wohld. Str. 6	Hamburg	Hamburg	31,068	91%
Bahnhofplatz 4	Berchtesgaden	Bayern	31,007	42%
Poststr. 26	Meißen	Sachsen	30,101	78%
Bahnhofplatz 2	Herborn	Hessen	29,746	91%
Waschgrabenallee 3-5	Neustadt	Schleswig-Holstein	29,739	90%
König-Heinrich-Str. 11	Merseburg	Sachsen-Anhalt	29,472	83%
Poststr. 24-26	Ratingen	Nordrhein-Westfalen	29,445	100%
Ludwigsplatz 1	Alsfeld	Hessen	29,125	74%
Bahnhofstr. 29	Meppen	Niedersachsen	29,056	90%
Poststr. 12	Lehrte	Niedersachsen	28,764	93%
Petristr. 26	Heilbad Heiligenstadt	Thüringen	28,205	77%
Dr.-Friedrich-Uhde-Str. 18	Einbeck	Niedersachsen	27,793	72%
Augsburger Str. 380	Stuttgart	Baden-Württemberg	27,775	91%
Gartenstr. 29/30	Pirna	Sachsen	27,771	73%
Wilhelm-Weber-Str. 1	Wittenberg	Sachsen-Anhalt	27,658	78%
Poststr. 1-3	Korbach	Hessen	27,463	88%
Berliner-Tor-Platz 1	Wesel	Nordrhein-Westfalen	27,052	100%
Poststr. 48	St. Ingbert	Saarland	26,975	87%
Bahnhofstr. 2	Gifhorn	Niedersachsen	26,894	79%
Bahnhofanlage 2-4	Schwetzingen	Baden-Württemberg	26,658	100%
Königswiese 1	Gelsenkirchen	Nordrhein-Westfalen	26,468	100%
Wilhelmstr. 11/Kamperdickstr. 29	Kamp-Lintfort	Nordrhein-Westfalen	25,973	77%
Kaiserstr. 140	Radevormwald	Nordrhein-Westfalen	25,653	74%
In der Trift 10/12	Olpe	Nordrhein-Westfalen	25,414	92%
Klosterstr. 6-10	Annaberg-Buchholz	Sachsen	25,336	75%
Bahnhofstr. 6	Quakenbrück	Niedersachsen	24,446	97%
Asselheimer Str. 26/Mörkestr. 1-3	Grünstadt	Rheinland-Pfalz	23,560	66%
Alleestr. 6	Neustadt	Bayern	23,495	100%
Uferstr. 2	Höxter	Nordrhein-Westfalen	23,240	79%
Gartenstr. 16	Sindelfingen	Baden-Württemberg	23,121	100%
Bahnhofplatz 8	Marktredwitz	Bayern	22,710	99%
Bahnhofstr. 32	Sulzbach-Rosenberg	Bayern	22,634	76%
Bahnhofstr. 46	Unna	Nordrhein-Westfalen	22,627	100%
Stadtgraben 13	Pfaffenhofen	Bayern	22,513	88%
Bahnhofplatz o. Nr.	Oranienburg	Brandenburg	22,153	76%
Breitestr. 62-66	Andernach	Rheinland-Pfalz	22,119	88%
Bahnhofstr. 27	Öhringen	Baden-Württemberg	22,027	96%
Brückenstr. 26	Miltenberg	Bayern	22,017	89%
Ringstr. 22/Dr. Bachl-Str.	Pfarrkirchen	Bayern	21,980	88%
Lindenstr. 42	Grevenbroich	Nordrhein-Westfalen	21,668	71%
Hörder Semerteichstr. 175	Dortmund	Nordrhein-Westfalen	21,659	96%
Am Plärrer 11	Lauf	Bayern	21,603	100%
Wilhelmstr. 5	Ibbenbüren	Nordrhein-Westfalen	21,031	100%
Am Stadtpark 5	Papenburg	Niedersachsen	20,950	88%
Geistmarkt 17	Emmerich	Nordrhein-Westfalen	20,942	100%
Lyoner Passage 14	Köln	Nordrhein-Westfalen	20,742	100%
Moltkestr. 6	Hattingen	Nordrhein-Westfalen	20,681	100%
Martin-Pöhlmann-Str. 5/Friedrich-e	Selb	Bayern	20,681	78%
Am Markt 4-5	Norden	Niedersachsen	20,668	81%
Steinstr. 6	Pulheim	Nordrhein-Westfalen	20,517	77%
Leistikowstr. 19	Fürstenwalde	Brandenburg	20,437	59%
Saarbrücker Str. 292-294	Saarbrücken	Saarland	20,433	92%
Poststr. 12	Schmölln	Thüringen	20,403	88%
Neugr. Bahnhofstr. 26/Scheideholz.	Hamburg	Hamburg	20,213	81%
Speckweg 24-26	Mannheim	Baden-Württemberg	20,128	90%
Marktplatz 5	Nordenham	Niedersachsen	20,109	100%
Kasseler Str. 1-7	Warburg	Nordrhein-Westfalen	19,985	86%
Bahnhofstr. 58/Giselbertstr. 6	Buxtehude	Niedersachsen	19,800	94%
Poststr. 5	Walsrode	Niedersachsen	19,697	93%
Lindauer Str. 34	Wangen	Baden-Württemberg	19,510	97%
Eisenbahnstr. 15	Tuttlingen	Baden-Württemberg	19,047	97%
Konrad-Adenauer-Str. 10	Langenhagen	Niedersachsen	18,892	100%

December 31, 2012	CITY	STATE	GLA (sq)	OCCUPANCY
Mixed use properties (continued)				
Poststr. 6	Beckum	Nordrhein-Westfalen	18,831	100%
Lagerstr. 1	Meschede	Nordrhein-Westfalen	18,683	100%
Bahnhofstr. 3	Osterburken	Baden-Württemberg	18,498	100%
Bahnhofstr. 43	Riesa	Sachsen	18,275	90%
Friedrichstr. 2	Monheim	Nordrhein-Westfalen	18,156	100%
Bahnhofstr. 18a	Wedel	Schleswig-Holstein	17,771	94%
Königstr. 20	Brilon	Nordrhein-Westfalen	17,733	68%
Kornmarkt 15	Osterode	Niedersachsen	17,690	100%
Marktstr. 51	Essen	Nordrhein-Westfalen	17,661	100%
Übacher Weg 4	Alsdorf	Nordrhein-Westfalen	16,991	100%
Karl-von-Hahn-Str. 1	Freudenstadt	Baden-Württemberg	16,699	92%
Kaiserstr. 35	Minden	Nordrhein-Westfalen	16,624	80%
Niederwall 3	Lübbecke	Nordrhein-Westfalen	16,563	100%
Bahnhofstr. 8-10	Borken	Nordrhein-Westfalen	16,385	100%
Hochstr. 31/Postgasse 5	Bochum	Nordrhein-Westfalen	16,359	100%
Robert-Koch-Str. 3	Laatzen	Niedersachsen	16,126	100%
Hauptstr. 141	Rheda-Wiedenbrück	Nordrhein-Westfalen	16,082	100%
Poststr. 28	Hemer	Nordrhein-Westfalen	15,782	100%
Lindenstr. 9	Daun	Rheinland-Pfalz	15,689	93%
Am Bahnhof 2	Meldorf	Schleswig-Holstein	15,549	97%
Melanchthonstr. 96	Bretten	Baden-Württemberg	15,501	90%
Republikstr. 34	Schönebeck	Sachsen-Anhalt	14,985	71%
Poststr. 1/2	Spremberg	Brandenburg	14,763	80%
Herrlichkeit 7	Syke	Niedersachsen	14,560	99%
Luitpoldstr. 13 U 13b	Dinkelsbühl	Bayern	14,421	82%
Bahnhofstr. 41	Eberbach	Baden-Württemberg	13,936	100%
Kolpingstr. 4	Georgsmarienhütte	Niedersachsen	13,725	100%
Schönbornstr. 1	Geisenheim	Hessen	13,117	100%
Potsdamer Str. 9	Ludwigsfelde	Brandenburg	12,885	100%
Langener Landstr. 237-239	Bremerhaven	Bremen	12,803	100%
Bünder Str. 36	Löhne	Nordrhein-Westfalen	12,625	100%
Berliner Freiheit 8	Bremen	Bremen	12,553	100%
Albert-Steiner-Str. 10	Herzogenrath	Nordrhein-Westfalen	12,538	80%
Poststr. 1	Erfstadt	Nordrhein-Westfalen	12,498	100%
Gorsemannstr. 22	Bremen	Bremen	12,379	100%
Mönchenstr. 15-18	Jüterbog	Brandenburg	12,128	100%
Fritz-Brandt-Str. 25	Zerbst	Sachsen-Anhalt	12,117	100%
Bahnhofstr. 11	Alpirsbach	Baden-Württemberg	12,112	98%
Märkische Str. 58	Düsseldorf	Nordrhein-Westfalen	11,997	100%
Poststr. 3-5	Barsinghausen	Niedersachsen	11,597	100%
Prochaskaplatz 7	Dannenberg	Niedersachsen	11,334	95%
Kürbsweg 9	Seevetal	Niedersachsen	11,175	100%
Hauptstr. 40	Porta Westfalica	Nordrhein-Westfalen	11,133	100%
Bahnhofstr. 49/49a	Aalen	Baden-Württemberg	11,050	100%
Steinweg 5	Weiden	Bayern	10,974	100%
Am Markt 4	St. Georgen	Baden-Württemberg	10,324	100%
Sandstr. 4	Germersheim	Rheinland-Pfalz	10,132	100%
Rensefelder Str. 2	Bad Schwartau	Schleswig-Holstein	9,777	100%
De-Lenoncourt-Str. 2	Dillingen	Saarland	8,995	100%
Rosenstr. 1/Fünfhausenstr. 19/21	Springe	Niedersachsen	8,881	100%
Elisabeth-Anna-Str. 11	Wangerooge	Niedersachsen	8,382	100%
Melcherstätte 8	Stuhr	Niedersachsen	8,196	100%
Alte Amberger Str. 28	Grafenwöhr	Bayern	7,980	100%
Wetterstr. 20/Poststr. 2	Herdecke	Nordrhein-Westfalen	7,702	100%
Total mixed use			9,059,275	82%

December 31, 2012	CITY	STATE	GLA (sq)	OCCUPANCY
Industrial properties				
Karlstal 1-21/Werftstr. 201	Kiel	Schleswig-Holstein	181,004	96%
Franz-Zebisch-Str. 15	Weiden	Bayern	166,601	100%
Am Neumarkt 40/Luetkensallee 49	Hamburg	Hamburg	160,720	88%
Czernyring 15	Heidelberg	Baden-Württemberg	133,909	90%
Friedrich-Karl-Str. 1-7	Oberhausen	Nordrhein-Westfalen	97,606	74%
Blücherstr. 12	Koblenz	Rheinland-Pfalz	94,569	68%
Kapellenstr. 44	Einbeck	Niedersachsen	81,206	67%
Kommandantenstr. 43-51	Duisburg	Nordrhein-Westfalen	80,122	100%
Dammstr. 2, Frankenstr. 21, 25a	Osnabrück	Niedersachsen	77,515	22%
77er Str. 54	Celle	Niedersachsen	74,954	98%
Auhofstr. 21	Aschaffenburg	Bayern	64,264	94%
Am Bahnhof 5	Zwickau	Sachsen	60,738	59%
Poststr. 5-7	Heide	Schleswig-Holstein	53,363	92%
Mayenner Str. 63	Waiblingen	Baden-Württemberg	53,220	100%
Lippertor 6	Lippstadt	Nordrhein-Westfalen	44,341	100%
Palleskestr. 38	Frankfurt am Main	Hessen	43,409	64%
Falkenbergstr. 17-23	Norderstedt	Schleswig-Holstein	41,249	98%
Im Bungert 6-8	Bergisch Gladbach	Nordrhein-Westfalen	34,737	100%
Gerstenstr. 5	Neubrandenburg	Mecklenburg-Vorpommern	34,347	100%
Markendorfer Str. 10	Frankfurt an der Oder	Brandenburg	32,330	97%
Von-Lassaulx-Str. 14-18	Remagen	Rheinland-Pfalz	29,819	76%
Konrad-Adenauer-Str. 49-51	Tübingen	Baden-Württemberg	29,341	98%
Feldschlößchenstr./Kunadstr. o. Nr.	Dresden	Sachsen	29,236	100%
Ruthenstr. 19/21	Hamel	Niedersachsen	26,895	93%
Saßstr. 12	Leipzig	Sachsen	26,214	79%
Goldbacher Str. 74	Aschaffenburg	Bayern	25,153	95%
Zwickauer Str. 438	Chemnitz	Sachsen	24,422	78%
Lindenstr. 11	Bitterfeld	Sachsen-Anhalt	23,183	86%
Poststr. 19-23	Hilden	Nordrhein-Westfalen	22,454	87%
Lindenstr. 15	Landstuhl	Rheinland-Pfalz	21,709	99%
Innungsstr. 57-59	Berlin	Berlin	21,187	100%
Lübecker Str./Wedringer Str. o. Nr.	Magdeburg	Sachsen-Anhalt	19,454	100%
Ooser Karlstr. 21/23/25	Baden-Baden	Baden-Württemberg	19,444	93%
Güterstr. 2-4	Bitburg	Rheinland-Pfalz	19,340	99%
Bismarckstr. 12/Fr.Hoffmann-Str.	Steinfurt	Nordrhein-Westfalen	18,800	100%
Chiemseeestr. 25	Traunstein	Bayern	18,488	98%
Bahnhofstr. 33 U 33A	Stendal	Sachsen-Anhalt	18,200	93%
Trierer Str. 4-6	Heusweiler	Saarland	16,867	92%
Aidenbacher Str. 41	Vilshofen	Bayern	16,619	69%
Sattigstr. 33	Görlitz	Sachsen	16,279	100%
Bahnhofstr. 33	Sulz	Baden-Württemberg	15,774	76%
Im Kusterfeld 1	Backnang	Baden-Württemberg	14,634	99%
Grenzstr. 24	Halle	Sachsen-Anhalt	14,533	100%
Mercedesstr. 5	Hannover	Niedersachsen	14,504	100%
Am Buchhorst 35	Potsdam	Brandenburg	14,042	100%
Gutachstr. 56	Titisee-Neustadt	Baden-Württemberg	14,142	100%
Berliner Str. 4	Albstadt	Baden-Württemberg	13,816	100%
Münchner Str. 50	Fürstenfeldbruck	Bayern	13,326	100%
Löbauer Str. 63	Bautzen	Sachsen	12,686	100%
Dahmestr. 17	Mittenwalde	Brandenburg	12,631	100%
Heidering 23	Hannover	Niedersachsen	12,494	94%
Fraunhoferstr. 10	Bonn	Nordrhein-Westfalen	12,311	100%
Unterstr. 14	Bochum	Nordrhein-Westfalen	10,732	100%
Langfuhren 9	Bad Säckingen	Baden-Württemberg	9,717	100%
Weinbergstr. 50	Bad Neuenahr-Ahrweiler	Rheinland-Pfalz	9,023	100%
Total industrial			2,247,677	88%
TOTAL			13,345,772	83%

Trustees and officers

Trustees

DETLEF BIERBAUM^{1, 2, 5}

Köln, Germany
Corporate Director

OLIVIER BRAHIN^{3, 4}

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Senior Managing Director,
Head of European Real Estate Investments,
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JOHN SULLIVAN

Toronto, Ontario
President and Chief Executive Officer,
Cadillac Fairview Corporation Limited

Officers

DETLEF BIERBAUM

Chairman

MICHAEL J. COOPER

Vice Chairman

P. JANE GAVAN

President and Chief Executive Officer

RENE D. GULLIVER

Chief Financial Officer

DOUGLAS P. QUESNEL

Chief Accounting Officer

¹ Member of the Audit Committee

² Member of the Executive Committee

³ Member of the Compensation Committee

⁴ Member of the Governance and Environmental Committee

⁵ Chairman of the Board of Trustees

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Taxation of distributions

Distributions paid to unitholders in respect
of the tax year ending December 31, 2012,
are taxed as follows:

Foreign business income: 39.0%
Return of capital: 61.0%

Management estimates that 55% of the
distributions to be made by the REIT in
2013 will be tax deferred.

Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols:

REIT Units: DI.UN
5.5% Convertible Debentures: DI.DB

Annual meeting of unitholders

Thursday, May 9, 2013,
at 4:00 pm (EST)
Toronto Board of Trade
First Canadian Place, Suite 350
77 Adelaide Street West
Toronto, Ontario, Canada

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
International 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.



DUNDEE INTERNATIONAL REIT

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www.dundeeinternational.com