

Dundee International REIT

2013 Annual Report



Better Communities to Work In

We'd like to take the opportunity to thank all our stakeholders for being part of our continued success. Because of all the hard work and dedication to keep doing things better, 2013 was another strong year for us.

Dundee International REIT has been around since 2011, and we've been dedicated to building a diversified, growth-oriented portfolio of commercial properties outside of Canada. This is so we can generate stable and growing cash flows for our investors. And now we're happy to announce that we are moving into a new and exciting time in our business. We want to let everyone know that starting May 12, 2014, Dundee International REIT's name will be Dream Global REIT.

This change is exciting for us because we are now bringing more clarity to our story and aligning all our efforts around one core belief — creating better communities to work in — which will result in a better investment for our unitholders. This sums up what we do and why we do it, and we think it's a better articulation of who we are, which has been such an integral part of our culture, our work and our company's objectives since the beginning.

Starting May 12, 2014,
Dundee International
REIT's new name will be
Dream Global REIT.

Stock Exchange Listing

On or about May 15, 2014,
Dream Global REIT's ticker symbols
on the Toronto Stock Exchange will
change to:

REIT Units:
DRG.UN

5.5% Convertible Debentures:
DRG.DB

**60,000 people
working in our
European office
buildings**



Letter to unitholders



Dundee International REIT had a transformational year in 2013. The opportunity to grow our business was exceptional and resulted in the addition of over \$1.0 billion of high-quality real estate in the best locations in Germany. These acquisitions were accretive to the adjusted funds from operations (“AFFO”) and represented a focus on the seven largest (“Big 7”) office markets in Germany. On average, our office buildings were acquired at a capitalization rate of 6.7% and an average borrowing rate and term of 2.6% and 6.6 years, respectively. We have made significant improvements in the quality of our cash flow by focusing on newer properties with a broad tenant mix. We now have two-thirds of our asset value, and 60% of our gross rental income (“GRI”), in the Big 7 office markets in Germany.

We ended 2013 with an increase in overall occupancy to 86.4% from 83.2% at the end of 2012. Continued improvements in the Trust’s tenant retention with over 350,000 square feet of renewals contributed to this increase. Year-over-year in-place rents increased to \$12.40 (€8.46) in Q4 2013 from \$8.20 (€6.25) per square foot in Q4 2012, reflecting the higher quality of the acquired properties.

With respect to our operations, our focus will continue to be on increasing occupancy and tenant retention to enhance the value of our portfolio. As a result of the growth of the overall portfolio, we have made good progress in diversifying our tenant base. During the year we reduced the percentage of Dundee International’s GRI received from Deutsche Post, the REIT’s largest tenant, from 65% at the end of 2012, to 37% at the end of 2013. At the same time, we focused on improving the retention rate of this tenant in the space they are currently leasing. Together with Postbank, they renewed approximately 50% of the space, and 53% of the GRI, they were eligible to terminate in June 2014 – an over 300% improvement in retention from their last termination right in June 2012. Unlike in 2012 when the termination decision was already made prior to Dundee International’s acquisition of the portfolio, this time we were able to work closely with the tenant to proactively address their space needs and find solutions that worked for both parties. Our leasing team in Germany continues its focus on leasing the balance of the terminated space, and with robust leasing volume in the first quarter, feels confident about the leasing prospects.

We continue to find opportunities in the initial portfolio to enhance value through rezoning or repositioning assets. We are also identifying for severance and sale, land which is excess to our office properties’ needs which can be sold for other uses not core to our business. We continue to improve the quality of the portfolio through dispositions and recycling capital. In 2013 we disposed of 15 properties from the initial portfolio for an aggregate sales price of approximately \$23.9 million, which represents 102% of book value for those assets. We will continue our disposition program in 2014, redeploying the proceeds into high-quality office buildings.

Over the course of 2013, we further strengthened our relationships with the European lending community. We added additional financial institutions to our pool of mostly German lenders and now have 12 potential lenders for future acquisition financings.

We have continued to improve the management platform through the addition of skilled professionals to our leasing, capital enhancement and sales teams, contributing to our drive to maximize value from our buildings.

The strengthening euro had a favourable impact on our December 31, 2013 book equity, adding \$109 million, or 18%, compared to December 31, 2012.

The economy in Germany has continued to improve, an important factor in the overall occupancy of office properties. Germany’s registered unemployment rate remains near a 25-year low at 6.7% at the end of 2013, driving strong user demand across all key office markets. The aggregate vacancy rate in the Big 7 office markets is at its lowest level since 2002 and has been declining year-over-year from 8.8% at the end of 2012 to 8.3% at the end of 2013. In addition, mortgage rates in Germany are among the lowest in the Trust’s history, as increased competition in the German lending market has put pressure on credit spreads.

2013 was a year of progress and transformation of our business through the addition of high-quality assets in the best markets in Germany, strong overall leasing and our active management of the portfolio. This transformation will continue in 2014 to further improve the quality of the long-term cash flow and supports our key objective of providing predictable and sustainable distributions to our investors.

In May, we will be introducing our new platform-wide branding and the renaming of our Trust to Dream Global REIT. For a preview, please refer to the insert in the inside front cover of the printed annual report, or visit our website at www.dundeeinternational.com.

As we approach the third anniversary of the formation of our Trust, we are no longer a newcomer, but a well regarded and highly recognized participant in the European real estate market. On behalf of our management team and our Board of Trustees, I’d like to thank you for your continued support.

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

P. Jane Gavan
President and Chief Executive Officer
March 15, 2014

At-a-glance

December 31, 2013

15.7

**AREA OF PROPERTIES
ACROSS GERMANY**
(millions of square feet)

60%+

**PRESENCE IN "BIG 7"
OFFICE MARKETS IN GERMANY**
(% of gross rental income)

\$2.4B

TOTAL ASSETS

\$1.0B

STRATEGIC ACQUISITIONS IN 2013

2.6%

**AVERAGE MORTGAGE INTEREST
RATE FOR 2013 ACQUISITIONS**

33

**NUMBER OF DEDICATED REAL
ESTATE PROFESSIONALS IN EUROPE**

Dundee International REIT is an owner and operator of 15.7 million square feet of office and mixed use space in Germany and provides a unique opportunity to gain exposure to the German real estate market through an established Canadian platform.

Geographic Diversification

City	Total GLA (sq. ft.)	Total gross rental income (%)
Berlin	674,362	5
Cologne	783,967	6
Düsseldorf	1,815,847	15
Frankfurt	1,205,885	10
Hamburg	1,291,504	13
Hannover	959,452	4
Munich	633,304	8
Nuremberg	640,567	5
Stuttgart	729,182	5
Other	6,971,355	29
Total	15,705,425	100

Tenant Diversification

Tenant composition	Total annualized GRI (%)
Deutsche Post	37.3
Freshfields Bruckhaus Deringer	3.2
ERGO Direkt	3.0
Imtech	2.4
Google Germany GmbH	2.1
AIG Europe Limited	2.1
BNP Paribas Fortis SA/NV	2.0
Freistaat Bayern (TU München)	1.7
Maersk Deutschland A/S & Co. KG	1.4
Jobcenter Berlin Mitte – Federal Employment Agency	1.4
Other third-party tenants	43.4
Total	100.0

296

PROPERTIES

Geographic Diversification

Gross rental income (%)



Manageable Lease Expiries

% of GRI expiring (Q4/13)



Photos (left to right, top to bottom):
Z-UP, Stuttgart; K26, Frankfurt; Cäcilienkloster
2, 6, 8, 10, Cologne; Werfthaus, Frankfurt;
Feldmühleplatz 1 + 15, Düsseldorf;
ABC Bogen, Hamburg



Table of contents

Management's discussion and analysis	1
Management's responsibility for financial statements	37
Independent auditor's report	38
Consolidated financial statements	39
Notes to the consolidated financial statements	43
Trustees and officers	IBC
Corporate information	IBC



Photos (top to bottom):
Karl-Martell-Strasse 60, Nuremberg;
Oasis III, Stuttgart; Löwenkontor, Berlin

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 an office building in Düsseldorf, Germany for approximately \$107.7 million, the REIT's largest single asset transaction since its inception, which had a 7.6% capitalization rate ("cap rate") and a mortgage interest rate of 2.3%;
- Total assets acquired in 2013 exceeded \$1.0 billion and had an average cap rate of 6.7% and an average borrowing rate of 2.6%;
- Diversified tenant profile with our largest tenant, Deutsche Post, contributing 37% to the overall gross rental income ("GRI") at the end of 2013, down from 65% at the end of 2012;
- Active leasing resulted in positive absorption of approximately 10,800 square feet of space in Q4, increasing 2013 total absorption to approximately 180,100 square feet;
- Occupancy rate increased to 86.4% at the end of 2013 from 83.2% at the end of 2012.

	Three months ended December 31,		Years ended December 31,	
	2013 ⁽¹⁾	2012 ⁽¹⁾	2013 ⁽¹⁾	2012 ⁽¹⁾
Operations				
Occupancy rate (period-end)	86.4%	83.2%		
In-place rent per square foot (euros)	€ 8.46	€ 6.25		
Operating results				
Investment properties revenue	\$ 62,528	\$ 35,926	\$ 220,220	\$ 138,661
Net rental income	41,872	22,057	144,853	85,439
Net rental income – Initial Properties	20,033	19,262	79,126	78,646
Net rental income – Acquisition Properties	21,839	2,795	65,727	6,793
Funds from operations ("FFO") ⁽²⁾	24,235	12,348	84,422	48,320
Adjusted funds from operations ("AFFO") ⁽³⁾	22,259	11,887	78,007	46,164
Net rental income – Acquisition Properties (Pro forma estimate) ⁽⁴⁾			90,000	18,000
Distributions				
Declared distributions and interest on Exchangeable Notes	\$ 22,005	\$ 12,953	\$ 80,156	\$ 46,064
Distributions paid and payable in cash (including interest on Exchangeable Notes) ⁽⁵⁾	18,249	11,888	69,205	44,095
Financing				
Weighted average interest rate (period-end)	3.37%	3.98%	3.37%	3.98%
Interest coverage ratio ("ICR") ⁽⁶⁾	3.41 times	3.23 times	3.40 times	3.03 times
Per unit amounts				
Basic: ⁽⁷⁾				
FFO ⁽²⁾	\$ 0.22	\$ 0.19	\$ 0.85	\$ 0.84
AFFO ⁽³⁾	0.20	0.19	0.79	0.80
Distribution rate	0.20	0.20	0.80	0.80
Basic (excluding impact of undeployed cash):				
FFO ⁽²⁾	0.24	0.24	0.94	0.98
AFFO ⁽³⁾	0.22	0.24	0.88	0.94
Weighted average number of units outstanding	109,482,435	64,064,093	99,335,779	57,379,400

FFO, AFFO and weighted average interest rate 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 average exchange rates found on page 24.

(2) FFO – The reconciliation of FFO to net income can be found on page 25.

(3) AFFO – The reconciliation of AFFO to FFO and net income can be found on page 25. The reconciliation to operating cash flows can be found on page 27.

(4) Pro forma estimate assumes that the acquisitions were effective as at January 1 of the respective periods.

(5) Includes interest on Exchangeable Notes which were fully exchanged in April and September 2012.

(6) Interest coverage ratio – The calculation of ICR reconciled to IFRS measures can be found on page 29.

(7) A description of the determination of basic and diluted amounts per unit can be found on page 25.

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”, the “REIT” or the “Trust”) should be read in conjunction with the audited consolidated financial statements of the Trust for the year ended December 31, 2013.

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 26, 2014, 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 income;
- “Initial Properties”, meaning the income-producing properties we acquired on August 3, 2011;
- “Acquisition Properties”, meaning the income-producing properties acquired subsequent to the Trust’s initial public offering 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 use the terms such as “we”, “us” and “our”, we are referring to the REIT and its subsidiaries.

When we refer to Deutsche Post as being the lessee or the tenant of the Initial Properties, we are referring to Deutsche Post Immobilien GmbH (“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 our largest tenants that has been obtained from publicly available information. We have not independently verified any 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; the Trust’s continued exemption 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 securities regulators.

All forward-looking information is as of February 26, 2014, 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 web site 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 DREAM Asset Management Corporation (“DAM”), formerly called Dundee Realty Corporation or “DRC”, a subsidiary of DREAM Unlimited Corp. (TSX: DRM), which is our asset manager. Our Units are listed on the Toronto Stock Exchange under the trading symbol DI.UN.

As at December 31, 2013, our portfolio consisted of 296 properties, comprising approximately 15.7 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 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 6.667 cents per unit, or 80 cents per unit on an annual basis. At December 31, 2013, approximately 17.4% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan (“DRIP”).

	December 31,		September 30,		June 30,		March 31,	
	2013	2012	2013	2012	2013	2012	2013	2012
Annualized distribution rate	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Monthly distribution rate	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667	\$ 0.0667
Period-end closing unit price	\$ 8.42	\$ 10.93	\$ 9.41	\$ 11.00	\$ 9.85	\$ 9.94	\$ 10.64	\$ 10.11
Annualized distribution yield on closing unit price (%)	9.50%	7.32%	8.50%	7.27%	8.12%	8.05%	7.52%	7.91%

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 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, deep market knowledge and established relationships with other market participants. Leasing, capital expenditure and construction initiatives are either internally managed or overseen 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 to date.

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 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 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 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

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

Initial Properties

As at December 31, 2013, this category included 272 national and regional administration offices, mixed use retail, banking and distribution properties and regional logistics headquarters of Deutsche Post. The properties are generally strategically located near central train stations and main retail areas and are easily accessible by public transportation.

Acquisition Properties

As at December 31, 2013, this category included 24 office properties acquired in 2012 and 2013. These properties are high-quality office buildings located in Germany's largest office markets and are generally newer or recently refurbished buildings.

The majority of our portfolio is concentrated in Germany's largest office markets:

City	Total GLA (sq. ft.)	Total GLA (%)	Total GRI (%)
Berlin	674,362	4	5
Cologne	783,967	5	6
Düsseldorf	1,815,847	12	15
Frankfurt	1,205,885	8	10
Hamburg	1,291,504	8	13
Hannover	959,452	6	4
Munich	633,304	4	8
Nuremberg	640,567	4	5
Stuttgart	729,182	5	5
Other	6,971,355	44	29
Total	15,705,425	100	100

TENANTS

Through an active acquisitions and dispositions program that commenced in 2012, the Trust continued with the diversification of its tenant base. The table below highlights the diversification away from the single-tenant nature of the initial portfolio. At the end of 2013, Deutsche Post's GRI was further reduced to approximately 37% of the Trust's overall GRI compared to over 65% at the end of 2012.

Tenant composition	Total annualized GRI (%)
Deutsche Post	37.3
Freshfields Bruckhaus Deringer	3.2
ERGO Direkt	3.0
Imtech	2.4
Google Germany GmbH	2.1
AIG Europe Limited	2.1
BNP Paribas Fortis SA/NV	2.0
Freistaat Bayern (TU München)	1.7
Maersk Deutschland A/S & Co. KG	1.4
Jobcenter Berlin Mitte – Federal Employment Agency	1.4
Other third-party tenants	43.4
Total	100.0

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. Through its acquisition of DHL in 2002, Deutsche Post DHL has become a global logistics market leader. It employs approximately 475,000 people in more than 220 countries and territories and generated revenue of over €27 billion in the first six months of 2013 alone.⁽¹⁾ As the only provider of universal postal services in Germany, Deutsche Post must provide certain minimum levels of service to German residents.

Some of the space leased to Deutsche Post is occupied by Postbank, a public company controlled by Deutsche Bank and 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. As at December 31, 2013, our portfolio featured approximately 188 Postbank branches, allowing for the delivery of integrated financial and postal services. Leases for 14 Postbank branches are direct leases and not included in the leases with Deutsche Post. Subsequent to year-end, we entered into 37 additional direct lease contracts with Postbank for approximately 166,000 square feet of space that Deutsche Post has terminated in connection with its 2014 termination rights. 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.

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

Freshfields Bruckhaus Deringer (“Freshfields”)

Freshfields is the second largest tenant in our portfolio as measured by GRI. Freshfields is an international law firm with offices in Europe, Asia, North America and the Middle East.⁽²⁾ Freshfields occupies 71% of the space in our property located at Feldmühleplatz 1 + 15 and generated approximately 3.2% of the REIT’s overall GRI as at December 31, 2013.

ERGO Direkt Lebensversicherungs AG (“ERGO”)

ERGO is the third largest tenant in our portfolio as measured by GRI. With approximately 48,000 employees in over 30 countries, ERGO is one of the largest insurance companies in Germany.⁽³⁾ ERGO, which belongs to the Munich RE group of companies, occupies the entire space in our property located at Karl-Martell-Strasse 60 in Nuremberg, and generated approximately 3.0% of the REIT’s overall GRI as at December 31, 2013.

Imtech

Imtech Germany & Eastern Europe is a leader in the energy and technical building equipment sector in Germany, Poland, Austria, Hungary, Romania, Russia and Switzerland. Imtech Germany & Eastern Europe employs approximately 5,800 people and is part of the Royal Imtech N.V. Group, which is based in the Netherlands and employs approximately 29,000 people.⁽⁴⁾ This tenant occupies the entire space in our property located at Hammer Strasse 30–34 in Hamburg, which is Imtech’s German head office, and contributed approximately 2.4% to the REIT’s overall GRI as at December 31, 2013.

Google Germany GmbH (“Google”)

Google is an American multinational corporation specializing in internet-related services and products and employs over 30,000 people worldwide.⁽⁵⁾ Google Hamburg is the company’s commercial headquarters for Germany, Austria, Switzerland and the Nordics and occupies approximately 59% of the GLA in ABC Bogen, our property located in the heart of Hamburg at ABC Strasse 19. Google generated approximately 2.2% of the REIT’s overall GRI as at December 31, 2013.

AIG Europe Limited (“AIG”)

AIG Europe Limited is a part of AIG, a leading international insurance company focused on property casualty insurance, life insurance and retirement services, mortgage insurance and aircraft leasing. AIG has clients in over 130 countries and employs approximately 63,000 people.⁽⁶⁾ AIG occupies approximately 60% of the space in Werfthaus, our property located at Speicherstrasse 55 in Frankfurt, and generated approximately 2.1% of the REIT’s overall GRI as at December 31, 2013.

BNP Paribas Fortis

BNP Paribas Fortis is a financial services provider, offering services to private and professional clients, corporate clients and public entities through a number of networks. The company is owned approximately 75% by the BNP Paribas Group and 25% by the Belgian State.⁽⁷⁾ BNP Paribas Fortis occupies approximately 55% of the space in Cäcilienkloster in Cologne as well as 8% in Z-UP in Stuttgart and generated approximately 2.0% of the REIT’s overall GRI as at December 31, 2013.

State of Bavaria/Technische Universität München

The Technische Universität München (“TUM”) is one of Europe’s top universities. TUM comprises 13 faculties which focus on engineering, medicine, natural and life sciences, business and education. Approximately 32,500 students are currently enrolled at TUM.⁽⁸⁾ TUM’s School of Education occupies approximately 48% of the GLA in our property located at Marsstrasse 20–22 in the city centre of Munich. TUM generated approximately 1.7% of the REIT’s overall GRI as at December 31, 2013.

Maersk Deutschland A/S & Co. KG (“Maersk”)

Maersk is the world’s largest ocean carrier and operates mainly in two industries: shipping and oil and gas. Through its various divisions, the group employs approximately 121,000 people and generated over US\$59 billion in revenues in 2012.⁽⁹⁾ Maersk occupies approximately 70% of the GLA in Humboldt House, our property located at Am Sandtorkai 37 in Hamburg. Maersk generated approximately 1.5% of the REIT’s overall GRI as at December 31, 2013.

(2) As disclosed at Freshfields’ web site at www.freshfields.com

(3) As disclosed at ERGO’s web site at www.ergo.com

(4) As disclosed at Imtech’s web site at www.imtech.de

(5) As disclosed at Google’s web site at www.google.com and www.google.ca/about/jobs/locations/hamburg

(6) As disclosed at AIG’s web site at www.aig.com

(7) As disclosed at BNP Paribas’ web site at www.bnpparibas.com

(8) As disclosed at Technische Universität München’s web site at www.tum.de/en/homepage

(9) As disclosed at Maersk’s web site at www.maersk.com

Jobcenter Berlin Mitte

Jobcenter Berlin Mitte is part of the Federal Employment Agency, the largest provider of labour market services in Germany. The Federal Employment Agency has a network of more than 700 agencies and branch offices nationwide.⁽¹⁰⁾ Jobcenter Berlin Mitte occupies approximately 51% of the GLA in Löwenkontor, our property located at Beuthstrasse 6–8 and Seydelstrasse 2–5 in Berlin. Jobcenter Berlin Mitte generated approximately 1.4% of the REIT's overall GRI as at December 31, 2013.

(10) As disclosed at Jobcenter Berlin Mitte's web site at www.arbeitsagentur.de

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 continues to be the main driving force of Europe. Germany's labour market is very robust and its registered unemployment rate at 6.7%⁽¹⁾ at the end of December 2013 remains near all-time lows since Germany's reunification in 1989. In addition, the Ifo Business Climate Index improved for the third month in a row in January 2014 and reached its highest level since June of 2012, an indicator of satisfaction with the current business situation in Germany.⁽²⁾

Economic impact on the German real estate sector

Germany is one of the most highly sought-after real estate investment markets in Europe, benefiting from strong domestic and international investor demand. A positive economic outlook and a strong labour market are key factors for the continued demand in this market. In 2013, the total investment volume for commercial real estate reached over €30 billion.

The office sector remains the dominant asset class for investments, with over 50% of all transactions during 2013 taking place in this category. In total, over €15 billion⁽³⁾ was invested in German office properties in 2013. The five largest real estate markets in Germany continue to account for the majority of the overall investment volume, with more than half of all the transactions taking place in Berlin, Düsseldorf, Frankfurt, Hamburg and Munich.⁽³⁾

The underlying fundamentals in the office sector remain strong. The stability in the office market is supported by a relatively moderate degree of new space coming to market and take-up for the redevelopment of vacant office space for alternative use. Overall office vacancies in the seven largest markets declined year-over-year from 8.8% at December 31, 2012 to 8.3% as at December 31, 2013.⁽⁴⁾

(1) Destatis, Germany's Federal Statistical Office

(2) Ifo Business Survey for January 2014

(3) CBRE MarketView, Germany Investment Quarterly Q4 2013

(4) Jones Lang LaSalle

FINANCIAL OVERVIEW

Our results for the fourth quarter were solid with FFO and AFFO increasing to \$24.2 million and \$22.3 million, respectively, reflecting the impact from positive absorption of space as well as completed acquisitions. On a per unit basis, FFO and AFFO were 22 cents and 20 cents, respectively. Over the course of the quarter, we had on average approximately \$79 million of excess undeployed cash. Excluding the impact of undeployed cash, FFO and AFFO per unit would have been 24 cents and 22 cents, respectively.

During Q4 2013, we continued to make progress in transforming our portfolio. The Trust's focus on asset management through its local operations team in Europe is highlighted by continued occupancy improvements during the quarter. We recorded positive absorption of approximately 10,800 square feet in Q4, increasing our year-to-date total absorption to approximately 180,100 square feet. Overall occupancy increased to 86.4% at December 31, 2013 from 83.2% at the beginning of the year, due to positive absorption in our Initial Properties as well as higher in-place occupancy rates in our Acquisition Properties.

Year-over-year, in-place rents increased from \$8.20 (€6.25) per square foot to \$12.40 (€8.46) in Q4 2013, largely due to high-quality acquisitions. At \$12.68 per square foot, average market rents in our portfolio remain approximately 2.3% above in-place rents.

On a year-over-year basis, our FFO and AFFO on a per unit basis were 85 cents and 79 cents, respectively, for 2013, compared to 84 cents and 80 cents for 2012. The FFO and AFFO numbers, which are comparable to the prior year, reflect the impact from dilution and the increase in the number of units outstanding. The full impact from the completed 2013 acquisitions will not be reflected until 2014.

The Trust continued to be active on the financing front, leading to further decreases in the Trust's average interest rate to 3.37% at the end of 2013, from 3.98% at the end of 2012. The average term to maturity of the Trust's debt increased to 4.6 years at December 31, 2013 from 4.4 years at December 31, 2012, and its interest coverage ratio increased from 3.0 times at the end of 2012 to 3.4 times at the end of 2013, mainly reflecting lower interest rates on new mortgages. Our leverage stood at 54% (net of cash) at December 31, 2013, an increase from 45% (net of cash) at the end of 2012.

The increase in our leverage ratio is largely due to new mortgage financings placed on acquisitions completed in 2013 at higher debt-to-book value than our portfolio at the beginning of the year. We operate in the range of 50% to 60% debt-to-book value and target 55% (net of cash).

On an overall basis, the Trust performed in line with management's expectations for the quarter.

OUTLOOK

With the completion of the acquisition of Feldmühleplatz 1 + 15 in Q4, our acquisitions for 2013 exceeded \$1 billion, making the Trust one of the most active investors in office properties in Germany in 2013. Since our IPO, we have acquired high-quality properties totalling \$1.3 billion. With these acquisitions, we have made significant improvements in the quality of our cash flow by focusing on newer properties with a broader tenant mix in the seven largest office markets ("Big 7") in Germany.

On average, the properties we acquired since the IPO are 12 years old, have a weighted average lease term of 6.3 years and an average occupancy rate of 95% and account for approximately 53% of our annual GRI. Further, we now have two-thirds of our asset value and 60% of our GRI in the Big 7 office markets in Germany.

We are pleased with the outcome of our discussions with Deutsche Post in 2013. Together with Postbank, they renewed approximately 50% of the space and 53% of the GRI they were eligible to terminate for a lease term of ten years at rates that are approximately 19% higher than the current rates. Our leasing team in Germany is focused on leasing the balance of the terminated space.

We enter 2014 with strong leasing momentum as the economic metrics in Germany remain positive. Our focus will continue to be on tenant retention as well as new leasing to enhance value. We will continue to explore redevelopment and intensification opportunities within our Initial Properties. At the same time, we will be opportunistic in disposing of non-core assets and recycling the capital to further enhance the quality of our cash flows.

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

Occupancy

Overall occupancy rates increased from 83.2% at the end of 2012 to 86.4% at the end of 2013. On average, Acquisition Properties have higher occupancy rates compared to our Initial Properties. Due to our leasing efforts throughout 2013, the occupancy in our Initial Properties increased from 82.1% at the end of 2012 to 83.2% at the end of 2013.

The table below details the percentage of occupied and committed space for the total portfolio as well as the comparative portfolio. The comparative portfolio comprises properties owned by the Trust at December 31, 2012 and December 31, 2013, and excludes properties that were acquired or sold during 2013.

(percent)	Total portfolio		Comparative portfolio	
	December 31, 2013 ⁽¹⁾	December 31, 2012 ⁽¹⁾	December 31, 2013 ⁽¹⁾	December 31, 2012 ⁽¹⁾
Initial Properties	83.2	82.1	83.2	82.4
Acquisition Properties	96.3	94.5	96.7	94.5
Total	86.4	83.2	84.4	83.4

⁽¹⁾ Space for which the Trust receives head lease payments is reflected as vacant space.

Vacancy schedule

The tables below highlight our leasing activity for the three-month and twelve-month periods ended December 31, 2013. During 2013, our overall space available for lease decreased by 117,397 square feet to 2,128,127 square feet. The Trust recorded positive absorption of 10,796 square feet during the quarter, increasing absorption for the full year 2013 to 180,128 square feet. The primary drivers of the positive absorption results were our continued focus on tenant retention as well as leasing.

(in square feet)	For the three months ended December 31, 2013		
	Initial Properties	Acquisition Properties	Total
Available for lease – October 1, 2013	1,984,395	156,449	2,140,844
Change in vacancy due to dispositions	(5,562)	-	(5,562)
Remeasurements	3,250	391	3,641
Subtotal – Available for lease	1,982,083	156,840	2,138,923
Expiries	65,792	102,962	168,754
Early termination and bankruptcies	2,489	-	2,489
New leases	(30,474)	(4,811)	(35,285)
Renewals	(15,584)	(100,330)	(115,914)
Future leases	(20,121)	(10,719)	(30,840)
Available for lease – December 31, 2013	1,984,185	143,942	2,128,127

For the year ended December 31, 2013

(in square feet)	Initial Properties	Acquisition Properties	Total
Available for lease – January 1, 2013	2,182,694	62,830	2,245,524
Change in vacancy due to acquisitions	-	148,771	148,771
Change in vacancy due to dispositions	(90,657)	-	(90,657)
Remeasurements	16,021	(11,404)	4,617
Subtotal – Available for lease	2,108,058	200,197	2,308,255
Expiries	354,602	170,042	524,644
Early termination and bankruptcies	27,030	5,454	32,484
New leases	(131,852)	(33,312)	(165,164)
Renewals	(195,097)	(149,784)	(344,881)
Future leases	(178,556)	(48,655)	(227,211)
Available for lease – December 31, 2013	1,984,185	143,942	2,128,127

In-place rental rates

The following table provides a comparison between in-place rents and market rents in our portfolio as at December 31, 2013. Market rents are management’s estimates of rental rates that could be achieved for space in our properties. In-place rents have increased from approximately \$8.20 per square foot/year at the end of 2012 to approximately \$12.40 at December 31, 2013, largely due to acquisitions completed in 2013. The majority of the leases in the Acquisition Properties include rent adjustment clauses linked to an increase in the consumer price index (“CPI”). Overall, average market rents for our portfolio remain approximately 2.3% above in-place rents at December 31, 2013. The 2.3% difference between in-place rents and market rents at December 31, 2013 is lower than the 3.4% reported in Q3, 2013, primarily as a result of the acquisition of Feldmühleplatz 1 + 15 in Q4. This particular property has above-market rents, which were taken into consideration in arriving at the purchase price at the time of the acquisition.

For acquisitions completed in 2012 and 2013, where in-place rents exceeded market rents, the purchase price was adjusted at the time of underwriting these acquisitions to reflect such above-market rents.

In-place vs. market rents at December 31, 2013

(per square foot/year)	In-place rent	Market rent	In-place rent	Market rent
Initial Properties – Deutsche Post	\$ 8.17	\$ 8.97	€ 5.57	€ 6.12
Initial Properties – Third party	8.08	9.33	5.51	6.37
Total Initial Properties	8.15	9.04	5.56	6.17
Acquisition Properties	23.59	22.28	16.10	15.20
Overall	\$ 12.40	\$ 12.68	€ 8.46	€ 8.65

At December 31, 2013, the weighted average remaining lease term (“WALT”) of all leases was approximately 4.8 years. The WALT of the Acquisition Properties was 6.0 years. The decrease in the WALT of the Initial Properties reflects the Deutsche Post termination notices, which are effective July 1, 2014.

(years)	WALT at December 31, 2013	WALT at December 31, 2012
Initial Properties – Deutsche Post	4.1 ⁽¹⁾	5.6
Initial Properties – Third party	5.1	4.3
Total Initial Properties	4.3	5.3
Acquisition Properties	6.0	7.4
Overall	4.8	5.5

(1) WALT at December 31, 2013 reflects a shortened lease term for properties for which the Trust received termination notices in connection with Deutsche Post’s 2014 termination rights.

Leasing and tenant profile

Lease rollover profile

The following table outlines our lease maturity profile by asset type as at December 31, 2013.

(in square feet)	Current vacancy	Month-to-month	2014	2015	2016	2017	2018 to 2039	Total
Initial Properties	1,984,185	345,112	1,299,762	252,025	141,214	192,973	7,590,211	11,805,481
Acquisition Properties	143, 942	16,137	127,495	335,590	507,411	389,812	2,379,556	3,899,944
Total	2,128,127	361,249	1,427,257	587,615	648,625	582,785	9,969,767	15,705,425

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 50% of the portfolio's GLA and account for 37% 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 CPI 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. Based on the index at the last CPI adjustment date, the index will have to reach 107.6 index points before the next adjustment will become effective. CPI numbers from December 2013 indicate that the CPI has reached 106.5 index points.

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 2012, 2014 and 2016, subject to certain limitations and requirements. The rights 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 that the vendor acquired from Deutsche Post in July 2008 (the "Caroline DP Leases"), considered as a whole. Deutsche Post exercised their termination rights with respect to 2012 and 2014.

Deutsche Post may terminate Deutsche Post leases and Caroline DP Leases aggregating no more than 10% of the total annual Reference Rent payable under all of the Deutsche Post leases and Caroline DP Leases 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.

Deutsche Post's 2014 termination rights comprised approximately 1.9 million square feet, or 8.8% of the REIT's current GRI. The tenant exercised such right in respect of 1.1 million square feet, or approximately 5.1% of the REIT's current GRI and committed to remain in approximately 0.8 million square feet of space. Of this space, leases for over 0.6 million square feet were amended by extending the term for five years commencing July 1, 2014, and the termination rights were waived with respect to the balance of the space of approximately 0.2 million square feet. As part of the lease extensions, we agreed to provide Deutsche Post with an annual rent reduction of €1.7 million per year, effective as of July 1, 2014. Based on recent inflation rates in Germany, we anticipate that at some point during 2014, this reduction in annual rent will be substantially offset by CPI rent adjustments provided in the terms of the Deutsche Post leases. In addition, the REIT will reimburse Deutsche Post up to €1.45 million to be used to improve the buildings and the tenant's space.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

	For the year ended December 31, 2013	For the year ended December 31, 2012
Balance at beginning of year	\$ 1,182,757	\$ 941,442
Additions		
Acquisitions	1,075,558	270,661
Building improvements	5,821	2,391
Lease incentives and initial direct leasing costs	8,246	1,011
Amortization of lease incentives	(616)	(17)
Disposals	(23,943)	(7,415)
Reclassified to assets held for sale	(21,147)	-
Fair value adjustments	(59,223)	(23,349)
Foreign currency translation	222,791	(1,967)
Balance at end of year	\$ 2,390,244	\$ 1,182,757

The fair value of our investment property portfolio at December 31, 2013 was \$2.4 billion. Since December 31, 2012, the value of our investment properties increased by \$1.2 billion. The largest item contributing to the increase in the value is the acquisition of 18 properties for \$1.1 billion (including transaction costs).

During the year ended December 31, 2013, we also invested \$14.1 million in building improvements, lease incentive and initial direct leasing costs.

During the same period, we disposed of 15 properties which had a fair value of \$23.9 million and have entered into agreements to dispose of six more properties, all considered to be non-core holdings with a total fair value of \$21.1 million. As at December 31, 2013, these six properties have been reclassified as assets held for sale on the balance sheet and excluded from the value of investment properties, as the REIT had committed to a plan for sale for these properties.

The change in fair value of investment properties comprises of the following:

	Total	Initial Properties	Acquisition Properties
Increase in fair value as a result of valuation update	\$ 14,436	\$ 4,841	\$ 9,595
Building expenditures capitalized during the year	(5,562)	(5,015)	(547)
Leasing expenditures capitalized during the year	(8,246)	(6,543)	(1,703)
Transaction costs capitalized on acquisition	(59,126)	-	(59,126)
Straight-line rent, amortization of lease incentives and other	(725)	(286)	(439)
	\$ (59,223)	\$ (7,003)	\$ (52,220)

The fair value of the Initial Properties increased by \$4.8 million based on external appraisals obtained from an independent third-party appraisal firm. The increase is mainly attributable to leasing in these properties. The Acquisition Properties increased by \$9.6 million based on internal appraisals and reflect a slight cap rate compression for these properties. We incurred \$59.1 million of transaction costs relating to properties acquired during the year, which were subsequently written off under the fair value model used for investment properties. Similarly, we incurred \$5.6 million of building expenditures and \$8.2 million of leasing costs, primarily related to the Initial Properties that were written off under the fair value model.

As a result of the increase in value of the euro, the investment properties increased in value by \$222.8 million in 2013.

The table below highlights the impact of our acquisitions and dispositions on our portfolio:

	December 31, 2013	December 31, 2012	Change
Initial Properties	\$ 1,006,359	\$ 896,987	\$ 109,372
2012 Acquisitions	304,956	262,943	42,013
Comparative properties⁽¹⁾	1,311,315	1,159,930	151,385
2013 Acquisitions	1,100,076	-	1,100,076
Dispositions	-	22,827	(22,827)
Properties held for sale	(21,147)	-	(21,147)
Total portfolio	\$ 2,390,244	\$ 1,182,757	\$ 1,207,487

(1) Comparative properties are properties owned by the Trust at December 31, 2013 and December 31, 2012.

The REIT's management is responsible for determining fair value measurements included in the financial statements, including fair values of investment properties, which are valued on a highest and best use basis. Fair values for investment properties are calculated using both the direct income capitalization and discounted cash flow ("DCF") methods. A description of the critical accounting judgments relating to the valuation of investment properties can be found in Note 4 to the audited consolidated financial statements. A description of valuation techniques underlying management's estimates of fair value and the valuation processes can be found in Note 7 to the audited consolidated financial statements.

Acquisitions

During 2013, we completed 18 office property acquisitions for approximately \$1.0 billion (excluding transaction costs), comprising 2.8 million square feet of office space.

Office property	Acquired GLA (sq. ft.)	Occupancy at acquisition (%)	Purchase price ⁽¹⁾	Date acquired
Hammer Strasse 30–34, Hamburg	172,300	100	\$ 56,328	January 31, 2013
Neue Mainzer Strasse 28 (K26), Frankfurt	123,300	90	82,351	February 15, 2013
Dillwächterstrasse 5 and Tübinger Strasse 11, Munich	81,900	99	24,579	March 2, 2013
Schlossstrasse 8a–8g, Hamburg	165,200	85	42,885	March 12, 2013
ABC-Strasse 19 (ABC Bogen), Hamburg	158,400	96	93,585	March 12, 2013
Moskauer Strasse 25, 27, Düsseldorf	217,200	95	62,350	March 12, 2013
Cäcilienkloster 2, 6, 8, 10, Cologne	200,900	100	95,820	March 12, 2013
Vorderbergstrasse 6/Heilbronner Strasse 35 (Z-UP), Stuttgart	88,600	84	38,354	March 13, 2013
Bertoldstrasse 48, 50/Sedanstrasse 7, Freiburg	121,100	100	40,251	March 13, 2013
Lörracher Strasse 16–16a, Freiburg	56,000	100	10,699	March 13, 2013
Westendstrasse 160, 162/Barthstrasse 24, 26, Munich	122,200	82	30,619	March 13, 2013
Am Stadtpark 2/Bayreuther Str. 33 (Parcside), Nuremberg	94,600	99	33,308	March 13, 2013
Speicherstrasse 55 (Werfthaus), Frankfurt	151,800	100	81,113	March 14, 2013
Reichskanzler-Müller-Strasse 21, 23, 25, Mannheim	100,500	95	29,984	March 14, 2013
Löwenkontor, Berlin	258,000	95	54,960	April 30, 2013
Marsstrasse 20–22, Munich	238,700	95	86,296	June 28, 2013
Leitzstrasse 45 (Oasis III), Stuttgart	170,000	100	43,430	September 30, 2013
Feldmühleplatz 1 + 15, Düsseldorf	246,000	100	107,710	November 29, 2013
Total	2,766,700	96	\$ 1,014,622	

(1) Excludes transaction costs.

On February 14, 2014, the Trust acquired an office building, located at Werner-Eckert-Straße 8, 10, 12 in München, Germany, for approximately \$22.1 million.

On February 11, 2014, the Trust entered into a purchase and sale agreement for a fully leased multi-tenant office property located in a desirable location in Hamburg, Germany, for an approximate purchase price of €60.5 million (\$91.1 million).

Dispositions

The REIT completed the sale of 15 properties in 2013, for an aggregate sales price of approximately \$23.9 million, which represented 102% of their book value. Part of the net proceeds of \$14.0 million was used to reduce our term loan credit facility. As at December 31, 2013, the REIT had committed to a plan of disposition for properties and thereby reclassified six properties from the Initial Properties with a total fair value of \$21.1 million as assets held for sale.

Building improvements

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. During the three and twelve months ended December 31, 2013, we spent \$2.1 million and \$5.8 million, respectively, in building improvements. In general, building improvements are non-recoverable from the tenants unless specifically provided for in the lease agreement.

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.

During the three and twelve months ended December 31, 2013, we incurred \$1.8 million and \$4.6 million, respectively, of lease incentives and \$1.2 million and \$3.6 million, respectively, of initial direct leasing costs. Included in the initial direct leasing costs, \$0.7 million and \$2.2 million represented internal leasing staff costs capitalized, for the three and twelve months ended December 31, 2013, respectively. As at December 31, 2013, we had outstanding leasing cost commitments of \$5.8 million.

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, 2013, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments
Less than 1 year	\$ 762
1–5 years	1,722
Longer than 5 years	0
Total	\$ 2,484

During the three- and twelve-month periods ended December 31, 2013, the Trust paid \$0.2 million and \$0.7 million in minimum lease payments, respectively, which have been included in comprehensive income for the period.

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, 2013, we had \$106.3 million of cash on hand. After reserving for current payables and operating requirements, approximately \$80 million is available for general purposes. Our debt-to-book value at December 31, 2013 is 56%. Excluding our convertible debentures, our debt-to-book value is 48%.

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 March 5, 2013, we completed a public offering of 23,230,000 Units, including an over-allotment option, at a price of \$10.90 per unit.

On June 6, 2013, we completed a public offering of 11,700,000 Units at a price of \$10.70 per unit. On June 24, 2013, the Trust issued an additional 1,445,000 Units at a price of \$10.70 per unit pursuant to the exercise by the underwriters of a portion of their over-allotment option.

New debt

During the year ended December 31, 2013, we obtained the following new mortgages:

Property	Mortgage (\$000s)	Mortgage (€000s)	Face rate	Date of funding	Date of maturity
Hammer Strasse 30–34, Hamburg	\$ 33,797	€ 24,900	2.41%	January 31, 2013	January 31, 2018
Neue Mainzer Strasse 28 (K26), Frankfurt	50,725	37,700	2.92%	February 15, 2013	December 31, 2022
Dillwächterstrasse 5 and Tübinger Strasse 11, Munich	14,693	11,000	2.68%	March 2, 2013	February 29, 2020
Schlossstrasse 8 and ABC Bogen	80,373	60,200	2.32%	March 12, 2013	March 12, 2018
Moskauer Strasse 25, 27 and Cäcilienkloster 2, 6, 8, 10	98,597	73,850	2.08%	March 12, 2013	March 7, 2018
Werfthaus and Reichskanzler-Müller-Strasse 21, 23, 25	68,455	51,400	3.32%	March 14, 2013	March 14, 2023
Z-UP, Bertoldstrasse 48, 50, Lörracher Strasse 16, Westendstrasse 160, 162 and Parcside	95,109	71,500	2.63%	March 13, 2013	March 31, 2021
Löwenkontor, Berlin	36,611	27,600	2.37%	April 30, 2013	March 29, 2018
Marsstrasse 20–22, Munich	53,409	38,000	2.69%	August 26, 2013	June 30, 2020
Leitzstrasse 45 (Oasis III), Stuttgart	26,502	18,800	2.73%	November 15, 2013	October 31, 2018
Feldmühleplatz 1 + 15, Düsseldorf	67,546	46,500	2.32%	December 23, 2013	November 26, 2018
Total	\$ 625,817	€ 461,450			

On November 15, 2013, the Trust drew down a mortgage with a principal balance of €18.8 million (\$26.5 million) at a fixed interest rate of 2.73% per annum for a term of five years in connection with its acquisition of Oasis III in Stuttgart. The Trust used cash on hand at September 30, 2013 to close the acquisition.

On November 29, 2013, the Trust finalized the terms of a mortgage agreement with a principal balance of €46.5 million (\$67.5 million) at a fixed interest rate of 2.32% per annum for a term of five years in connection with its acquisition of Feldmühleplatz 1 + 15 in Düsseldorf.

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 operate within a debt-to-book value range of 50% to 60% and target 55% (net of cash).

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

	December 31, 2013	December 31, 2012
Financing activities		
Weighted average interest rate ⁽¹⁾	3.37%	3.98%
Level of debt (debt-to-book value, net of cash, net of convertible debentures) ⁽²⁾	48%	33%
Level of debt (debt-to-book value, net of cash) ⁽²⁾	54%	45%
Interest coverage ratio ⁽²⁾	3.40 times	3.03 times
Debt-to-EBITDFV (years) ⁽²⁾⁽³⁾	8.7	8.5
Proportion of total debt due in current year	1.4%	0.4%
Debt – average term to maturity (years)	4.6	4.4
Variable rate debt as percentage of total debt	5%	11%

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

(2) Level of debt, interest coverage ratio and debt-to-EBITDFV are non-GAAP measures. Calculations for each reconciled to IFRS balances can be found commencing on page 29.

(3) Calculated as total debt divided by adjusted EBITDFV.

The higher debt-to-book value ratio at December 31, 2013 reflects the increase in mortgages in 2013 related to acquisitions, as well as a lower level of cash on hand compared to December 31, 2012.

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 3.4 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 8.7 years and reflects the approximate amount of time to pay off all debt.

	December 31, 2013			December 31, 2012		
	Variable	Fixed	Total	Variable	Fixed	Total
Term loan credit facility ⁽²⁾	\$ 64,368	\$ 384,604 ⁽¹⁾	\$ 448,972	\$ 82,512	\$ 344,028 ⁽¹⁾	\$ 426,540
Mortgage debt ⁽²⁾	-	825,014	825,014	-	151,862	151,862
Debentures ⁽²⁾	-	150,326	150,326	-	148,428	148,428
Total	\$ 64,368	\$ 1,359,944	\$ 1,424,312	\$ 82,512	\$ 644,318	\$ 726,830
Percentage	5%	95%	100%	11%	89%	100%

(1) As at December 31, 2013, 86% 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.

(2) Balance shown is net of deferred financing costs and mark-to-market adjustments.

Amounts recorded as at December 31, 2013 for the Debentures are net of \$5.8 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, 2013, we repaid \$16.8 million (€12.1 million), consisting of \$14.0 million (€10.1 million) in connection with the disposition of 15 properties and a lump sum repayment of \$2.8 million (€2.0 million) in August 2013. As at December 31, 2013, the remaining principal balance on the term loan credit facility was \$459.8 million (€313.7 million), of which \$10.1 million (€6.9 million) has been allocated to assets held for sale. 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 the interest rate does not exceed 5% on that portion.

As at December 31, 2013, as a result of the REIT's commitment to dispose of six properties from the Initial Properties and thereby reclassifying those properties to assets held for sale, the related portions of the Facility secured by these six properties, valued at \$10.1 million (€6.9 million), were also reclassified as liabilities related to assets held for sale.

As at December 31, 2013, the weighted average rate of the Facility was 4.09%. Including financing costs, the effective interest rate under the Facility was 4.13%. At December 31, 2012, the weighted average rate was 3.91% and the effective rate was 3.98%.

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 ratio does not exceed 59% during the first three years the loan is outstanding and 54% during the final two years. As at December 31, 2013, we were in compliance with these covenants.

Under the terms of the Facility, we are required to pay additional interest of 1% per annum beginning on August 3, 2013 on €100 million plus a 15% prepayment amount, less any amounts repaid. Mandatory repayments of between 110% and 125% (with the average being 115%) of the principal allocated to a particular Initial Property are required for any Initial Property sold or refinanced by the Trust. Since the initial public offering, the Trust has repaid \$20.2 million (€14.8 million) in principal payments including prepayment amounts on various property dispositions. Opportunities to repay the balance of €100.2 million will come from maximizing the leverage on new acquisitions and from additional dispositions of non-core properties.

Revolving credit facility

On October 9, 2013, the Trust entered into an agreement with a Canadian bank. Under the agreement, the revolving credit facility stands at €25 million. 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.

Convertible debentures

As at December 31, 2013, the total principal amount of Debentures outstanding was \$161 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 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 recorded in comprehensive income. During the three- and twelve-month periods ended December 31, 2013, the fair value attributed to the conversion feature increased by \$0.4 million and decreased by \$3.8 million, respectively.

The table below highlights our debt maturity profile:

	Debt maturities	Scheduled principal repayments on non-matured debt	Total
2014	€ -	€ 13,890	€ 13,890
2015	14,336	17,880	32,216
2016	294,280	14,747	309,027
2017	62,007	10,833	72,840
2018	338,230	6,151	344,381
2019 and thereafter	200,653	13,573	214,226
Total	€ 909,506	€ 77,074	€ 986,580

Equity

The table below highlights our outstanding equity:

	December 31, 2013		Unitholders' equity December 31, 2012	
	Number of Units	Amount	Number of Units	Amount
Units	109,698,977	\$ 1,034,005	72,232,494	\$ 596,078

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 units to trustees, officers, employees, affiliates and their service providers, including DAM, our asset manager.

The following table summarizes the changes in our outstanding equity:

	Units
Total Units outstanding on December 31, 2012	72,232,494
Units issued pursuant to public offerings	36,375,000
Units issued pursuant to the DUIP	17,632
Units issued pursuant to the DRIP ⁽¹⁾	1,073,851
Total units outstanding on December 31, 2013	109,698,977
Units issued pursuant to the DRIP on January 15, 2014	151,411
Total units outstanding on January 31, 2014	109,850,388

(1) Distribution Reinvestment and Unit Purchase Plan.

On March 5, 2013, the Trust completed a public offering of Units pursuant to which the Trust issued 23,230,000 Units at a price of \$10.90 per unit for total gross proceeds of \$253.2 million.

On June 6, 2013, the Trust completed a public offering of 11,700,000 Units at a price of \$10.70 per unit. On June 24, 2013, the Trust issued an additional 1,445,000 Units at a price of \$10.70 per unit pursuant to the exercise by the underwriters of a portion of their over-allotment option. Total gross proceeds amounted to \$140.7 million.

For the year ended December 31, 2013, 17,632 Units were issued pursuant to the Deferred Unit Incentive Plan (December 31, 2012 – 12,875 Units) to senior management.

Distribution policy

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 of unitholders and holders of Debentures, the Trust has entered into foreign exchange forward contracts.

For the quarter ended December 31, 2013, distributions declared amounted to \$21.9 million. Of this amount, \$3.7 million was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 83.3%. Distributions declared for the year ended December 31, 2013 were \$79.8 million. Of this amount, \$10.6 million was reinvested in additional Units pursuant to the DRIP, resulting in a cash payout ratio of 86.7%.

	Three months ended December 31, 2013			Year ended December 31, 2013		
	Declared amounts	4% bonus distribution	Total	Declared amounts	4% bonus distribution	Total
2013 distributions						
Paid in cash or reinvested in Units	\$ 14,596	\$ 95	\$ 14,691	\$ 72,470	\$ 372	\$ 72,842
Payable at December 31, 2013	7,314	-	7,314	7,314	-	7,314
Total distributions	\$ 21,910	\$ 95	\$ 22,005	\$ 79,784	\$ 372	\$ 80,156
2013 reinvestment						
Reinvested to December 31, 2013	\$ 2,388	\$ 95	\$ 2,483	\$ 9,306	\$ 372	\$ 9,678
Reinvested on January 15, 2013	1,273	51	1,324	1,273	51	1,324
Total distributions reinvested	\$ 3,661	\$ 146	\$ 3,807	\$ 10,579	\$ 423	\$ 11,002
Distributions paid in cash	\$ 18,249			\$ 69,205		
Reinvestment to distribution ratio	16.7%			13.3%		
Cash payout ratio	83.3%			86.7%		

We currently pay monthly distributions to unitholders of \$0.06667 per unit, or \$0.80 per unit on an annual basis. At December 31, 2013, approximately 17.4% of our total Units were enrolled in the DRIP.

Foreign currency contracts

At December 31, 2013, we had various currency forward contracts in place to sell euros for Canadian dollars for the next 30 months. On settlement of a contract, we realize a gain or loss on the difference between the forward rate and the spot rate. We also mark the contracts to market quarterly and recorded an unrealized loss of \$8.0 million and \$16.0 million for the three- and twelve-month periods ended December 31, 2013, respectively. The Trust currently has foreign exchange forward contracts to sell €5.6 million each month from January 2014 to June 2014, €5.2 million each month from July 2014 to May 2015, €3.9 million in June 2015, €2.4 million each month from July 2015 to September 2015, €2.1 million each month from October 2015 to May 2016, and €1.8 million in June 2016, at an average exchange rate of \$1.334 per euro.

Other

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.

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Net income (loss)	\$ 15,230	\$ (8,687)	\$ 22,765	\$ 10,916
Cash flow from operating activities	29,798	16,712	85,228	52,320
Distributions paid and payable	21,910	12,953	79,784	46,064
Surplus of cash flow from operating activities over distributions paid and payable	7,888	3,759	5,444	6,256
Shortfall of net income (loss) over distributions paid and payable	(6,680)	(21,640)	(57,019)	(35,148)

Cash flow from operations exceeded distributions paid and payable by \$5.4 million for the year ended December 31, 2013, and distributions paid and payable exceeded net income by \$57.0 million for the same period. This compares to a surplus of \$6.3 million of cash flow from operations over distributions paid and payable and a shortfall of \$35.1 million of net income over distributions paid and payable for the respective period in 2012.

The increase in cash flow from operating activities in 2013, both for the quarter and the year, reflects the acquisitions completed in 2012 and 2013. The shortfall of net income for each period reflects fair value adjustments to financial instruments and investment properties. These adjustments are non-cash items and are not considered in our distribution policy.

Cash flow from operating activities exceeded distributions paid and payable for the three months ended December 31, 2013 by \$7.9 million and distributions paid and payable exceeded net income by \$6.7 million for the same period. This compares to a surplus of \$3.8 million of cash flow from operations over distributions paid and payable for the three months ended December 31, 2012 and a shortfall of \$21.6 million of net income over distributions paid and payable for the same period in 2012. The shortfall in net income for each period reflects fair value adjustments to financial instruments and investment properties. These non-cash items do not impact cash flows and are not considered in our distribution policy. 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.

Asset management fee

On August 3, 2011, DAM 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 three- and twelve-month periods ended December 31, 2013, asset management expenses pertaining to the Initial Properties were \$0.5 million and \$2.1 million, respectively. A total of 83,665 and 373,160 deferred units were granted during the respective periods as compensation for the fees. An additional 34,031 deferred units were granted on January 1, 2014 pertaining to the asset management fee for the month of December 2013. As at January 1, 2014, 912,078 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 \$1.1 million and \$3.3 million, respectively, for the three- and twelve-month periods ended December 31, 2013, for properties acquired since the acquisition of our Initial Properties. It further paid a financing fee of \$0.3 million and \$0.5 million related to new equity offerings in each of the three- and twelve-month periods, and acquisition fees of \$0.9 million and \$5.9 million related to properties acquired during the three- and twelve-month periods, respectively.

OUR RESULTS OF OPERATIONS

	Three months ended December 31,		Years ended December 31,	
	2013 ⁽¹⁾	2012 ⁽¹⁾	2013 ⁽¹⁾	2012 ⁽¹⁾
Investment properties revenue	\$ 62,528	\$ 35,926	\$ 220,220	\$ 138,661
Investment properties operating expenses	20,656	13,869	75,367	53,222
Net rental income	41,872	22,057	144,853	85,439
Other income and expenses				
Portfolio management	(409)	(1,019)	(3,173)	(4,201)
General and administrative	(3,332)	(1,638)	(12,226)	(6,579)
Fair value adjustments to investment properties	212	(16,870)	(59,223)	(23,349)
Depreciation and amortization	(16)	(7)	(88)	(53)
Loss on sale of investment properties	(550)	(258)	(1,142)	(320)
Share of income from equity accounted investment	10	11	28	21
Interest and other income	352	289	1,547	503
Interest expense	(11,288)	(6,100)	(38,506)	(27,379)
Fair value adjustments to financial instruments	(9,460)	(6,736)	(11,450)	(15,214)
Income (loss) before income taxes	17,391	(10,271)	20,620	8,868
Income taxes				
Current income taxes (recovery)	142	84	689	226
Deferred income taxes (recovery)	2,019	(1,668)	(2,834)	(2,274)
Provision for (recovery) of income taxes	2,161	(1,584)	(2,145)	(2,048)
Net income (loss)	15,230	(8,687)	22,765	10,916
Foreign currency translation adjustment	57,950	20,758	109,133	(4,388)
Comprehensive income	\$ 73,180	\$ 12,071	\$ 131,898	\$ 6,528

(1) Results from operations were converted into Canadian dollars from euros using the following average exchange rates: the three-month and twelve-month periods ended December 31, 2013 were converted at \$1.4296:€1 and \$1.3688:€1, respectively; for 2012, the three-month and twelve-month periods ended December 31, 2012 were converted at \$1.2861:€1 and \$1.285:€1, respectively.

Statement of comprehensive income results

Net rental income

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Initial Properties	\$ 20,033	\$ 19,262	\$ 79,126	\$ 78,646
Acquisition Properties	21,839	2,795	65,727	6,793
Net rental income	\$ 41,872	\$ 22,057	\$ 144,853	\$ 85,439

For the three months ended December 31, 2013, net rental income was \$41.9 million, representing an increase of \$19.8 million compared to the same quarter in 2012. Excluding the \$4.2 million positive impact of a stronger euro, net rental income increased by \$15.6 million compared to the same quarter last year, of which \$16.9 million is attributable to properties acquired since October 2012, partially offset by a \$1.2 million decrease related to property dispositions pertaining to the Initial Properties. For the year ended December 31, 2013, net rental income was \$144.9 million, representing an increase of \$59.4 million compared to 2012. Excluding the \$8.9 million positive impact of a stronger euro, net rental income increased by \$50.5 million compared to the same quarter last year, of which \$54.9 million is attributable to properties acquired since January 2012, partially offset by a \$4.4 million decrease related to property dispositions pertaining to the Initial Properties.

The table below summarizes our revenue and operating expenses in euros:

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Investment properties revenue	€ 43,738	€ 27,934	€ 160,885	€ 107,907
Investment properties operating expenses	14,449	10,784	55,061	41,418
Net rental income	€ 29,289	€ 17,150	€ 105,824	€ 66,489

Portfolio management

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.

Portfolio management expense was \$0.4 million for the three-month period ended December 31, 2013, a decrease of approximately \$0.6 million compared to the same period in 2012. For the year ended December 31, 2013, an expense of \$3.2 million was recorded, representing a decrease of approximately \$1.0 million compared to 2012. A total of \$1.1 million and \$2.6 million of leasing staff costs incurred during the three-month and twelve-month periods ended December 31, 2013, respectively, have been capitalized as initial leasing costs of the respective properties to be consistent with our accounting policies to capitalize internal leasing costs. No leasing staff costs were capitalized during the three-month and twelve-month periods in 2012 as the REIT mostly engaged external brokers for new leasing. Excluding the impact of leasing costs capitalized in 2013, portfolio management expense increased by \$0.5 million and \$1.6 million, reflecting increases in asset management and leasing staff necessary to support the growth of our business.

General and administrative

General and administrative expenses totalled \$3.3 million and \$12.2 million for the three and twelve months ended December 31, 2013, respectively, representing increases of \$1.7 million and \$5.6 million over the same periods last year. The increases resulted from asset management fees increasing by \$0.9 million and \$3.2 million for the three and twelve months ended December 31, 2013, respectively, and higher regulatory and corporate compliance costs associated with the new acquisitions.

Fair value adjustment to investment properties

For the three-month period ended December 31, 2013, a gain of \$0.2 million was recognized compared to a loss of \$16.9 million in the comparative quarter last year. For the year ended December 31, 2013, a loss of \$59.2 million was recognized compared to a loss of \$23.3 million in 2012. The increase in 2013 over 2012 is primarily due to the write-off of transaction costs capitalized on completed acquisitions. The following table summarizes the components of the fair value adjustment to investment properties for the years ended December 31, 2013 and 2012:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Increase (decrease) in fair value as a result of valuation updates	\$ 14,436	\$ (8,365)
Write-off of building expenditures capitalized	(5,562)	(2,391)
Write-off of leasing expenditures capitalized	(8,246)	(1,011)
Write-off of transaction costs capitalized on acquisition	(59,126)	(11,582)
Straight-line rent, amortization of lease incentives and other	(725)	-
	\$ (59,223)	\$ (23,349)

Interest expense

Interest expense was \$11.3 million for the three-month period ended December 31, 2013, an increase of \$5.2 million compared to the same quarter last year. Excluding the unfavourable exchange rate impact of \$0.8 million, interest expense increased by \$4.3 million as a result of new mortgage debt placed on properties we acquired in 2012 and 2013. In addition, included in interest is increased interest expense related to the term credit facility reflecting the additional 1% interest payable on \$100 million principal effective August 2013 offset by lower floating rate interest.

Interest expense was \$38.5 million for the year ended December 31, 2013, an increase of \$11.1 million compared to the same period last year. Excluding the unfavourable exchange rate impact of \$1.8 million, interest expense increased by \$9.3 million, of which \$13.6 million was a result of new mortgage debt placed on properties we acquired in 2012 and 2013. Offsetting this was a decrease in interest payable on Exchangeable Notes to \$nil in the current year, compared to \$2.6 million in the prior year. In addition, interest on our term credit facility decreased by \$2.3 million as the underlying three-month EURIBOR rates dropped to an average of 0.210% in 2013 from 0.762% in 2012.

We currently have interest rate swaps in place that fix the interest rate payable on €262.8 million at a rate of 1.89%. The REIT does not apply hedge accounting in relation to these swaps and, as a result, their impact is not included in interest expense but accounted for through the fair value adjustments as described below. During the quarter, \$1.6 million of swap settlements were settled compared to \$1.7 million in the same quarter last year, reflecting the reduction in the underlying interest rates. During the year ended December 31, 2013, \$6.2 million of interest swap settlements were settled compared to \$4.3 million in the prior year, reflecting the reduction in the underlying interest rates. Including the swaps and the additional 1% on the Facility, the actual weighted average interest rate on the Facility as at December 31, 2013 is 4.09%. On an effective interest rate basis, the rate is 4.13%. Any adjustments arising from the interest rate swaps are reflected in the fair value adjustments to financial instruments and not in interest expense.

Fair value adjustment to financial instruments

For the three months ended December 31, 2013, we incurred an unrealized loss in the fair value of financial instruments of \$9.5 million compared to a loss of \$6.7 million in the comparative period. The fair value adjustments in the quarter mainly comprise the following components:

- a \$1.1 million loss recognized on the fair value change in the interest rate swaps and cap as a result of the settlement of one contract in the quarter for \$1.6 million and a decrease in the forward price of interest rates. A \$2.0 million loss was recognized in the comparative quarter last year due to a decrease in the forward price of interest rates;
- a \$0.4 million fair value loss recognized on the conversion feature of the convertible debentures mainly reflecting an increase in the market price of our Units, compared to a loss of \$0.7 million in the same period in 2012;
- an unrealized loss of \$8.0 million was recognized related to our foreign currency forward contracts due to an appreciation of the euro compared to the Canadian dollar, versus a \$4.0 million unrealized loss during the comparative quarter due to an appreciation of the euro compared to the Canadian dollar; and
- a \$0.1 million loss was recognized related to our DUIP mainly reflecting an increase in the market price of our Units, compared to a loss of \$0.1 million in the same period in 2012.

For the year ended December 31, 2013, we incurred an unrealized loss in the fair value of financial instruments of \$11.5 million compared to an unrealized loss of \$15.2 million in 2012. The fair value adjustments in the year mainly comprise the following components:

- a \$0.2 million gain recognized on the fair value change in the interest rate swaps and cap as a result of the settlement of four contracts in the period for \$6.2 million and an increase in the forward price of interest rates. A \$15.5 million loss was recognized in the prior year due to a decrease in the forward price of interest rates;
- a \$3.8 million fair value gain recognized on the conversion feature of the convertible debentures mainly reflecting a decline in the market price of our Units, compared to a gain of \$2.4 million in 2012;
- an unrealized loss of \$16.0 million was recognized related to our foreign currency forward contracts due to an appreciation of the euro compared to the Canadian dollar, versus a \$0.5 million unrealized gain during the comparative period due to a depreciation of the euro compared to the Canadian dollar;

- a \$0.6 million gain was recognized related to our DUIP mainly reflecting a decrease in the market price of our Units, compared to a loss of \$0.3 million in the same period in 2012 reflecting an increase in the market price of our Units; and
- a \$2.3 million loss in the prior year on the fair value adjustment on the Exchangeable Notes, which were fully settled in September 2012.

Income taxes

We recognized a current income tax expense of \$0.1 million and \$0.7 million, respectively, for the three- and twelve-month periods ended December 31, 2013, compared to current income tax expenses of \$0.1 million and \$0.2 million, respectively, for the comparative periods in 2012. The increase in 2013 is mainly a result of current income taxes related to new acquisitions.

We also recognized a deferred income tax expense of \$2.0 million and a deferred income tax recovery of \$2.8 million, respectively, for the three- and twelve-month periods ended December 31, 2013, compared to deferred income tax recoveries of \$1.7 million and \$2.3 million, respectively, for the comparative periods in 2012. The differences are mainly a result of the deferred income tax impact associated with the loss carry-forwards, fair value adjustments related to investment properties net of tax depreciation, and fair value changes related to financial instruments.

Impact of foreign exchange

Exchange rate fluctuations between the Canadian dollar and the euro impact the Trust's reported revenues, expenses, income, cash flows, assets and liabilities. The table below summarizes changes in the exchange rates.

	Three months ended December 31,			Year ended December 31,		
	2013	2012	Change	2013	2012	Change
Average exchange rate (Cdn dollars to one euro)	1.430	1.286	11.2%	1.369	1.285	6.5%
Exchange rate at period-end (Cdn dollars to one euro)	1.466	1.312	11.7%	1.466	1.312	11.7%

Comprehensive income was impacted by a foreign currency translation gain of \$58.0 million and \$109.1 million, respectively, for the three- and twelve-month periods ended December 31, 2013. The exchange rates increased from \$1.3118:€1 as at December 31, 2012 to \$1.4655:€1 as at December 31, 2013. The quarterly results of our euro-denominated operations included in net income were translated at an average exchange rate of \$1.4296:€1 compared to \$1.2861:€1 in the same quarter last year. For the year ended December 31, 2013, results were translated at an average exchange rate of \$1.3688:€1 compared to \$1.2850:€1 in the prior year.

Funds from operations and adjusted funds from operations

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Net income	\$ 15,230	\$ (8,687)	\$ 22,765	\$ 10,916
Add (deduct):				
Depreciation of fixtures and computer equipment	-	9	-	69
Share of net losses from equity accounted investments	3	-	3	-
Amortization of lease incentives	259	9	616	17
Interest expense on Exchangeable Notes	-	-	-	2,558
Loss on sale of investment property	550	258	1,142	320
Tax on gains on sale of investment property	(33)	-	62	-
Deferred income taxes	2,019	(1,668)	(2,834)	(2,274)
Term debt swap settlement	(1,585)	(1,660)	(6,179)	(4,255)
Gain on settlement of foreign currency contracts	(1,456)	481	(1,826)	2,406
Fair value adjustments to investment properties	(212)	16,870	59,223	23,349
Fair value adjustments to financial instruments	9,460	6,736	11,450	15,214
FFO	\$ 24,235	\$ 12,348	\$ 84,422	\$ 48,320
Add (deduct):				
Amortization of financing costs	\$ 794	\$ 366	\$ 2,651	\$ 1,183
Accretion of debenture conversion feature	260	240	1,008	930
Amortization of fair value adjustment of assumed debt	(92)	(26)	(402)	(206)
Deferred unit compensation expense	313	138	1,313	628
Deferred asset management fees	539	502	2,113	1,907
Straight-line rent	(440)	(56)	(1,510)	(98)
	25,609	13,512	89,595	52,664
Deduct:				
Normalized leasing costs and tenant incentives	(1,884)	(1,025)	(6,518)	(4,100)
Normalized non-recoverable recurring capital expenditures	(1,466)	(600)	(5,070)	(2,400)
AFFO	\$ 22,259	\$ 11,887	\$ 78,007	\$ 46,164

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 includes all Units. For the three- and twelve-month periods ended December 31, 2012, the outstanding Units also include the aggregate number of Units issuable upon the exchange of Exchangeable Notes. All Exchangeable Notes were exchanged in 2012. The diluted weighted average number of Units assumes the conversion of the Debentures and incremental unvested deferred trust units related to the Deferred Unit Incentive Plan represented by 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 and AFFO calculations for the three and twelve months ended December 31, 2013 are noted in the table below. Diluted FFO and AFFO includes interest and amortization adjustments related to the Debentures of \$2.7 million and \$10.8 million for the three and twelve months ended December 31, 2013, respectively.

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Weighted average Units outstanding for basic per unit amounts	109,482,435	64,064,093	99,335,779	57,379,400
Weighted average Units outstanding for diluted per unit amounts	123,028,441	77,017,591	112,691,725	70,201,374

Over the course of the quarter, the REIT had approximately \$79.4 million on average of excess undeployed cash available for acquisitions. Over the course of the year, the REIT had approximately \$91.1 million of cash available for acquisitions. We estimate that these funds, if invested, would generate a return on equity of approximately 10.0%, which is consistent with historic returns for acquired investment properties, and would have contributed \$2.0 million for the quarter and \$9.1 million for the year ended December 31, 2013, respectively, to FFO and AFFO.

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 net income or cash flow from operating activities as defined by IFRS and is not necessarily indicative of cash available to fund Dundee International REIT's needs.

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
FFO	\$ 24,235	\$ 12,348	\$ 84,422	\$ 48,320
FFO per unit – basic	\$ 0.22	\$ 0.19	\$ 0.85	\$ 0.84
FFO per unit – diluted	\$ 0.22	\$ 0.19	\$ 0.84	\$ 0.84

Excluding the impact of undeployed cash:

FFO per unit – basic	\$ 0.24	\$ 0.24	\$ 0.94	\$ 0.98
FFO per unit – diluted	\$ 0.24	\$ 0.24	\$ 0.93	\$ 0.95

Total FFO for the quarter was \$24.2 million, an increase of \$11.9 million or 96.3% over the prior year comparative quarter (year ended December 31, 2013 – \$84.4 million, an increase of \$36.1 million or 74.7% over the prior year), reflecting the impact of acquisitions completed in 2012 and 2013. FFO on a per unit basis increased to \$0.22 per unit from \$0.19 per unit over the prior year comparative quarter (year ended December 31, 2013 – an increase from \$0.84 per unit to \$0.85 per unit over the prior year). Diluted FFO on a per unit basis increased to \$0.22 per unit from \$0.19 per unit over the prior year comparative quarter (year ended December 31, 2013 – remained consistent with the prior year at \$0.84 per unit). Assuming this excess cash had been invested, diluted FFO per unit would have been \$0.24 per unit for the quarter and \$0.93 per unit for the year.

Adjusted funds from operations

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.

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
AFFO	\$ 22,259	\$ 11,887	\$ 78,007	\$ 46,164
AFFO per unit – basic	\$ 0.20	\$ 0.19	\$ 0.79	\$ 0.80

Excluding the impact of undeployed cash:

AFFO per unit – basic	\$ 0.22	\$ 0.24	\$ 0.88	\$ 0.94
-----------------------	---------	---------	---------	---------

Total AFFO for the quarter was \$22.3 million, an increase of \$10.4 million or 87.3% over the prior year comparative quarter (year ended December 31, 2013 – \$78.0 million, an increase of \$31.8 million or 69.0% over the prior year), reflecting the impact of acquisitions completed in 2012 and 2013. AFFO on a per unit basis increased to \$0.20 per unit from \$0.19 per unit (year ended December 30, 2013 – a decrease from \$0.80 per unit to \$0.79 per unit over the prior year). Assuming this excess cash had been invested, AFFO per unit would have been \$0.22 per unit for the quarter and \$0.88 per unit for the year.

Our calculation of AFFO includes an estimated amount of normalized non-recoverable capital expenditures, as well as initial direct leasing costs and tenant incentives that 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.

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Cash generated from operating activities	\$ 29,798	\$ 16,712	\$ 85,228	\$ 52,320
Add (deduct):				
Change in non-cash working capital	(6,704)	(3,488)	(2,568)	(287)
Share of general and administrative expenses from equity accounted investments	(3)	13	(57)	37
Unrealized loss on settlement of foreign exchange contracts	(519)	(248)	(1,316)	(417)
Tax on gains on sale of investment property	(33)	-	62	-
Investment in lease incentives and initial direct leasing costs	3,070	523	8,246	1,011
Normalized leasing costs and tenant incentives	(1,884)	(1,025)	(6,518)	(4,100)
Normalized non-recoverable recurring capital expenditures	(1,466)	(600)	(5,070)	(2,400)
AFFO	\$ 22,259	\$ 11,887	\$ 78,007	\$ 46,164

SELECTED ANNUAL INFORMATION

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

	For the year ended December 31, 2013	For the year ended December 31, 2012	For the period August 3, 2011 to December 31, 2011
Revenues	\$ 220,220	\$ 138,661	\$ 54,274
Net income (loss)	22,765	10,916	(23,201)
Total assets	2,558,674	1,400,269	1,039,340
Debt	\$ 1,424,312	\$ 726,830	\$ 579,006
Distributions declared	\$ 80,173	\$ 43,568	\$ 14,441
REIT Units	109,698,977	72,232,494	43,872,316
Exchangeable Notes	-	-	8,000,000

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2012:

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
REVENUES								
Investment properties revenue	\$ 62,528	\$ 56,915	\$ 54,413	\$ 46,364	\$ 35,926	\$ 33,765	\$ 34,896	\$ 34,074
Investment properties operating expenses	20,656	17,436	18,222	19,053	13,869	12,024	13,992	13,337
NET RENTAL INCOME	41,872	39,479	36,191	27,311	22,057	21,741	20,904	20,737
OTHER INCOME AND EXPENSES								
Portfolio management	(409)	(1,006)	(882)	(876)	(1,019)	(1,096)	(1,051)	(1,035)
General and administrative	(3,332)	(3,399)	(3,045)	(2,450)	(1,638)	(1,856)	(1,598)	(1,487)
Fair value adjustments to investment properties	212	(4,487)	(8,726)	(46,222)	(16,870)	(2,574)	(3,010)	(895)
Amortization and depreciation	(16)	(33)	(24)	(15)	(7)	(35)	(11)	0
Loss on sale of investment property	(550)	(79)	(252)	(261)	(258)	(62)	0	0
Share of net losses from equity accounted investments	10	(2)	13	7	11	(13)	12	11
Acquisition related gain, net	0	0	0	0	0	0	0	0
Interest and other income	352	351	446	398	289	59	63	92
Interest expense	(11,288)	(10,441)	(9,700)	(7,077)	(6,100)	(6,531)	(6,629)	(8,119)
Fair value adjustments to financial instruments	(9,460)	(1,808)	(4,570)	4,388	(6,736)	(5,950)	130	(2,658)
Income (loss) before taxes	17,391	18,575	9,451	(24,797)	(10,271)	3,683	8,810	6,646
Current income taxes	142	(100)	316	331	84	77	29	36
Deferred income taxes	2,019	983	128	(5,964)	(1,668)	(57)	(334)	(215)
NET INCOME (LOSS)	\$ 15,230	\$ 17,692	\$ 9,007	\$ (19,164)	\$ (8,687)	\$ 3,663	\$ 9,115	\$ 6,825
Add (deduct):								
Depreciation of property and equipment	0	0	0	0	9	38	16	6
Share of net losses from equity accounted investments	3	0	0	0	0	0	0	0
Amortization of lease incentives	259	108	112	137	9	8	0	0
Interest on Exchangeable Notes	0	0	0	0	0	406	632	1,520
Acquisition related gain, net	0	0	0	0	0	0	0	0
Loss on sale of investment property	550	79	252	261	258	62	0	0
Tax on gains on sale of investment property	(33)	(126)	79	142	0	0	0	0
Deferred income taxes	2,019	983	128	(5,964)	(1,668)	(57)	(334)	(215)
Term debt swap settlement	(1,585)	(1,574)	(1,533)	(1,487)	(1,660)	(1,155)	(1,038)	(402)
Deferred gain/loss on settlement of Forex contracts	(1,456)	(456)	52	34	481	954	496	475
Fair value adjustments to investment properties	(212)	4,487	8,726	46,222	16,870	2,574	3,010	895
Fair value adjustments to financial instruments	9,460	1,808	4,570	(4,388)	6,736	5,950	(130)	2,658
FFO	\$ 24,235	\$ 23,001	\$ 21,393	\$ 15,793	\$ 12,348	\$ 12,443	\$ 11,767	\$ 11,762
FFO per unit – basic	\$ 0.22	\$ 0.21	\$ 0.22	\$ 0.20	\$ 0.19	\$ 0.22	\$ 0.21	\$ 0.23
FFO per unit – diluted	0.22	0.21	0.21	0.20	0.19	0.21	0.21	0.22
Funds from operations	\$ 24,235	\$ 23,001	\$ 21,393	\$ 15,793	\$ 12,348	\$ 12,443	\$ 11,767	\$ 11,762
Add (deduct):								
Amortization of financing costs	794	744	666	447	366	279	273	265
Accretion of debenture conversion feature	260	254	250	244	240	235	230	225
Amortization of FV adjustment of debt	(92)	(88)	(84)	(138)	(26)	(76)	(78)	(26)
Deferred compensation expense	313	356	378	266	138	180	158	152
Deferred asset management expense	539	529	523	522	502	504	488	413
Straight-line rent	(440)	(268)	(623)	(179)	(56)	(78)	18	18
	25,609	24,528	22,503	16,955	13,512	13,487	12,856	12,809
Deduct:								
Normalized leasing costs and tenant incentives	(1,884)	(1,776)	(1,629)	(1,229)	(1,025)	(1,025)	(1,025)	(1,025)
Normalized non-recoverable recurring capital expenditures	(1,466)	(1,381)	(1,267)	(956)	(600)	(600)	(600)	(600)
AFFO	\$ 22,259	\$ 21,371	\$ 19,607	\$ 14,770	\$ 11,887	\$ 11,862	\$ 11,231	\$ 11,184
AFFO per unit – basic	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.19	\$ 0.19	\$ 0.21	\$ 0.20	\$ 0.22
AFFO per unit – diluted	0.20	0.20	0.20	0.19	0.19	0.21	0.20	0.21
Weighted average number of Units:								
Basic	109,482,435	109,116,985	99,037,061	79,267,113	64,064,093	57,795,412	55,697,600	51,882,467
Diluted	123,028,441	122,552,770	112,358,396	92,382,159	77,017,591	70,666,219	68,474,767	64,565,100
Quarterly average exchange rate (\$:€1)	1.430	1.376	1.337	1.332	1.286	1.245	1.296	1.313

NON-GAAP MEASURES

The following additional non-GAAP measures are important measures used by management in evaluating the Trust's underlying operating performance and debt management. These non-GAAP measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

Level of debt (debt-to-gross book value)

Management believes this non-GAAP measurement is an important measure in the management of our debt levels. Level of debt as shown below is determined as total debt, divided by total assets.

	December 31, 2013	December 31, 2012
Non-current debt ⁽¹⁾	\$ 1,403,956	\$ 724,119
Current debt	20,356	2,711
Total debt	1,424,312	726,830
Unamortized discount component of convertible debentures	5,803	6,810
Total adjusted debt	1,430,115	733,640
Less cash	106,292	181,619
Total adjusted debt, net of cash	1,323,823	552,021
Total assets	2,558,674	1,400,269
Less cash	106,292	181,619
Total assets, net of cash	\$ 2,452,382	\$ 1,218,650
Debt-to-gross book value	56%	52%
Debt-to-gross book value, net of cash	54%	45%
Debt-to-gross book value, net of cash, net of convertible debentures	48%	33%

(1) Non-current debt includes convertible debentures valued at \$150,326 and \$148,428 at December 31, 2013 and 2012, respectively.

Interest coverage ratio

Management believes this non-GAAP measurement is an important measure in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio as shown below is calculated as net rental income plus interest and fee income, less general and administrative expenses and portfolio management expenses, all divided by interest expense on total debt.

	December 31, 2013	December 31, 2012
Net rental income	\$ 144,853	\$ 85,439
Add: Interest and other income	1,547	503
Less: General and administrative expenses	12,226	6,579
Less: Portfolio management expenses	3,173	4,201
	131,001	75,162
Interest expense	38,506	27,379
Less: Interest on Exchangeable Notes	-	2,558
Total adjusted interest expense	38,506	24,821
Interest coverage ratio	3.40	3.03

Debt-to-EBITDFV

Management believes this non-GAAP measurement is an important measure in determining the time it takes the Trust, based on its operating performance, to repay our debt. Debt-to-EBITDFV as shown below is calculated as total debt divided by the sum of net income for the quarter adjusted for fair value adjustments to investment properties and financial instruments, gain/loss on sale of investment properties, interest expense, depreciation and income taxes. A further adjustment is made for properties acquired during the quarter to reflect net rental income as if the properties were held for the full quarter.

	December 31, 2013	December 31, 2012
Non-current debt	\$ 1,403,956	\$ 724,119
Current debt	20,356	2,711
Total debt	1,424,312	726,830
Net income (loss) for the quarter	15,230	(8,687)
Fair value adjustments to investment properties	(212)	16,870
Fair value adjustments to financial instruments	9,460	6,736
Loss on sale of investment property	550	258
Depreciation and amortization	16	7
Interest expense	11,288	6,100
Provision for income taxes	2,161	(1,584)
Adjusted net rental income of properties acquired in the quarter	1,296	1,185
EBITDFV	39,789	20,885
EBITDFV – adjusted for foreign exchange	40,788	21,302
Debt-to-EBITDFV (three months ended)	34.9	34.1
Debt-to-EBITDFV (years) annualized	8.7	8.5

SECTION III – DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

For the December 31, 2013 financial year-end, the Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), together with other members of management, have evaluated the design and operational effectiveness of Dundee International REIT’s disclosure controls and procedures, as defined in National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings” (“NI 52-109”). The Certifying Officers have concluded that the disclosure controls and procedures are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures by Dundee International REIT and its consolidated subsidiary entities, within the required time periods.

Dundee International REIT’s internal control over financial reporting (as defined in NI 52-109) is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (“GAAP”). Using the framework established in “Risk Management and Governance: Guidance on Control (COCO Framework)”, published by The Canadian Institute of Chartered Accountants, the Certifying Officers, together with other members of management, have evaluated the design and operation of Dundee International REIT’s internal control over financial reporting. Based on that evaluation, the Certifying Officers have concluded that Dundee International REIT’s internal control over financial reporting was effective as at December 31, 2013.

There were no changes in Dundee International REIT’s internal control over financial reporting during the financial year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, Dundee International REIT’s internal control over financial reporting.

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 2012 Annual Report or our Annual Information Form dated April 1, 2013, 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, 2013.

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. As a result of legislation passed on November 29, 2013, certain of our subsidiaries are subject to German corporate income tax on their net rental income and capital gains from the sale of properties. Although we have previously structured our tax affairs on the assumption that those 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, and 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 in the future to the carrying amounts of the asset or liability affected. Dundee International REIT's critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 to the consolidated financial statements.

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Accounting policy changes

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

Additional information relating to Dundee International REIT, including our Annual Information Form dated April 1, 2013, 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 26, 2014



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, 2013 and December 31, 2012 and the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and December 31, 2012, 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, 2013 and December 31, 2012, and their financial performance and their cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario, February 26, 2014

Consolidated balance sheets

(in thousands of Canadian dollars)	Note	December 31, 2013	December 31, 2012
Assets			
NON-CURRENT ASSETS			
Investment properties	7	\$ 2,390,244	\$ 1,182,757
Amount in escrow	8	-	5,568
Deferred income tax assets	20	12,313	8,491
Other non-current assets	9	2,288	548
		2,404,845	1,197,364
CURRENT ASSETS			
Amounts receivable	10	18,149	4,822
Prepaid expenses		1,962	4,354
Amount in escrow	8	6,220	12,110
Cash		106,292	181,619
		132,623	202,905
Assets held for sale	17	21,206	-
Total assets		\$ 2,558,674	\$ 1,400,269
Liabilities			
NON-CURRENT LIABILITIES			
Debt	11	\$ 1,403,956	\$ 724,119
Deferred rent	8	-	5,568
Deposits		1,900	895
Derivative financial instruments	12	16,299	18,635
Deferred Unit Incentive Plan	13	6,306	3,629
		1,428,461	752,846
CURRENT LIABILITIES			
Debt	11	20,356	2,711
Amounts payable and accrued liabilities	14	32,940	26,863
Income tax payable		523	404
Deferred rent	8	6,220	12,110
Derivative financial instruments	12	13,772	4,441
Distributions payable	15	7,314	4,816
		81,125	51,345
Liabilities related to assets held for sale	17	15,083	-
Total liabilities		1,524,669	804,191
Equity			
Unitholders' equity		1,075,520	689,318
Deficit		(127,702)	(70,294)
Accumulated other comprehensive income (loss)		86,187	(22,946)
Total equity	16	1,034,005	596,078
Total liabilities and equity		\$ 2,558,674	\$ 1,400,269

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 net income and comprehensive income

(in thousands of Canadian dollars)	Note	Years ended December 31,	
		2013	2012
Investment properties revenue		\$ 220,220	\$ 138,661
Investment properties operating expenses		75,367	53,222
Net rental income		144,853	85,439
Other income and expenses			
Portfolio management		(3,173)	(4,201)
General and administrative		(12,226)	(6,579)
Fair value adjustments to investment properties	7	(59,223)	(23,349)
Depreciation and amortization		(88)	(53)
Loss on sale of investment properties	7	(1,142)	(320)
Share of income from equity accounted investment		28	21
Interest and other income		1,547	503
Interest expense	18	(38,506)	(27,379)
Fair value adjustments to financial instruments	19	(11,450)	(15,214)
Income before income taxes		20,620	8,868
Current income taxes		689	226
Deferred income taxes recovery		(2,834)	(2,274)
Recovery of income taxes	20	(2,145)	(2,048)
Net income		22,765	10,916
Foreign currency translation adjustment		109,133	(4,388)
Comprehensive income		\$ 131,898	\$ 6,528

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

Attributable to unitholders of the Trust

(in thousands of Canadian dollars, except number of Units)	Note	Number of Units	Unitholders' equity	Deficit	Accumulated other comprehensive income (loss)		Total
Balance at January 1, 2013		72,232,494	\$ 689,318	\$ (70,294)	\$ (22,946)	\$	596,078
Net income for the year		-	-	22,765	-		22,765
Distributions paid	15	-	-	(72,859)	-		(72,859)
Distributions payable	15	-	-	(7,314)	-		(7,314)
Public offering of Units	16	36,375,000	393,859	-	-		393,859
Distribution Reinvestment Plan	16	1,066,792	10,145	-	-		10,145
Unit Purchase Plan	16	7,059	72	-	-		72
Deferred Unit Incentive Plan	16	17,632	164	-	-		164
Issue costs		-	(18,038)	-	-		(18,038)
Foreign currency translation adjustment		-	-	-	109,133		109,133
Balance at December 31, 2013		109,698,977	\$ 1,075,520	\$ (127,702)	\$ 86,187	\$	1,034,005

Attributable to unitholders of the Trust

(in thousands of Canadian dollars, except number of Units)	Note	Number of Units	Unitholders' equity	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	15	-	-	(38,752)	-		(38,752)
Distributions payable	15	-	-	(4,816)	-		(4,816)
Public offering of Units		28,186,500	290,436	-	-		290,436
Distribution Reinvestment Plan	16	157,432	1,644	-	-		1,644
Unit Purchase Plan	16	3,371	36	-	-		36
Deferred Unit Incentive Plan	16	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

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)	Note	Years ended December 31,	
		2013	2012
Generated from (utilized in) operating activities			
Net income		\$ 22,765	\$ 10,916
Non-cash items:			
Share of income from equity accounted investment		(28)	(21)
Deferred income taxes recovery		(2,834)	(2,274)
Amortization of lease incentives		616	17
Amortization of financing costs		2,651	1,183
Amortization of fair value adjustment on acquired debt		(402)	(206)
Amortization of initial discount on convertible debentures		1,008	930
Loss on sale of investment properties		1,142	320
Depreciation and amortization		88	53
Deferred unit compensation expense and asset management fees	13	3,426	2,535
Straight-line rent adjustment		(1,510)	(98)
Fair value adjustments to financial instruments	19	11,450	15,214
Fair value adjustments to investment properties		59,223	23,349
Cash settlement on foreign exchange contracts		(510)	2,822
Interest on Exchangeable Notes	18	-	2,558
Cash settlement on interest rate swap		(6,179)	(4,255)
Lease incentives and initial direct leasing costs	7	(8,246)	(1,010)
Change in non-cash working capital	22	2,568	287
		85,228	52,320
Generated from (utilized in) investing activities			
Investment in building improvements	7	(5,821)	(2,391)
Acquisition of investment properties	6	(1,080,279)	(241,032)
Prepaid transaction costs on investment properties		-	(2,969)
Proceeds from disposal of investment properties		22,801	7,095
		(1,063,299)	(239,297)
Generated from (utilized in) financing activities			
Mortgages placed		625,817	130,889
Financing costs on debts placed		(9,305)	(2,330)
Mortgage principal repayments		(11,197)	(908)
Lump sum repayment		(16,779)	(3,426)
Draw on revolving credit facility		35,925	-
Revolving credit facility repayments		(36,810)	-
Units issued for cash		393,931	208,142
Unit issue costs		(18,604)	(8,961)
Distributions paid on Units	15	(67,530)	(40,033)
Interest on Exchangeable Notes	18	-	(2,558)
		895,448	280,815
Increase (decrease) in cash		(82,623)	93,838
Effect of exchange rate changes on cash		7,296	(126)
Cash, beginning of period		181,619	87,907
Cash, end of period		\$ 106,292	\$ 181,619

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, 2013 were authorized for issue by the Board of Trustees on February 26, 2014, after which date the consolidated financial statements may only be amended with Board approval.

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, financial derivatives, which are measured at fair value, and the Deferred Unit Incentive Plan, which is measured at amortized cost impacted by the fair value of the Trust’s units.

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 over the entity, has exposure to variable returns from its involvement with the entity and has the ability to use its power over the investee to affect its returns. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Equity accounted investments

Equity accounted investments are investments over which the Trust has significant influence, but not control. Generally, the Trust is considered to exert significant influence when it holds more than a 20% interest in an entity. However, determining significant influence is a matter of judgment and specific circumstances and, from time to time, the Trust may hold an interest of more than 20% in an entity without exerting significant influence. Conversely, the Trust may hold an interest of less than 20% and exert significant influence through representation on the Board of Trustees, direction of management or through contractual agreements.

The financial results of the Trust’s equity accounted investments are included in the Trust’s consolidated financial statements using the equity method, whereby the investment is 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.

At each reporting date, 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.

Where the Trust transacts with its equity accounted 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.

Joint arrangements

The Trust enters into joint arrangements via joint operations and joint ventures. A joint arrangement with 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 arrangement require the unanimous consent of the parties sharing control is referred to as a joint operation. Joint arrangements that involve the establishment of a separate entity in which each venture has rights to the net assets of the arrangements are referred to as joint ventures. In a co-ownership arrangement the Trust owns jointly one or more investment properties with another party and has direct rights to the investment property, and obligations for the liabilities relating to the co-ownership.

The Trust reports its interests in joint ventures using the equity method of accounting as described under "Equity accounted investments" above. The Trust reports its interests in co-ownerships by accounting for its share of the assets, liabilities, revenues and expenses. Under this method, the Trust's consolidated financial statements reflect only the Trust's proportionate share of the assets, its share of any liabilities incurred jointly with the other venturers as well as any liabilities incurred directly, its share of any revenues earned or expenses incurred by the joint venture and any expenses incurred directly.

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 primarily office 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.

Fair value hierarchy

Fair value measurements recognized in the statement of financial position or disclosed in the Trust's financial statements for financial or non-financial assets and liabilities are categorized by level in accordance with the significance of the observable market inputs used in making the measurements, as follows:

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

Non-controlling interest

Non-controlling interest represents equity interests in subsidiaries owned by outside parties. The share of net assets, net earnings and other comprehensive income of subsidiaries attributable to non-controlling interest is determined to be insignificant.

Assets held for sale

Assets and liabilities are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Investment properties and assets held for sale continue to be measured at fair value.

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 37% of the gross rental income generated by the Trust's properties for the year ended December 31, 2013 (December 31, 2012 – 65%).

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, office furniture and computer equipment, and straight-line rent receivables. Office furniture and computer equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation of office furniture and computer 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 office furniture and computer 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.

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 year 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 16, 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 DREAM Asset Management Corporation ("DAM"), formerly called Dundee Realty Corporation or "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

Cash excludes cash subject to restrictions that prevent its use for current purposes. Excluded from cash 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
Cash	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
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
Conversion feature of the convertible debentures	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 the statement of net income and comprehensive income.

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 profit and loss or other liabilities measured at amortized cost. Financial liabilities classified as other liabilities are initially recognized at fair value (net of transaction costs) and are subsequently 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.

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 is measured at amortized cost because it is settled in Units, which in accordance with IAS 32 are liabilities. Consequently, the DUIP is remeasured each period based on the fair value of Units, with changes in the liabilities recorded 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 sheet 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, notwithstanding the fact that the Trust's Units meet the definition of a financial liability. 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 presented 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:

Valuation of 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. Judgment is also applied in determining the extent and frequency of independent appraisals.

The determination of fair values requires management to make estimates and assumptions that affect the values presented, such that actual values in sales transactions may differ from those presented. 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.

The REIT determines the fair value of an investment property at the end of each reporting period using the following methods:

- External appraisals – by an independent appraisal firm, according to professional appraisal standards and IFRS.
- Internal valuation – performed by management using the income approach and primarily consisting of reviewing the key assumptions from previous appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions. In applying the income approach to valuation, management may use the direct income capitalization method or the discounted cash flow method, both of which are consistent with professional appraisal standards and IFRS.

The selection of the method for each property is made based upon the following criteria:

- Regulatory requirements – the Initial Properties are held indirectly through regulated entities that require an external appraisal annually.
- Property type – this includes an evaluation of a property's complexity, time since acquisition, and other specific opportunities or risks with properties. Recently acquired properties will generally receive a value update.

- Market risks – specific risks in a region may warrant a full external appraisal for certain properties.
- Changes in overall economic conditions – significant changes in overall economic conditions may increase the number of external appraisals performed.
- Business needs – financings or acquisitions and dispositions may require an external appraisal.

In general, properties are selected for external appraisal, taking into account factors such as property size, local market conditions and geography. The Initial Properties are subject to regulatory requirements that require an external appraisal annually. Investment properties acquired during 2012 were subject to an internal valuation in response to property and market changes since acquisition. For investment properties acquired in 2013, management assessed whether any of the criteria above had changed significantly since acquisition and determined that the valuations completed at the dates of acquisition remained valid.

The REIT makes no adjustments for portfolio premiums and discounts, nor for any value attributable to the REIT's management platform.

Investment properties are appraised at highest and best use, primarily based on stabilized cash flows from tenancies, since purchasers typically focus on expected income. External appraisals conduct and place reliance on both the direct capitalization method and the discounted cash flow method (including the estimated proceeds from a potential future disposition). Internal valuations for investment properties acquired in 2012 use the direct capitalization method.

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.

Income tax treatment

The REIT indirectly owns a majority of its properties through fifteen FCPs (fonds communs 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 November 29, 2013, the German federal government approved an *Investment Tax Act* reform bill. Based on the bill, foreign investment funds such as the FCPs or the FCP unitholders will become subject to corporate income tax in Germany. Further, the REIT believes that the consequences of the bill 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.

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 and 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 financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of 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.

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. The Trust is currently assessing the impact on the consolidated financial statements upon the adoption of IFRS 9.

Financial instruments: presentation

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 on the consolidated financial statements.

Impairment of assets (limited scope amendments to disclosure requirements)

IAS 36, "Impairment of assets", has been amended to change the disclosure requirements when the recoverable amount is determined based on fair value less costs of disposal. The amendment is effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

Accounting for levies imposed by governments

IFRIC 21, "Levies", addresses the accounting for a liability to pay a levy recognized in accordance with IAS 37, "Provisions", and the liability to pay a levy whose timing and amount is certain. IFRIC 21 clarifies that the obligating event giving rise to a liability to pay a levy is the event identified in the relevant legislation that triggers the obligation to pay the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The Trust is currently assessing the impact on the consolidated financial statements.

Note 6

PROPERTY ACQUISITIONS

Detailed below are the acquisitions completed during the year ended December 31, 2013:

For the year ended December 31, 2013	Property type	Interest acquired	Purchase price ⁽¹⁾	Date acquired
Hammer Strasse 30–34, Hamburg	office	100%	\$ 59,788	January 31, 2013
Neue Mainzer Strasse 28 (K26), Frankfurt	office	100%	86,298	February 15, 2013
Dillwächterstrasse 5 and Tübinger Strasse 11, Munich	office	100%	25,920	March 2, 2013
Schlossstrasse 8a–8g, Hamburg	office	100%	45,606	March 12, 2013
ABC-Strasse 19 (ABC Bogen), Hamburg	office	100%	99,479	March 12, 2013
Moskauer Strasse 25, 27, Düsseldorf	office	100%	66,705	March 12, 2013
Cäcilienkloster 2, 6, 8, 10, Cologne	office	100%	102,527	March 12, 2013
Vorderbergstrasse 6/Heilbronner Strasse 35 (Z-UP), Stuttgart	office	100%	40,998	March 13, 2013
Bertoldstrasse 48, 50/Sedanstrasse 7, Freiburg	office	100%	43,015	March 13, 2013
Lörracher Strasse 16–16a, Freiburg	office	100%	11,516	March 13, 2013
Westendstrasse 160, 162/Barthstrasse 24, 26, Munich	office	100%	32,301	March 13, 2013
Am Stadtpark 2/Bayreuther Str. 33 (Parcside), Nuremberg	office	100%	35,175	March 13, 2013
Speicherstrasse 55 (Werfthaus), Frankfurt	office	100%	86,778	March 14, 2013
Reichskanzler-Müller-Strasse 21, 23, 25, Mannheim	office	100%	32,101	March 14, 2013
Löwenkontor, Berlin	office	100%	58,258	April 30, 2013
Marsstrasse 20–22, Munich	office	100%	90,331	June 28, 2013
Leitzstrasse 45 (Oasis III), Stuttgart	office	100%	46,509	September 30, 2013
Feldmühleplatz 1 + 15, Düsseldorf	office	95%	109,632	November 29, 2013
Greifswalder Str. 154–156 and Erich-Weinert-Str. 145 (Goldpunkt-Haus), Berlin – additional purchase price adjustment	office	100%	2,074	
Other prior year acquisitions cost adjustments	office	100%	547	
Total			\$ 1,075,558	

(1) Includes transaction costs.

On January 31, 2013, the REIT acquired Hammer Strasse 30–34, an office property located in Hamburg, Germany, for \$59,788. The acquisition was partially financed by a new mortgage of \$33,069, net of financing costs of \$728.

On February 15, 2013, the REIT acquired Neue Mainzer Strasse 28, an office property located in Frankfurt, Germany, for \$86,298. The acquisition was partially financed by a new mortgage of \$49,892, net of financing costs of \$833.

On March 2, 2013, the REIT acquired Dillwächterstrasse 5 and Tübinger Strasse 11, an office property located in Munich, Germany, for \$25,920. The acquisition was partially financed by a new mortgage of \$14,489, net of financing costs of \$204.

From March 12 to March 14, 2013, the REIT acquired the SEB Portfolio, comprising 11 office properties, located in various major cities in Germany, for \$596,201. The acquisition was partially financed by 11 new mortgages totalling \$337,901, net of financing costs of \$4,633.

On April 30, 2013, the REIT acquired Löwenkontor, an office property located in Berlin, Germany, for \$58,258. The acquisition was partially financed by a new mortgage of \$35,933, net of financing costs of \$678.

On June 28, 2013, the REIT acquired Marsstrasse 20–22, an office property located in Munich, Germany, for \$90,331. The acquisition was partially financed by a new mortgage of \$52,735, net of financing costs of \$674. The REIT drew on the new mortgage on August 27, 2013, before any commitment fee became payable.

On September 30, 2013, the REIT acquired Oasis III, an office property located in Stuttgart, Germany, for \$46,509. The acquisition was partially financed by a new mortgage of \$26,024, net of financing costs of \$478. The REIT drew down the mortgage on November 15, 2013.

On November 29, 2013, the REIT acquired a 94.9% interest in Feldmühleplatz 1 + 15, an office property located in Düsseldorf, Germany. The acquisition cost for the property was \$109,632. The acquisition was partially financed by a new mortgage of \$66,675, net of financing costs of \$871. The REIT drew down the mortgage on December 23, 2013.

Pursuant to the terms of the purchase and sale agreement related to the acquisition of Greifswalder Str. 154–156 and Erich-Weinert-Str. 145 (Goldpunkt-Haus), Berlin on December 7, 2012, the REIT was obligated to pay purchase price adjustments contingent upon successful leasing of vacant space by the vendor over a two-year period. On December 7, 2013, the REIT paid \$2,074 for leasing completed during the first year. Subject to additional new leasing completed by the vendor by December 7, 2014, the REIT may be obligated to an additional contingent payment up to a maximum of \$1,972.

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.

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
Investment properties ⁽¹⁾	\$ 1,075,558	\$ 270,661
Total purchase price	\$ 1,075,558	\$ 270,661

The consideration paid consists of:

Cash	\$ 1,080,279	\$ 241,032
Working capital adjustments	763	812
Fair value of mortgage debt assumed	-	21,803
Net transaction costs	(5,484)	7,014
Total consideration	\$ 1,075,558	\$ 270,661

(1) Includes transaction costs.

Note 7

INVESTMENT PROPERTIES

	For the year ended December 31, 2013	For the year ended December 31, 2012
Balance at beginning of year	\$ 1,182,757	\$ 941,442
Additions:		
Acquisitions	1,075,558	270,661
Building improvements	5,821	2,391
Lease incentives and initial direct leasing costs	8,246	1,011
Amortization of lease incentives	(616)	(17)
Disposals	(23,943)	(7,415)
Reclassified to assets held for sale	(21,147)	-
Fair value adjustments	(59,223)	(23,349)
Foreign currency translation	222,791	(1,967)
Balance at end of year	\$ 2,390,244	\$ 1,182,757

The REIT has determined that it has two asset classes of investment properties reflecting their distinct nature, characteristics and risks.

Initial Properties

The Initial Properties consist of the properties that were acquired on August 3, 2011. These properties consist of national and regional administration offices, mixed use retail, banking and distribution properties and regional logistics headquarters of Deutsche Post. The properties are generally situated in city centres and geographically dispersed throughout Germany and are smaller and older than the properties acquired in 2012 and 2013.

Acquisition Properties

These investment properties were acquired during 2012 and 2013 and consist of high-quality office buildings located in Germany's largest office markets and are generally newer or recently refurbished buildings.

	Total	Initial Properties	Acquisition Properties
Balance as at January 1, 2013	\$ 1,182,757	\$ 919,814	\$ 262,943
Purchase of investment properties:			
Acquisitions of properties	1,075,558	-	1,075,558
Subsequent expenditure on investment property	5,821	5,057	764
Lease incentives and initial direct leasing costs	8,246	6,543	1,703
Total additions to investment properties	1,089,625	11,600	1,078,025
Disposals of investment properties:			
Sales of investment properties	(23,943)	(23,943)	-
Transfers to disposal groups classified as held for sale	(21,147)	(21,147)	-
Total disposals of investment properties	(45,090)	(45,090)	-
Gains and losses included in net income:			
Change in fair value of investment properties	(59,223)	(7,003)	(52,220)
Amortization of initial direct leasing costs	(616)	(530)	(86)
Total losses included in net income	(59,839)	(7,533)	(52,306)
Gains and losses included in other comprehensive income:			
Foreign currency translation gain	222,791	106,421	116,370
Total gains included in other comprehensive income	222,791	106,421	116,370
Balance as at December 31, 2013	\$ 2,390,244	\$ 985,212	\$ 1,405,032
Changes in unrealized losses included in net income for the year ended December 31, 2013:			
Change in fair value of investment properties	\$ (59,365)	\$ (7,145)	\$ (52,220)

Straight-line rent receivable, which resulted from free rents and rent step-ups accrued to rental revenue, of \$1,896 (December 31, 2012 – \$278), has been included in other non-current assets.

During the year ended December 31, 2013, 18 investment properties were acquired for \$1,075,558 (including transaction costs); refer to Note 6 for details of the acquisitions.

During the year ended December 31, 2013, the REIT disposed of 15 investment properties valued at \$23,943. These properties were acquired in 2011 as part of the Initial Properties. Net proceeds of \$22,801 (December 31, 2012 – \$7,070) were received on these sales and a loss of \$1,142 (December 31, 2012 – \$320) was recorded in connection with transaction costs.

As at December 31, 2013, 273 of the Initial Properties were valued by external appraisers using the discounted cash flow method, representing 42% of the fair value of investment properties. In relation to the Acquisition Properties, management has reviewed key assumptions and circumstances underlying the appraisals at the date of acquisition. As a result, the six properties that were acquired in 2012 were subject to a valuation performed by management internally using the direct capitalization method, representing 13% of the fair value of the portfolio at the end of 2013. The key assumptions and circumstances relating to properties acquired during 2013 were determined to be valid and no changes were made to the values on acquisition.

The change in fair value of investment properties comprises the following:

	Total	Initial Properties	Acquisition Properties
Increase in fair value as a result of valuation update	\$ 14,436	\$ 4,841	\$ 9,595
Building expenditures capitalized during the year	(5,562)	(5,015)	(547)
Leasing expenditures capitalized during the year	(8,246)	(6,543)	(1,703)
Transaction costs capitalized on acquisition	(59,126)	-	(59,126)
Straight-line rent, amortization of lease incentives and other	(725)	(286)	(439)
	\$ (59,223)	\$ (7,003)	\$ (52,220)

As at December 31, 2013, the REIT has entered into binding purchase and sale agreements to sell six properties valued at \$21,842. After adjusting for costs to sell of \$695, \$21,147 has been classified as assets held for sale (Note 17).

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

	December 31, 2013 ⁽¹⁾
Less than 1 year	\$ 174,549
1–5 years	498,837
Longer than 5 years	205,825
Total	\$ 879,211

(1) Includes income from head lease.

Fair value hierarchy

Investment properties measured at fair value in the statement of financial position are categorized by level according to the significance of the inputs used in making the measurements.

	December 31, 2013	Quoted prices active markets identical instruments (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring measurements				
Investment properties				
Initial Acquisitions	\$ 985,212	\$ -	\$ -	\$ 985,212
Acquisition Properties	1,405,032	-	-	1,405,032
Total	2,390,244	-	-	2,390,244
Non-recurring measurements				
Properties reclassified to assets held for sale	\$ 21,147	\$ -	\$ -	\$ 21,842

The REIT's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements for investment properties during the period.

Valuation techniques underlying management's estimates of fair value

Fair values for investment properties are calculated using both the direct income capitalization and discounted cash flow method, which results in these measurements being classified as Level 3 in the fair value hierarchy. The REIT's management is responsible for determining fair value measurements included in the financial statements, including Level 3 fair value of investment properties. Investment properties are valued on a highest and best use basis. For all of the REIT's investment properties, the current use is considered to be the highest and best use.

Investment properties with a fair value of \$1,405,032 (Acquisition Properties) have been valued using the direct income capitalization method. In applying this method, the stabilized net operating income ("NOI") of each property is divided by an appropriate capitalization rate. The following are the significant assumptions used in determining the value:

Capitalization rate based on actual location, size and quality of the property and taking into account any available market data at the valuation date.

Stabilized NOI revenue less property operating expenses adjusted for items such as new leasing, average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items.

Generally, an increase in stabilized NOI will result in an increase in the fair value of an investment property. An increase in the capitalization rate will result in a decrease in the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

Investment properties with a value of \$985,212 (Initial Properties) were valued using the discounted cash flow ("DCF") method. In applying this method, the income and expenditures of a specific property are projected assuming a 10-year hold period plus the forecasted net proceeds from the re-sale of the property at the end of the hold period using a discount rate reflecting the risks of the property being valued. The most significant assumptions incorporated into the DCF analysis include growth rates, exit capitalization rates and discount rates:

Discount rate reflects the internal rate of return of a specific property. The discount rate is determined by analyzing sales of similar properties and yields of alternative investments. Consideration is given to 10-year bond yields and yields of high-quality corporate bonds to which an upward adjustment is made to reflect the increased risk associated with real estate investments and the specific risk associated with each asset.

Exit capitalization rate	based on the initial rate of return applicable to a property adjusted slightly upward to reflect the risk in negotiating new leases, older building age and the risk associated with a future sale.
Growth rate	based on the average increase in the consumer price index for Germany over the past three years and ranges from 1.5% to 2.1%. The weighted average growth rate used for the Initial Properties is 2.0%.

Valuation processes

Initial Properties

At December 31, 2013 and 2012, the REIT obtained external valuations for the Initial Properties including assets held for sale, representing approximately 42% of the investment property portfolio. In 2013, properties with a value of \$1,006,359 (€686,700) were valued externally (2012 – \$919,814 (€701,185)). The external valuations are prepared by independent professionally qualified appraisers who hold a recognized, relevant professional qualification and have recent experience in the location and category of the respective property. For properties subject to an independent valuation report, the management team verifies all major inputs to the valuation and reviews the results with the independent appraisers.

Significant unobservable inputs in Level 3 valuations related to the Initial Properties including assets held for sale are as follows:

Valuation method	Input	Range	December 31, 2013
			Average
Discounted cash flow	Discount rate	5.9%–10.8%	8.3%
	Exit capitalization rate	5.1%–9.3%	7.2%
	Cash flow	n/a	\$67,414

If both the discount rate and exit capitalization rate were to increase by 25 bps, the value of the Initial Properties would decrease by \$19,109. If both the discount rate and exit capitalization rate were to decrease by 25 bps, the value of the Initial Properties would increase by \$19,562.

Acquisition Properties

At December 31, 2013 and 2012, the REIT performed internal valuations for the Acquisition Properties. In 2013, properties with a value of \$1,405,032 (€958,739) were subject to internal valuations (2012 – \$262,943 (€200,444)). The valuations are prepared by management with inputs based on market observations and corroborated, in specific cases, through discussions with professionally qualified appraisers.

Significant unobservable inputs in Level 3 valuations related to the Acquisition Properties are as follows:

Valuation method	Input	Range	December 31, 2013
			Weighted average
Direct income capitalization	Capitalization rate	5.8%–8.3%	6.7%
	Stabilized NOI	n/a	\$94,480

If the capitalization rate were to increase by 25 bps, the value of Acquisition Properties would decrease by \$50,800. If the capitalization rate were to decrease by 25 bps, the value of Acquisition Properties would increase by \$54,786.

Note 8

AMOUNT IN ESCROW AND DEFERRED RENT

	December 31, 2013	December 31, 2012
Amount in escrow	\$ 6,220	\$ 17,678
Less: Current portion	6,220	12,110
Non-current portion	\$ -	\$ 5,568
Deferred rent	\$ 6,220	\$ 17,678
Less: Current portion	6,220	12,110
Non-current portion	\$ -	\$ 5,568

On July 1, 2012, Deutsche Post terminated 17 leases with respect to its 2012 termination rights. In light of these terminations, the vendor of the properties 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 was set aside by the vendor in a bank account out of which the REIT has been and will be paid on a monthly basis, since July 1, 2012, amounts representing the net rent payable for two years plus prepayments of operating costs. On July 1, 2013, Deutsche Post terminated one additional lease, pursuant to its 2012 termination rights. This termination, for which the Trust received an additional payment from the vendor of approximately \$218 (€169), became effective as at July 1, 2013. During the year ended December 31, 2013, the Trust has received \$12,614 out of escrow.

Note 9

OTHER NON-CURRENT ASSETS

	December 31, 2013	December 31, 2012
Equity accounted investment	\$ 240	\$ 192
Fixtures and computer equipment	152	78
Straight-line rent receivable	1,896	278
Total	\$ 2,288	\$ 548

Equity accounted investment

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 are as follows:

Name	Principal activity	Location	Ownership interest at December 31, 2013
Lorac Investment Management S.à r.l.	Investment management	Luxembourg	50%

Note 10

AMOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012
Trade receivables	\$ 8,071	\$ 247
Less: Provision for impairment of trade receivables	(655)	(239)
Trade receivables, net	7,416	8
Other amounts receivable	10,733	4,814
Total	\$ 18,149	\$ 4,822

As at December 31, 2013, other amounts receivable include amounts receivable from tenants regarding operating cost recoveries of \$7,358.

The carrying amount of amounts receivable approximates fair value due to their current nature. As at December 31, 2013, trade receivables of approximately \$916 (December 31, 2012 – \$nil) were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

Note 11

DEBT

	December 31, 2013	December 31, 2012
Mortgage debt	\$ 825,014	\$ 151,862
Convertible debentures	150,326	148,428
Term loan credit facility	448,972	426,540
Total	1,424,312	726,830
Less: Current portion	20,356	2,711
Non-current debt	\$ 1,403,956	\$ 724,119

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 January 31, 2013, the Trust obtained a mortgage with a principal balance of €24,900 (\$33,797) at a fixed interest rate of 2.41% per annum, maturing on January 31, 2018, in connection with the acquisition of Hammer Strasse 30–34, Hamburg. The mortgage requires quarterly repayments with a principal amortization of 2.0% per annum of the initial loan amount.

On February 15, 2013, the Trust obtained a mortgage with a principal balance of €37,700 (\$50,725) at a fixed interest rate of 2.92% per annum, maturing December 31, 2022, on the newly acquired property, Neue Mainzer Strasse 28 (K26), Frankfurt. The mortgage requires quarterly repayments with principal amortization of 1.7% based on an annuity payment plan.

On March 2, 2013, the Trust obtained a mortgage with a principal balance of €11,000 (\$14,693) at a fixed interest rate of 2.68% per annum, maturing February 29, 2020, on the newly acquired property, Dillwächterstrasse 5 and Tübinger Strasse 11, Munich. The mortgage requires monthly repayments with principal amortization of 2.5% per annum throughout the term.

From March 12 to March 14, 2013, the Trust obtained 11 mortgages with a total principal balance of €256,950 (\$342,534) at a weighted average fixed rate of 2.54% per annum, maturing from March 7, 2018 to March 14, 2023, on acquisition of the SEB Portfolio of properties. The mortgage requires quarterly payments with principal repayments of 1.5% to 2.5% per annum of the initial loan amount.

On April 30, 2013, the Trust obtained a mortgage with a principal balance of €27,600 (\$36,611) at a fixed rate of 2.37% per annum, maturing March 29, 2018, on the newly acquired property, Löwenkontor, Berlin. The mortgage requires quarterly repayments with principal amortization of 2.0% per annum on the initial loan amount.

On August 26, 2013, the Trust drew on a mortgage with a principal balance of €38,000 (\$53,409) at a fixed rate of 2.69% per annum, maturing on June 30, 2020, in connection with the acquisition of Marsstrasse 20–22, Munich. The mortgage requires quarterly repayments with principal amortization of 2% per annum throughout the term.

On November 15, 2013, the Trust drew on a mortgage with a principal balance of €18,800 (\$26,502) at a fixed rate of 2.73% per annum, maturing on October 31, 2018, in connection with the acquisition of Leitzstrasse 45 (Oasis III), Stuttgart. The mortgage requires quarterly repayments with principal amortization of 2% per annum throughout the term.

On December 23, 2013, the Trust drew on a mortgage with a principal balance of €46,500 (\$67,546) at a fixed rate of 2.32% per annum, maturing on November 26, 2018, in connection with the acquisition of Feldmühleplatz, Düsseldorf. The mortgage requires quarterly repayments with principal amortization of 1.5% per annum throughout the term.

Convertible debentures

On August 3, 2011, the Trust issued a \$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, which was deducted from the principal balance and will be accreted to the principal amount of the Debenture over its term. As at December 31, 2013, the outstanding principal amount is \$161,000 (December 31, 2012 – \$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 \$10,896. These costs were reduced by proceeds of \$9,555 received from the vendor to compensate the Trust for higher than expected financing costs. The Facility initially had a term of five years, which could 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 (the “Fixed Rate Portion”) 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. As at December 31, 2013, the Trust paid a rate of 4.24% (December 31, 2012 – 4.05%) on the fixed portion of the Facility and a rate of 3.37% (December 31, 2012 – 3.37%) on the variable portion of the Facility, resulting in a blended rate of 4.09% as at December 31, 2013 (December 31, 2012 – 3.91%).

No amortization of principal under the Facility is required during the first three years of the Facility term. 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). Effective August 3, 2013, the Trust is required to pay the additional interest of 1% on the portion of the €100,000 plus a 15% prepayment amount, less any amounts repaid. The applicable prepayment fee decreases to 0.6% for repayments made prior to August 3, 2014, 0.25% for repayments made prior to August 3, 2015 and no repayment fee for repayments made in the final year of the Facility. During the year ended December 31, 2013, the Trust repaid €10,115 (\$14,007) in connection with the disposition of 15 properties including prepayment amounts, in accordance with the terms of the Facility. In addition, on August 16, 2013, the Trust made a lump sum repayment of €2,000 (\$2,772). For the year ended December 31, 2012, the Trust repaid €2,665 (\$3,426) in connection with the disposition of five properties. As a result of these dispositions, the €100,000 plus 15% prepayment portion has been reduced to €100,221 as at December 31, 2013, of which €49,300 (\$72,249) was allocated to the Fixed Rate Portion of the Facility and the remainder was allocated to the variable rate portion of the debt. Factoring the additional 1% the Trust has to pay on the €100,221 (\$146,874), the Trust paid a rate of 4.24% on the fixed rate portion of €262,800 and a rate of 3.37% on the €50,921 variable portion of the Facility as at December 31, 2013.

As at December 31, 2013, €6,908 (\$10,123) of the variable rate portion of the Facility (net of deferred financing costs – €6,896 (\$10,106)) has been allocated to liabilities related to assets held for sale. The REIT had identified six properties as held for sale, thereby the allocated amounts of the Facility secured by those properties were reclassified as liabilities related to assets held for sale (Note 17).

The Facility requires certain bank accounts 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, 2013, the Trust was in compliance with its loan covenants.

In addition, the Facility requires that DAM 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. As at December 31, 2013, the Trust is in compliance with the requirements.

Revolving credit facility

On October 10, 2013, the REIT entered into an agreement with a Canadian bank. Under the agreement, the revolving credit facility stands at €25,000. 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. Total financing costs incurred amounted to \$543 as at December 31, 2013. 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 \$700,000. The agreement also required the REIT to provide a pledge of 10% of outstanding equity of a subsidiary as collateral. The revolving credit facility has a term of two years, expiring September 25, 2015. As at December 31, 2013, 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 rate		Maturity dates	Debt amount	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
	Fixed rate						
Mortgage debt	2.57%	2.66%	2.84%	2.69%	2015–2023	\$ 825,014	\$ 151,862
Term loan credit facility ⁽¹⁾	4.24%	4.05%	4.28%	4.12%	2016	384,604	344,028
Convertible debentures	5.50%	5.50%	7.31%	7.31%	2018	150,326	148,428
Total fixed rate debt	3.37%	4.05%	3.74%	4.52%		1,359,944	644,318
Variable rate							
Term loan credit facility	3.37%	3.37%	3.40%	3.43%	2016	64,368	82,512
Total variable rate debt	3.37%	3.37%	3.40%	3.43%		64,368	82,512
Total debt	3.37%	3.98%	3.72%	4.39%		\$ 1,424,312	\$ 726,830

(1) As at December 31, 2013, 86% 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.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Convertible debentures	Total
2014	\$ 16,431	\$ 3,925	\$ -	\$ 20,356
2015	37,584	9,628	-	47,212
2016	16,797	436,081	-	452,878
2017	106,747	-	-	106,747
2018	343,690	-	161,000	504,690
2019 and thereafter	313,948	-	-	313,948
	<u>\$ 835,197</u>	<u>\$ 449,634</u>	<u>\$ 161,000</u>	<u>\$ 1,445,831</u>

Acquisition date fair value adjustments	(5,387)
Transaction costs	(16,132)
	<u>\$ 1,424,312</u>

Note 12

DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2013	December 31, 2012
Interest rate swaps (Note 25)	\$ 13,764	\$ 18,513
Interest rate cap (Note 25)	(18)	(11)
Foreign exchange forward contracts (Note 25)	15,941	429
Conversion feature of the Debentures (Notes 11 and 25)	384	4,145
Total	30,071	23,076
Less: Current portion	13,772	4,441
Non-current portion	\$ 16,299	\$ 18,635

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

	For the year ended December 31, 2013
Balance at beginning of period	\$ 4,145
Remeasurement of conversion feature	(3,761)
Balance at end of period	\$ 384

The Trust currently has foreign exchange forward contracts to sell €5,622 each month from January 2014 to June 2014, €5,222 each month from July 2014 to May 2015, €3,922 in June 2015, €2,372 each month from July 2015 to September 2015, €2,050 each month from October 2015 to May 2016 and €1,800 in June 2016, at an average exchange rate of \$1.334 per euro.

Note 13

DEFERRED UNIT INCENTIVE PLAN

The movement in the Deferred Unit Incentive Plan balance (see Note 16) was as follows:

As at January 1, 2012	\$ 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
Compensation during the period	1,313
Asset management fees during the period	2,113
Issue of deferred units	(164)
Remeasurements of carrying value	(585)
As at December 31, 2013	\$ 6,306

On August 3, 2011, DAM 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 DAM vest annually over five years, commencing on the fifth anniversary date of the units being granted.

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

Deferred units granted to DAM 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 on 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 DAM is most sensitive to changes in volatility and the relative weighting of the put option and call option values.

During the year ended December 31, 2013, \$2,113 of asset management fees were recorded (December 31, 2012 – \$1,907) based on the fair value of the deferred units issued, with an appropriate discount to reflect the restricted period of exercise, and are included in general and administrative expenses. The fees were settled by the grant of 373,160 deferred trust units during the period (December 31, 2012 – 330,423) and 34,031 deferred trust units granted on January 1, 2014 (January 1, 2013 – 26,747). As at January 1, 2014, 912,078 unvested deferred trust units and income deferred units (January 1, 2013 – 504,887) were outstanding with respect to the asset management fee. Compensation expense of \$1,313 for the period (December 31, 2012 – \$628) was also included in general and administrative expenses.

On November 8, 2011 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, 63,000 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.

On February 21, 2013, 174,500 deferred trust units were granted to senior management and trustees. Of the 174,500 units granted, 102,000 relate to trustees and key management personnel. The grant date value for the deferred trust units of the grant was \$11.04.

On May 9, 2013, 25,347 deferred trust units were granted to trustees who elected to receive their 2013 annual retainer in the form of deferred units rather than cash.

Note 14

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013	December 31, 2012
Trade payables	\$ 9,447	\$ 7,398
Accrued liabilities and other payables	19,589	15,551
Accrued interest	3,904	3,914
Total	\$ 32,940	\$ 26,863

Note 15

DISTRIBUTIONS

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

	2013	2012
Paid in cash	\$ 67,530	\$ 40,033
Paid by way of reinvestment in Units	10,145	1,644
Less: Payable at December 31, 2012 (December 31, 2011)	(4,816)	(2,925)
Plus: Payable at December 31, 2013 (December 31, 2012)	7,314	4,816
Total	\$ 80,173	\$ 43,568

The distribution for the month of December 2013 in the amount of \$0.0667 per unit, declared on December 18, 2013 and payable on January 15, 2014, amounted to \$7,314. The amount payable as at December 31, 2013 was satisfied on January 15, 2014 by \$6,041 cash and \$1,273 through the issuance of 145,291 Units. The distribution for the month of January 2014 was declared in the amount of \$0.0667 per unit, payable on February 15, 2014.

The Trust declared distributions of \$0.0667 per unit per month for the months from January 2013 to December 2013.

Note 16

EQUITY

	December 31, 2013		December 31, 2012	
	Number of Units	Amount	Number of Units	Amount
Total	109,698,977	\$ 1,034,005	72,232,494	\$ 596,078

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.

Public offering of REIT Units

On March 5, 2013, the REIT completed a public offering of 23,230,000 Units, including an over-allotment option, at a price of \$10.90 per unit. The Trust received gross proceeds of \$253,207. Costs related to the offering totalled \$11,218 and were charged directly to unitholders' equity.

On June 6, 2013, the Trust completed a public offering of 11,700,000 Units at a price of \$10.70 per unit. On June 24, 2013, the Trust issued an additional 1,445,000 Units at a price of \$10.70 per unit pursuant to the exercise by the underwriters of a portion of their over-allotment option. The Trust received gross proceeds of \$140,652. Costs related to the offering totalling \$6,648 were charged directly to unitholders' equity.

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, 2013, 1,066,792 Units were issued pursuant to the DRIP for \$10,145 (December 31, 2012 – 157,432 Units for \$1,644).

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, 2013, 7,059 Units were issued under the Unit Purchase Plan for \$72 (December 31, 2012 – 3,371 Units for \$36).

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan ("DUIP") 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 DAM 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, 2013, 17,632 Units were issued to officers and employees pursuant to the Deferred Unit Incentive Plan for \$164 (December 31, 2012 – 12,875 Units for \$138).

Note 17

ASSETS HELD FOR SALE

As at December 31, 2013, the Trust classified six properties as held for sale. As at December 31, 2013, management had committed to a plan of sale, and therefore the properties have been reclassified as current assets held for sale.

	December 31, 2013	
Investment properties	\$	21,147
Other non-current assets		13
Prepaid expenses and other assets		46
Assets held for sale		21,206
Debt		(10,106)
Amounts payable and accrued liabilities		(4,977)
Liabilities related to assets held for sale		(15,083)
Net assets	\$	6,123

Note 18

INTEREST EXPENSE

Interest on debt

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

	Years ended December 31,		
	2013		2012
Interest on term loan credit facility	\$	10,940	\$ 12,348
Interest on convertible debentures		8,862	8,887
Interest on mortgage debt		15,114	1,551
Interest on bank indebtedness		333	128
Amortization of financing costs, discounts and fair value adjustments on acquired debt		3,257	1,907
Interest on Exchangeable Notes		-	2,558
Interest expense	\$	38,506	\$ 27,379

Note 19

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Years ended December 31,		
	2013		2012
Fair value gain (loss) on interest rate swaps and cap	\$	226	\$ (15,493)
Fair value gain on conversion feature of convertible debentures		3,761	2,444
Fair value gain (loss) on Deferred Unit Incentive Plan		585	(287)
Fair value loss on Exchangeable Notes		-	(2,330)
Fair value gain (loss) on foreign exchange forward contracts		(16,022)	452
	\$	(11,450)	\$ (15,214)

Note 20

INCOME TAXES

Reconciliation of tax expense

	Years ended December 31,	
	2013	2012
Income before income taxes	\$ 20,620	\$ 8,868
Tax calculated at the German corporate tax rate of 15.825%	3,263	1,403
Increase (decrease) resulting from:	-	-
Expenses not deductible for tax	424	369
Effect of different tax rates in countries in which the group operates	(546)	(119)
Income distributed and taxable to unitholders	(5,286)	(3,473)
Tax benefits not previously recognized	(33)	(220)
Other items	33	(8)
Recovery of taxes	\$ (2,145)	\$ (2,048)

Deferred income tax assets consist of the following:

	December 31,	December 31,
	2013	2012
Deferred tax asset related to difference in tax and book basis of investment properties	\$ 1,813	\$ 1,812
Deferred tax asset related to difference in tax and book basis of financial instruments	3,001	4,045
Deferred tax asset related to tax loss carry-forwards	6,744	1,603
Deferred tax asset related to differences in tax and book basis of financing costs	755	1,031
Total deferred income tax assets	\$ 12,313	\$ 8,491

Note 21

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The REIT entered into an asset management agreement with DAM (“Asset Management Agreement”) pursuant to which DAM 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. DAM 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 DAM in supplying services relating to financing transactions. DAM did not receive a financing fee in respect of the acquisition of the Initial Properties.

Pursuant to the Asset Management Agreement, DAM 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 DAM will be calculated by dividing the fees payable to DAM 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 DAM 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. DAM 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.

Deferred units granted to DAM 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 a fair value adjustment to financial instruments.

During the year ended December 31, 2013, the REIT recognized \$5,438 (year ended December 31, 2012 – \$2,251) in relation to asset management fees under the Asset Management Agreement with DAM, which is included in general and administrative expenses. Of this total, \$2,113 (year ended December 31, 2012 – \$1,907) was payable in deferred trust units and \$3,325 (year ended December 31, 2012 – \$344) was payable in cash. As at January 1, 2014, 912,077 (January 1, 2013 – 504,887) deferred trust units and income deferred trust units were granted under this agreement and remained unvested. The REIT also paid \$5,892 for asset acquisition fees incurred on acquisitions completed in the year ended December 31, 2013 (year ended December 31, 2012 – \$2,430), which were capitalized as acquisition costs and then written off on remeasurement of the investment properties. The REIT also incurred \$518 in financing fees related to the March and June 2013 equity offerings (year ended December 31, 2012 – \$358). The fees were charged to equity as equity issue costs. The REIT also reimbursed DAM acquisition related travel and legal costs, equity issue costs and general and administrative expenses in the amount of \$480 for the year ended December 31, 2013.

Included in amounts payable as at December 31, 2013, is \$2,523 (December 31, 2012 – \$490) related to the Asset Management Agreement with DAM.

Shared Services and Cost Sharing Agreement

The Trust entered into a shared services and cost sharing agreement with DAM on December 1, 2013. The agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the agreement is terminated in accordance with its terms or by mutual agreement of the parties. Pursuant to the agreement, DAM will be providing additional administrative and support services in order to expand and improve DAM's service capability in connection with the provision of its asset management services. DAM will receive an annual fee sufficient to reimburse it for all the expenses incurred in providing these additional administrative and support services. Additionally, the Trust will also reimburse DAM in each calendar year for its share of costs incurred in connection with certain business transformation services provided by DAM.

During the year ended December 31, 2013, the Trust paid \$nil to DAM pursuant to the shared services and cost sharing agreement. There are no amounts due to DAM as at December 31, 2013 pertaining to this agreement.

The Trust's future commitment under the Shared Services and Cost Sharing Agreement over the next seven years is \$1,400.

Note 22

SUPPLEMENTARY CASH FLOW INFORMATION

	Years ended December 31,	
	2013	2012
Increase in amounts receivable	\$ (1,701)	\$ (2,622)
Decrease (increase) in prepaid expenses and other assets	2,365	(440)
Increase in amounts payable and accrued liabilities	899	3,057
Increase in tenant deposits	1,005	292
Change in non-cash working capital	\$ 2,568	\$ 287

The following amounts were paid on account of interest:

	Years ended December 31,	
	2013	2012
Debt	\$ 35,306	\$ 22,663
Exchangeable Notes	-	3,084

Note 23

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, 2013, the REIT's future minimum commitments under operating leases are as follows:

	Operating lease payments	
Less than 1 year	\$	762
1–5 years		1,722
Longer than 5 years		-
Total	\$	2,484

During the period, the Trust paid \$654 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 \$5,781.

Note 24

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, 2013, 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 expenditures 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, 2013, the REIT's debt service coverage ratio was 303% and therefore in compliance with the term loan credit facility's requirement.

Note 25

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. The Trust 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 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⁾	\$ 106,292	\$ (1,063)	\$ (1,063)	\$ 1,063	\$ 1,063
Amount in escrow	6,220	(62)	(62)	62	62
Financial liabilities					
Term loan credit facility	\$ 64,368	\$ 644	\$ 644	\$ (644)	\$ (644)

(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 of unitholders and holders of Debentures, the Trust has entered into foreign exchange forward contracts. The Trust currently has foreign exchange forward contracts to sell €5,622 each month from January 2014 to June 2014, €5,222 each month from July 2014 to May 2015, €3,922 in June 2015, €2,372 each month from July 2015 to September 2015, €2,050 each month from October 2015 to May 2016 and €1,800 in June 2016, at an average exchange rate of \$1.334 per euro.

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 by 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, 2013:

	Notional	Rate	Maturity	Carrying value
Interest rate swaps	\$ 385,133	4.05%	2016	\$ 13,764
Interest rate cap	48,142	5.00%	2016	(18)
	\$ 433,275			\$ 13,746

Foreign currency derivatives

The following table provides details on foreign currency forward contracts outstanding as at December 31, 2013 and December 31, 2012:

For the year ended December 31, 2013					
Hedging currency	Notional amount of future contracts	Blended exchange rate	Forward contracts start date	Forward contracts end date	Carrying value
Euro	120,412	1.334	January 15, 2014	June 15, 2016	\$ (15,941)

For the year ended December 31, 2012					
Hedging currency	Notional amount of future contracts	Blended exchange rate	Forward contracts start date	Forward contracts end date	Carrying value
Euro	106,800	1.327	January 12, 2013	December 15, 2015	\$ (429)

Fair value measurements

The following tables summarize fair value measurements recognized in the statement of financial position or disclosed in the Trust's financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

	Carrying value as at December 31, 2013	Fair value as at December 31, 2013		
		Level 1	Level 2	Level 3
Recurring measurements				
Financial liabilities				
Interest rate derivatives	\$ (13,746)	\$ -	\$ (13,746)	\$ -
Foreign currency derivatives	(15,941)	-	(15,941)	-
Conversion feature on the convertible debentures	(384)	-	-	(384)
Fair values disclosed				
Mortgage debt	(825,014)	-	-	(827,471)
Convertible debenture excluding conversion feature	\$ (150,326)	\$ -	\$ -	\$ (158,201)

	Carrying value as at December 31, 2012	Fair value as at December 31, 2012		
		Level 1	Level 2	Level 3
Recurring measurements				
Financial liabilities				
Interest rate derivatives	\$ (18,502)	\$ -	\$ (18,502)	\$ -
Foreign currency derivatives	(429)	-	(429)	-
Conversion feature on the convertible debentures	(4,145)	-	-	(4,145)
Fair values disclosed				
Mortgage debt	(151,862)	-	-	(152,012)
Convertible debenture excluding conversion feature	\$ (148,428)	\$ -	\$ -	\$ (161,573)

Amounts receivable, cash, the Deferred Unit Incentive Plan, deposits, amounts payable and accrued liabilities, and distributions payable are carried at amortized cost, which approximates fair value due to their short-term nature. The carrying value of the term loan credit facility approximates fair value due to the short-term nature of its rates, which are reset every three months.

Transfers between levels in the fair value hierarchy are recognized as of the date of the event or change in circumstances that resulted in the transfer. There were no transfers in or out of Level 3 fair value measurements during the period.

Valuation processes

The REIT's management is responsible for determining fair value measurements included in the financial statements, including Level 3 fair values. The inputs, processes and results for recurring measurements, including those valuations calculated by an independent consultant, are reviewed each quarter by senior management to ensure conformity with IFRS.

The Trust uses the following techniques to determine the fair value measurements categorized in Level 2:

Interest rate derivatives

The fair value of interest rate derivatives was calculated as the present value of the estimated future cash flows based on observable yield curves.

Foreign currency derivatives

The fair value of foreign currency derivatives was determined using forward exchange rates at the measurement date, with the resulting value discounted back to present value.

The Trust uses the following techniques to determine the fair value measurements categorized in Level 3:

Convertible debentures

The convertible debentures have two components of value – a conventional bond and a call on the equity of the Trust through conversion. Based on its terms, the conversion feature is an embedded derivative and has been separated from the host contract and classified as a financial liability through profit and loss.

Effective April 1, 2013, the Trust has utilized a valuation technique based on the paper by K. Tsiveriotis and C. Fernandes to determine the fair value of the conversion feature. This model uses significant unobservable inputs; therefore the resulting valuation is classified as Level 3. In this model, a convertible bond consists of two components, an equity component and a debt component, and these components have different default risks. The equity component is discounted at the risk-free interest rate. The equity component has no default risk since the Trust can always issue its own units. The debt component is discounted at the risk-free interest rate plus a credit spread.

The fair value measurement of the interest rate swaps was valued by a qualified independent valuation professional. The fair value measurement of the conversion feature of the convertible debentures was valued by a qualified independent valuation consultant.

The significant unobservable inputs used in the fair value measurement of the conversion feature of the convertible debentures as at December 31, 2013 are the following:

- Volatility: Expected volatility as at December 31, 2013 was derived from the historical prices of Dundee International REIT. Historical prices were not available for a term equal to the term to maturity of the debenture; as such, the consultant used the entire historical data up until December 31, 2013. The volatility used was 17.455%.
- Credit spread: The credit spread of the convertible debentures was imputed from the traded price of the convertible debenture as at December 31, 2013. The credit spread used was 3.8440%.

A higher volatility will increase the value of the conversion feature. A lower credit spread will decrease the value of the conversion feature.

The following table shows the changes in fair value of the conversion feature of the convertible debentures from a 5% increase or decrease in volatility and a 1% increase or decrease in credit spread, all other inputs being constant:

	Impact of change to volatility		Impact of change in credit spread	
	Increase +5%	Decrease -5%	Increase +1%	Decrease -1%
Increase/decrease in fair value as at December 31, 2013	\$ 1,034	\$ (358)	\$ 121	\$ (1,452)

The Trust also used the following techniques in determining the fair values disclosed for the following financial liabilities classified as Level 3:

Mortgage debt

The fair value of the mortgage debt as at December 31, 2013 has been calculated by discounting the expected cash flows of each debt, using discount rates ranging from 1.284% to 3.829%. The discount rates are determined using the vdp Mortgage Pfandbrief curve for instruments of similar maturity adjusted for the REIT’s specific credit risk. In determining the adjustment for credit risk, the REIT considers market conditions, the value of the properties that the mortgages are secured by and other indicators of the REIT’s creditworthiness.

[Note 26](#)

SUBSEQUENT EVENTS

On February 14, 2014, the REIT acquired an office building, located at Werner-Eckert-Straße 8, 10, 12 in Munich, Germany, for \$22,120 (€14,715).

Appendix

(unaudited)

ADDRESS	CITY	STATE	GLA (sq. ft.)	OCCUPANCY AT DECEMBER 31, 2013
Acquisition Properties				
Karl-Martell-Straße 60	Nürnberg	Bavaria	268,936	100%
Beuthstraße 6–8/Seydelstraße 2–5	Berlin	Berlin	257,369	99%
Feldmühleplatz 1+15	Düsseldorf	Nordrhein-Westfalen	246,376	100%
Greifswalder Str. 154–156	Berlin	Berlin	241,972	94%
Marsstraße 20–22	München	Bavaria	238,724	95%
Moskauer Str. 25–27	Düsseldorf	Nordrhein-Westfalen	217,282	96%
Podbielskistraße 158–168	Hannover	Niedersachsen	211,870	90%
Cäcilienkloster 2, 6, 8, 10	Köln	Nordrhein-Westfalen	200,915	100%
Hammer Str. 30–34	Hamburg	Hamburg	172,306	100%
Oasis III	Stuttgart	Baden-Württemberg	170,105	100%
Schlossstr. 8	Hamburg	Hamburg	165,224	85%
ABC-Str. 19	Hamburg	Hamburg	158,434	96%
Leopoldstr. 252	München	Bavaria	154,678	99%
Speicherstr. 55	Frankfurt	Hessen	151,822	95%
Derendorfer Allee 4	Düsseldorf	Nordrhein-Westfalen	142,227	100%
Neue Mainzer Str. 28	Frankfurt	Hessen	123,288	95%
Westendstr. 160–162/Barthstr. 24–26	München	Bavaria	122,156	87%
Bertoldstr. 48/Sedanstr. 7	Freiburg	Baden-Württemberg	121,135	100%
Am Sandtorkai 37	Hamburg	Hamburg	113,391	99%
Reichskanzler-Müller-Str. 21–25	Mannheim	Baden-Württemberg	100,501	95%
Am Stadtpark 2	Nürnberg	Bavaria	94,652	99%
Vordernbergstr. 6/Heilbronner Str. 35	Stuttgart	Baden-Württemberg	88,633	84%
Dillwäckerstr. 5/Tübinger Str. 11	München	Bavaria	81,907	99%
Lörracher Str. 16/16a	Freiburg	Baden-Württemberg	56,041	100%
Total Acquisition Properties			3,899,944	96.3%
Initial Properties				
Grüne Str. 6–8/Kurfürstenstr. 2	Dortmund	Nordrhein-Westfalen	299,567	100%
Am Hauptbahnhof 16–18	Saarbrücken	Saarland	290,901	92%
Poststr. 4–6,Göbelstr. 30, Bismarckstr	Darmstadt	Hessen	230,874	52%
Bahnhofstr. 16	Regensburg	Bavaria	230,602	85%
H-v-Stephan-Str. 1–15/W-Brandt-Pl. 13	Mannheim	Baden-Württemberg	227,298	96%
Kurfürstenallee 130	Bremen	Bremen	200,102	84%
Gradestr. 22	Hannover	Niedersachsen	195,783	4%
Karlstal 1–21/Werftstr. 201	Kiel	Schleswig-Holstein	180,837	96%
Franz-Zebisch-Str. 15	Weiden	Bavaria	166,601	100%
Überseering 17/Mexikoring 22	Hamburg	Hamburg	160,785	93%
Am Neumarkt 40/Luetkensallee 49	Hamburg	Hamburg	160,397	89%
Bahnhofstr. 82–86	Gießen	Hessen	156,378	77%
E.-Kamieth-Str. 2b	Halle	Sachsen-Anhalt	152,824	12%
Czernyring 15	Heidelberg	Baden-Württemberg	133,909	90%
Marienstr. 80	Offenbach am Main	Hessen	114,114	96%
Rüppurrer Str. 81, 87, 89/Ettlinger 67	Karlsruhe	Baden-Württemberg	111,778	97%
Gerokstr. 14–20	Dresden	Sachsen	110,434	87%
Zimmermannstr. 2/Eisenstr.	Marburg	Hessen	99,751	98%
Hindenburgstr. 9/Heeserstr. 5	Siegen	Nordrhein-Westfalen	100,773	91%
Saalburgallee 19	Frankfurt am Main	Hessen	98,224	96%
Friedrich-Karl-Str. 1–7	Oberhausen	Nordrhein-Westfalen	97,606	74%
Blücherstr. 12	Koblenz	Rheinland-Pfalz	94,569	68%
Kaiserstr. 24	Gütersloh	Nordrhein-Westfalen	94,488	61%
Klubgartenstr. 10	Goslar	Niedersachsen	87,460	51%
Bahnhofplatz 2, 3, 4, Pepperworth 7	Hildesheim	Niedersachsen	87,150	23%
Pausaer Str. 1–3	Plauen	Sachsen	85,443	76%
Am Hauptbahnhof 2	Mülheim	Nordrhein-Westfalen	84,303	81%
Bahnhofstr. 33	Böblingen	Baden-Württemberg	82,628	100%
Kapellenstr. 44	Einbeck	Niedersachsen	81,206	67%
Berliner Platz 35–37	Münster	Nordrhein-Westfalen	80,975	92%
Husemannstr. 1	Gelsenkirchen	Nordrhein-Westfalen	80,591	94%
Kommandantenstr.43–51	Duisburg	Nordrhein-Westfalen	80,122	100%
Stresemannstr. 15	Wuppertal	Nordrhein-Westfalen	79,215	100%
Bahnhofsring 2	Leer	Niedersachsen	78,259	80%
Heinrich-von-Bibra-Platz 5–9	Fulda	Hessen	77,606	100%
Bahnhofplatz 10	Fürth	Bavaria	78,856	53%

ADDRESS	CITY	STATE	GLA (sq. ft.)	OCCUPANCY AT DECEMBER 31, 2013
Kaiser-Karl-Ring 59–63/Dorotheenstr	Bonn	Nordrhein-Westfalen	75,815	100%
Bürgerreuther Str. 1	Bayreuth	Bavaria	75,534	100%
77er Str. 54	Celle	Niedersachsen	73,942	78%
Logenstr. 37	Kaiserslautern	Rheinland-Pfalz	72,198	6%
Wiener Str. 43	Stuttgart	Baden-Württemberg	72,192	92%
Bahnhofplatz 1	Schweinfurt	Bavaria	67,503	87%
Bahnhofstr. 9	Ingolstadt	Bavaria	67,432	100%
Rathausplatz 2	Wilhelmshaven	Niedersachsen	64,970	97%
Auhofstr. 21	Aschaffenburg	Bavaria	64,264	96%
Joachim-Campe-Str. 1.3/5/7, Postho	Salzgitter	Niedersachsen	61,887	63%
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%
Am Bahnhof 5	Zwickau	Sachsen	60,738	64%
Friedrich-Ebert-Str. 28	Pinneberg	Schleswig-Holstein	59,218	100%
Paulinenstr. 52	Detmold	Nordrhein-Westfalen	57,614	77%
Postplatz 3	Bautzen	Sachsen	57,571	73%
Poststr. 2 U 3	Helmstedt	Niedersachsen	53,468	52%
Ostbahnstr. 5	Landau	Rheinland-Pfalz	53,401	94%
Poststr. 5–7	Heide	Schleswig-Holstein	53,363	92%
Bahnhofplatz 9	Emden	Niedersachsen	53,327	98%
Mayenner Str. 63	Waiblingen	Baden-Württemberg	53,220	100%
Kavalierstr. 30–32	Dessau	Sachsen-Anhalt	52,206	83%
Friedrich-Ebert-Str. 75–79	Bremerhaven	Bremen	51,781	98%
Hainstr. 5A	Bad Hersfeld	Hessen	51,207	100%
Baarstr. 5	Iserlohn	Nordrhein-Westfalen	51,027	86%
Europaplatz 17	Bad Kreuznach	Rheinland-Pfalz	50,635	38%
Rathausplatz 4	Lüdenscheid	Nordrhein-Westfalen	50,050	42%
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	Bavaria	46,877	80%
Schützenstr. 17, 19	Peine	Niedersachsen	46,801	91%
Willy-Brandt-Str. 6	Auerbach	Sachsen	46,512	56%
Bahnhofstr. 2	Cham	Bavaria	46,129	61%
Theodor-Heuss-Platz 13	Neuss	Nordrhein-Westfalen	46,128	95%
Stembergstr. 27–29	Arnsberg	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%
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%
Lippertor 6	Lippstadt	Nordrhein-Westfalen	44,341	93%
Münchener Str. 1	Bad Kissingen	Bavaria	43,971	74%
Martinistr. 19	Recklinghausen	Nordrhein-Westfalen	43,807	93%
Bahnhofstr. 169	Bietigheim-Bissingen	Baden-Württemberg	43,620	99%
Vegeacker Heerstr. 111	Bremen	Bremen	43,484	90%
Palleskestr. 38	Frankfurt am Main	Hessen	43,409	64%
Südbrede 1–5	Ahlen	Nordrhein-Westfalen	44,130	91%
Koblenzer Str. 67	Bonn	Nordrhein-Westfalen	42,774	100%
Kardinal-Galen-Ring 84/86	Rheine	Nordrhein-Westfalen	42,191	91%
Kalkumer Str. 70	Düsseldorf	Nordrhein-Westfalen	41,781	52%
Ehrenfeldgürtel 125	Köln	Nordrhein-Westfalen	41,645	99%
Robert-Wahl-Str. 7/7a	Balingen	Baden-Württemberg	41,487	94%
Poststr. 2	Deggendorf	Bavaria	41,378	97%
Falkenbergstr. 17–23	Norderstedt	Schleswig-Holstein	41,249	98%
Balhornstr. 15, 17/B.Köthenbürger-Str	Paderborn	Nordrhein-Westfalen	40,927	93%
August-Bebel-Str. 6	Torgau	Sachsen	40,745	86%
Cavillonstr. 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%

ADDRESS	CITY	STATE	GLA (sq. ft.)	OCCUPANCY AT DECEMBER 31, 2013
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	Bavaria	36,687	16%
Lübecker Str. 23–25	Bad Oldesloe	Schleswig-Holstein	36,290	15%
Apostelweg 4–6	Hamburg	Hamburg	36,273	97%
Brückenstr. 21	Neunkirchen	Saarland	35,971	100%
Lönsstr. 20–22	Castrop-Rauxel	Nordrhein-Westfalen	35,795	90%
Friedrich-Wilhelm-Str. 52 U. 54	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%
Stadtring 3–5	Nordhorn	Niedersachsen	35,189	77%
Ölmühlweg 12	Königstein	Hessen	34,984	100%
Heinzelmannstr. 1/Hauberrisserstr.	Kaufbeuren	Bavaria	34,894	90%
Bahnhofplatz 10, 12, 14	Kleve	Nordrhein-Westfalen	34,871	100%
Goethestr. 2–6	Duisburg	Nordrhein-Westfalen	34,839	88%
Im Bungert 6–8	Bergisch Gladbach	Nordrhein-Westfalen	34,737	100%
Gerstenstr. 5	Neubrandenburg	Mecklenburg-Vorpommern	34,347	100%
Gustav-König-Str. 42	Sonneberg	Thüringen	33,959	46%
Kieler Str. 501	Hamburg	Hamburg	33,511	81%
Große Str. 29–33	Rotenburg	Niedersachsen	33,240	94%
Worthingtonstr. 15	Crailsheim	Baden-Württemberg	33,136	100%
Zwieseler Str. 27–29	Regen	Bavaria	32,676	89%
Hellersdorfer Str. 78	Berlin	Berlin	32,296	75%
Markendorfer Str. 10	Frankfurt an der Oder	Brandenburg	32,330	97%
Kreuzstr. 20–24	Bonn	Nordrhein-Westfalen	32,253	99%
Bahnhofstr. 6/Luisenstr. 4–5	Villingen-Schwenningen	Baden-Württemberg	32,191	97%
Poststr. 30	Albstadt	Baden-Württemberg	31,263	14%
Tunnelweg 1	Husum	Schleswig-Holstein	31,116	89%
Volksdorfer Str. 5/Wohld. Str. 6	Hamburg	Hamburg	31,068	91%
Waschgrabenallee 3–5	Neustadt	Schleswig-Holstein	30,188	94%
Poststr. 26	Meißen	Sachsen	30,101	78%
Von-Lassaulx-Str. 14–18	Remagen	Rheinland-Pfalz	29,819	76%
Bahnhofplatz 2	Herborn	Hessen	29,746	91%
König-Heinrich-Str. 11	Merseburg	Sachsen-Anhalt	29,472	83%
Poststr. 24–26	Ratingen	Nordrhein-Westfalen	29,445	100%
Konrad-Adenauer-Str. 49–51	Tübingen	Baden-Württemberg	29,341	98%
Feldschlößchenstr./Kunadstr. o. Nr.	Dresden	Sachsen	29,236	100%
Ludwigsplatz 1	Alsfeld	Hessen	29,125	74%
Bahnhofstr. 29	Meppen	Niedersachsen	29,056	94%
Poststr. 12	Lehrte	Niedersachsen	28,764	93%
Petristr. 26	Heilbad Heiligenstadt	Thüringen	28,205	70%
Dr.-Friedrich-Uhde-Str. 18	Einbeck	Niedersachsen	27,793	80%
Augsburger Str. 380	Stuttgart	Baden-Württemberg	27,775	93%
Gartenstr. 29/30	Pirna	Sachsen	27,771	67%
Wilhelm-Weber-Str. 1	Wittenberg	Sachsen-Anhalt	27,658	78%
Poststr. 1–3	Korbach	Hessen	27,502	100%
Poststr. 48	St Ingbert	Saarland	27,051	96%
Ruthenstr. 19/21	Hamel	Niedersachsen	26,895	93%
Bahnhofstr. 2	Gifhorn	Niedersachsen	26,894	86%
Bahnhofanlage 2–4	Schwetzingen	Baden-Württemberg	26,658	100%
Königswiese 1	Gelsenkirchen	Nordrhein-Westfalen	26,468	100%
Saßstr. 12	Leipzig	Sachsen	26,214	79%
Wilhelmstr. 11/Kamperdickstr. 29	Kamp-Lintfort	Nordrhein-Westfalen	25,973	94%
Kaiserstr. 140	Radevormwald	Nordrhein-Westfalen	25,653	74%
Goldbacher Str. 74	Aschaffenburg	Bavaria	25,153	95%
Klosterstr. 6–10	Annaberg-Buchholz	Sachsen	25,084	85%
In der Trift 10/12	Olpe	Nordrhein-Westfalen	24,894	98%
Bahnhofstr. 6	Quakenbrück	Niedersachsen	24,446	97%
Zwickauer Str. 438	Chemnitz	Sachsen	23,640	77%
Asselheimer Str. 26/Mörrikestr. 1–3	Grünstadt	Rheinland-Pfalz	23,560	66%
Alleestr. 6	Neustadt	Bavaria	23,495	100%

ADDRESS	CITY	STATE	GLA (sq. ft.)	OCCUPANCY AT DECEMBER 31, 2013
Uferstr. 2	Höxter	Nordrhein-Westfalen	23,240	79%
Lindenstr. 11	Bitterfeld	Sachsen-Anhalt	23,183	86%
Bahnhofplatz 8	Marktrechwitz	Bavaria	22,710	99%
Bahnhofstr. 32	Sulzbach-Rosenberg	Bavaria	22,634	76%
Bahnhofstr. 46	Unna	Nordrhein-Westfalen	22,627	100%
Stadtgraben 13	Pfaffenhofen	Bavaria	22,513	88%
Poststr. 19-23	Hilden	Nordrhein-Westfalen	22,454	87%
Bahnhofplatz o. Nr.	Oranienburg	Brandenburg	22,153	76%
Breitestr. 62-66	Andernach	Rheinland-Pfalz	22,119	88%
Bahnhofstr. 27	Öhringen	Baden-Württemberg	22,027	95%
Brückenstr. 26	Miltenberg	Bavaria	22,017	89%
Ringstr. 22/Dr. Bachl-Str.	Pfarrkirchen	Bavaria	21,980	88%
Lindenstr. 15	Landstuhl	Rheinland-Pfalz	21,709	99%
Lindenstr. 42	Grevenbroich	Nordrhein-Westfalen	21,668	71%
Hörder Semerteichstr. 175	Dortmund	Nordrhein-Westfalen	21,659	96%
Am Plärrer 11	Lauf	Bavaria	21,603	100%
Innungsstr. 57-59	Berlin	Berlin	21,187	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	Bavaria	20,681	78%
Am Markt 4-5	Norden	Niedersachsen	20,668	81%
Steinstr. 6	Pulheim	Nordrhein-Westfalen	20,517	91%
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/Scheideholzw.	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%
Poststr. 5	Walsrode	Niedersachsen	19,967	94%
Bahnhofstr. 58/Giselbertstr. 6	Buxtehude	Niedersachsen	19,800	96%
Lindauer Str. 34	Wangen	Baden-Württemberg	19,510	97%
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%
Eisenbahnstr. 15	Tuttlingen	Baden-Württemberg	19,047	97%
Konrad-Adenauer-Str. 10	Langenhagen	Niedersachsen	18,892	100%
Poststr. 6	Beckum	Nordrhein-Westfalen	18,831	100%
Bismarckstr. 12/Fr.Hoffmann-Str.	Steinfurt	Nordrhein-Westfalen	18,800	100%
Lagerstr. 1	Meschede	Nordrhein-Westfalen	18,683	100%
Bahnhofstr. 3	Osterburken	Baden-Württemberg	18,498	100%
Bahnhofstr. 43	Riesa	Sachsen	18,275	90%
Bahnhofstr. 33 U. 33 A	Stendal	Sachsen-Anhalt	18,200	93%
Friedrichstr. 2	Monheim	Nordrhein-Westfalen	18,156	100%
Königstr. 20	Brilon	Nordrhein-Westfalen	17,733	76%
Kornmarkt 15	Osterode	Niedersachsen	17,690	100%
Marktstr. 51	Essen	Nordrhein-Westfalen	17,661	100%
Bahnhofstr. 18a	Wedel	Schleswig-Holstein	17,020	94%
Übacher Weg 4	Alsdorf	Nordrhein-Westfalen	16,991	100%
Trierer Str. 4-6	Heusweiler	Saarland	16,867	92%
Niederwall 3	Lübbecke	Nordrhein-Westfalen	16,563	100%
Hochstr. 31/Postgasse 5	Bochum	Nordrhein-Westfalen	16,359	100%
Sattigstr. 33	Görlitz	Sachsen	16,279	100%
Robert-Koch-Str. 3	Laatzten	Niedersachsen	16,126	100%
Kaiserstr. 35	Minden	Nordrhein-Westfalen	16,043	82%
Poststr. 28	Hemer	Nordrhein-Westfalen	15,782	100%
Bahnhofstr. 33	Sulz	Baden-Württemberg	15,774	82%
Bahnhofstr. 8-10	Borken	Nordrhein-Westfalen	15,893	98%
Am Bahnhof 2	Meldorf	Schleswig-Holstein	15,549	97%
Melanchthonstr. 96	Bretten	Baden-Württemberg	15,501	90%
Hauptstr. 141	Rheda-Wiedenbrück	Nordrhein-Westfalen	15,178	100%

ADDRESS	CITY	STATE	GLA (sq. ft.)	OCCUPANCY AT DECEMBER 31, 2013
Republikstr. 34	Schönebeck	Sachsen-Anhalt	14,985	71%
Poststr. 1/2	Spremberg	Brandenburg	14,763	80%
Im Kusterfeld 1	Backnang	Baden-Württemberg	14,634	99%
Herrlichkeit 7	Syke	Niedersachsen	14,560	94%
Grenzstr. 24	Halle	Sachsen-Anhalt	14,533	100%
Mercedesstr. 5	Hannover	Niedersachsen	14,504	100%
Am Buchhorst 35	Potsdam	Brandenburg	14,042	100%
Bahnhofstr. 41	Eberbach	Baden-Württemberg	13,936	100%
Berliner Str. 4	Albstadt	Baden-Württemberg	13,816	92%
Kolpingstr. 4	Georgsmarienhütte	Niedersachsen	13,725	100%
Münchner Str. 50	Fürstenfeldbruck	Bavaria	13,326	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%
Löbauer Str. 63	Bautzen	Sachsen	12,686	100%
Fritz-Brandt-Str. 25	Zerbst	Sachsen-Anhalt	12,654	100%
Dahmestr. 17	Mittenwalde	Brandenburg	12,631	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	12,667	79%
Poststr. 1	Erfstadt	Nordrhein-Westfalen	12,498	100%
Heidering 23	Hannover	Niedersachsen	12,494	94%
Gorsemannstr. 22	Bremen	Bremen	12,379	100%
Bahnhofstr. 11	Alpirsbach	Baden-Württemberg	12,112	100%
Märkische Str. 58	Düsseldorf	Nordrhein-Westfalen	11,997	100%
Mönchenstr. 15-18	Jüterbog	Brandenburg	11,731	100%
Poststr. 3-5	Barsinghausen	Niedersachsen	11,597	100%
Prochaskaplatz 7	Dannenberg	Niedersachsen	11,334	95%
Kürbsweg 9	Seevetal	Niedersachsen	11,175	100%
Bahnhofstr. 49/49a	Aalen	Baden-Württemberg	11,050	100%
Gutachstr. 56	Titisee-Neustadt	Baden-Württemberg	10,813	100%
Unterstr. 14	Bochum	Nordrhein-Westfalen	10,732	100%
Am Markt 4	St. Georgen	Baden-Württemberg	10,324	100%
Hauptstr. 40	Porta Westfalica	Nordrhein-Westfalen	10,315	100%
Sandstr. 4	Germersheim	Rheinland-Pfalz	10,132	100%
Rensefelder Str. 2	Bad Schwartau	Schleswig-Holstein	9,777	100%
Langfuhren 9	Bad Säckingen	Baden-Württemberg	9,717	100%
Weinbergstr. 50	Bad Neuenahr-Ahrweiler	Rheinland-Pfalz	9,023	100%
De-Lenoncourt-Str. 2	Dillingen	Saarland	8,995	100%
Rosenstr. 1/Fünfhausenstr. 19/21	Springe	Niedersachsen	8,881	100%
Elisabeth-Anna-Str. 11	Wangerooze	Niedersachsen	8,382	100%
Melcherstätte 8	Stuhr	Niedersachsen	8,196	100%
Alte Amberger Str. 28	Grafenwöhr	Bavaria	7,980	100%
Wetterstr. 20/Poststr. 2	Herdecke	Nordrhein-Westfalen	7,702	100%
Total Initial Properties			11,805,481	83.2%
Total Portfolio			15,705,425	86.4%

Trustees

Detlef Bierbaum^{1, 2, 5}
Köln, Germany
Corporate Director

Michael J. Cooper²
Toronto, Ontario
Vice Chairman,
Dundee International REIT

Brydon Cruise^{1, 3, 4}
Toronto, Ontario
President and Managing Partner,
Brookfield Financial

P. Jane Gavan²
Utah, United States of America
President and Chief Executive Officer,
Dundee International REIT

Duncan Jackman^{1, 3, 4}
Toronto, Ontario
Chairman, President and CEO,
E-L Financial Corporation Limited

Johann Koss
Toronto, Ontario
Chief Executive Officer,
Right to Play

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

- 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

Corporate information

Head office

**DUNDEE INTERNATIONAL
REAL ESTATE INVESTMENT TRUST**
State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario M5C 3H1
Phone: (416) 365-3535
Fax: (416) 365-6565

Investor relations

Phone: (416) 365-3538
Toll free: 1 877 365-3535
From Germany: 0 800 189-0344
E-mail: info@dundeeinternational.com
Web site: www.dundeeinternational.com

Transfer agent

(for change of address, registration
or other unitholder enquiries)

**COMPUTERSHARE TRUST
COMPANY OF CANADA**
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Phone: (514) 982-7555 or
1 800 564-6253
Fax: (416) 263-9394 or
1 888 453-0330
E-mail: service@computershare.com

Auditors

PRICEWATERHOUSECOOPERS LLP
PwC Tower, 18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

Corporate counsel

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place, Suite 6100
Toronto, Ontario M5X 1B8

Taxation of distributions

Distributions paid to unitholders in respect
of the tax year ended December 31, 2013
are taxed as follows:

Foreign business income: 47.6%
Return of capital: 52.4%

Management estimates that 45%–55% of
the distributions to be made by the REIT in
2014 will be tax-deferred. The actual deferral
rate is heavily dependent on the euro/CAD
exchange rates.

Stock exchange listing

THE TORONTO STOCK EXCHANGE
Listing symbols:
REIT Units: DI.UN
5.5% Convertible Debentures: DI.DB

Annual meeting of unitholders

Wednesday, May 7, 2014 at 4:00 pm (EST)
St. Andrew's Club and Conference Centre
Main Dining Room
150 King 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.

For more information please visit
www.dundeeinternational.com

